"Global alcohol corporations: What they tell us about themselves and why it's a worry"

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Public health and the role of community stakeholders

In August 2005, the Ottawa Charter on Health Promotion was updated at a WHO conference in Bangkok.

Key points of the 1986 Ottawa Charter on Health Promotion were:

- Participation of communities and non-government organisations in building healthy public policies
- Putting health on the agenda of policy makers at all levels
- "Counteract the pressures towards harmful products…"

What's new in 2005 in the Bangkok Charter for Health Promotion *in a Globalised World*[1] is that the Charter picks up on concerns about industry globalisation and its negative impacts on health:

- Improving health should be at the centre of global and national development
- Ensure that benefits for health from globalisation are maximised and equitable, and the negative effects are minimised and mitigated… through coherent policy at all levels of government.

The globalisation of the alcohol industry is why we, as public health ngos, need international networks for information sharing and advocacy. In the Pacific region we've all been very concerned about the inclusion of alcohol and tobacco in the PICTA free trade agreement, and it's a great relief that this has been deferred for another 2 years.

The Charter includes two strategies that are particularly relevant to this ngo meeting on alcohol policy::

- Regulate and legislate to ensure a high level of protection from harm…
- Partner and build alliances with public, private, nongovernmental organizations and civil society to create sustainable actions.

GAPA members are likely to be concerned that alcohol industry or its social aspects organisations will seek to join those partnerships and alliances. Our experience is that their participation leads to the adoption of ineffective policies that protect their interests.[2]

What are the interests of the globalised alcohol industry? Over the last few months, I've been monitoring what the big global alcohol companies are up to via their websites, annual reports, media coverage, and that's what I want to share with you today: what they tell us about themselves and why it's a worry.

Alcohol is a globalised industry

The way most of us think about breweries, wine makers and distillers is out of date. We picture familiar products as part of local history and national agriculture production. We think about these contributing to the local economy – rather than extracting from the local economy to contribute to a global economy and global corporate profitability.

Brand marketing encourages these myths of origin. Alcohol brand websites and corporate websites nearly all have a story about their product's historic origins. Tradition and history are particularly a theme of products marketed to older drinkers. Brands are embedded into the lives of younger drinkers by linking them with sports and music, through sponsorships and also through website information.

But the modern alcohol industry is very different from the local historical images. Brands, factories, shares and companies have all been changing ownership at remarkable speed in last 10 years. In fact, I've been stunned at the speed of recent alcohol globalisation and global consolidation of ownership. The big alcohol corporations are spreading around the world, gobbling up small local companies and also each other.

Alcohol industry world wide is now dominated globally by about 20 corporations. The current top six are:

beer:	Inbev; SABMiller, Heineken, Anheuser Busch,
spirits/wine:	Pernod Ricard, who just bought Allied Dolmeq; Diageo

Heineken, SABMiller and Diageo have largest global spread, including the China-Asia-Pacific end of the world. As of a few months ago, Pernod Ricard is now the largest global company for spirits and wine. I'd heard of the brands but wasn't really aware of the company until this year. But through their acquisition of the previous No. 2 company, Allied Domecq, they have just acquired half New Zealand's wine industry. Between them Pernod Ricard and the previous No.1, Diageo now own most of the well-known international spirits brands sold here and around the world.

The companies that dominate the beer markets in New Zealand, Australian and Pacific, spreading up into South East Asia and China, are Lion Nathan, DB Breweries and Carlton-Fosters, and these are linked to the global giants through various production and licensing agreements and/or shareholdings. For example, Lion produces Heineken and manages international spirits brands, and Fosters does the same in Australia. The Carlton Foster group dominates beer and spirits in the Pacific Islands through part ownerships of local production as well as imports.

Three faces of global alcohol on the internet

The internet is now very much part of the alcohol industry's marketing and communications strategies. In the late 1990s, alcohol companies began separating out their internet communication for different purpose and different audiences.

Brand websites
Brand websites target particular markets of drinkers. Some companies now have a separate website for each of their many brands. These are highly sophisticated websites, with the very latest in web design and are constantly updated. They are an active means of communicating about the company's sponsorship strategy for the brand; for example, by providing sports calendars (especially of sponsored events), sports news, gig guides, news about sponsored concerts, free music, competitions to attend a rock concert or even to be a rock star for a few days. The websites are highly interactive. You can email things on to your friends – especially competitions – or become a 'member' and be kept up to date with brand and sponsored sports or music news. You can download free screen savers, and even free music from some. You can send in photos of you and your intoxicated friends drinking the product and wearing the t-shirt, and they'll be posted up. There may be a 'shop' with branded clothing, glasses and other items for the loyal drinker.

Brand websites ask viewers entering the site to enter their date of birth and country. The website you see may be specific targeted to your country or region. So Heineken will tell New Zealand web surfers products, events and bars, music, competitions, free downloads in New Zealand. Or you can pretend to live somewhere else and see what's on offer there. Most brand websites also have a tiny message about drinking responsibly, or a link to one of the alcohol industry's 'social aspects' websites where you can learn about responsible drinking.

In looking at alcohol on the internet over recent years, I've also noticed some elaborate, well-maintained 'hobby' websites on beer – that is, websites that would cost more to set up and maintain that one would expect from a keen beer drinking amateur. I've also seen some elaborate 'magazine' or 'gig guide' websites wwws with high alcohol content and no visible means of support.

Corporate websites
Corporate websites are what I've been monitoring recently. These websites communicate with shareholders and target potential investors, so the hype is financial and hardly about alcohol at all. The information in this paper comes mainly from the corporate websites.

'Social aspects' websites
The interests of alcohol corporations are also represented through the websites and other activities of what are called 'social aspects' organisations. These organisations, with innocuous names like Beer Wine & Spirits Council (NZ), the Century Council (USA) or the International Centre on Alcohol Policy, often appear to be ordinary non-government organisations with an interest alcohol issues. They are fully funded by the alcohol industry. They are the responsible public face of the industry, expressing concern and funding programmes about responsible drinking and seeking to influence policy makers and public opinion. Pernod Ricard's website says, for example, that it supports the following social aspects organisations: (US), STIVA (NE), Forum pour l'Education du goût (Belgium), Entreprise et Prévention (Fr), ANEBE (Portugal); Fundación Alcohol y Sociedad (Spain), GODA (Da), PSR Forum (Czech Rep.) DISCA, Alcohol Education Australia, Drinkwise (Aus), Beer Wine & Spirits Council (NZ),Taiwan Beverage Alcohol Forum. New Zealand's Beer Wine & Spirits Councils says more directly than most that it 'represents the non-competitive interests of Lion Nathan and the DB Group'.

So let's look at what the top six global corporations have been up to.

Beer

> "The top 10 brewers worldwide now account for more than half of the entire world's beer. Asia and Eastern Europe are the leaders in growth trends." *Beverage World*, February 2004
>
> "Currently the four leading brewers account for around only 33% of the global market, compared to between 50% and 80% for other consumer sectors. Companies with a global footprint will benefit from the economies of scale that consolidation will bring." CEO, SABMiller, Annual Report 2003

Inbev

Since 2004, Inbev has been the No. 1 global brewer by volume, with nearly 14% of the world beer market. It is No. 2 in 20 other key beer markets. In 2004 it produced 233.5 million hl, an increase of 3.3%, growing at double the rate of world beer market as a whole. It reported a further 4.4% growth for the first quarter of the 2005 year. In 2004 its net turnover was €8,568 million net turnover ($US 9,411 million), a before tax growth of 8.9%.

Inbev was formed in 2004 from a merger of Interbrew, the world No.3 brewer based in Belgium and Ambev, No.2, a Canadian based company. Its three key global brands are Stella Artois, Brahma, Becks. Other brands produced under licence by InBev are Absolute Cut, Budweiser, Castlemaine, plus it also owns local brands in the countries where it operates.

This merger brings together companies that have expanded into Brazil and Central/South America, into Central and Eastern Europe, eg. Poland, and Russia where it had 15.6% of market share in 2004. It operates in Korea and in 2004 expanded its operations in China where it has achieved 5.5% growth for 2005 so far. Inbev has licensing arrangements with Lion Nathan in New Zealand and Australia and bought Lion's China operations from its Kuala Lumpur based holding company. Its reported return on investment in the Asia Pacific region was 7.9% in 2002, 10.6% in 2003 and 5% in 2004.

In regard to marketing, its website says:

> "We believe that developing strong brands requires insights into consumer behaviors and motivations. With these insights, we can build powerful connections and, ultimately, enduring bonds with our consumers."

SABMiller

In June 2005, SABMiller reported total lager volumes of 148 million hectolitres, up 8% on the previous year. Total company turnover was $US14,543, up 15% on 2004, and turnover was up another 10% for first half 2005.

Until 2002, SABMiller was South African Breweries. International expansion was held back by the anti-apartheid boycott, but progressed rapidly after 1999. Its first acquisition was the Czech Republic, and it has made further brewery purchases in Eastern European, including Russia. It is now No.1 or No.2 in the market in the Eastern European countries where it operates.

In 2002 South African Breweries bought Miller Brewing Co, the No.2 brewery by volume in USA, with 8 breweries and another 2 in Central America. It renamed itself SABMiller plc, and is now No.2 brewer in world.

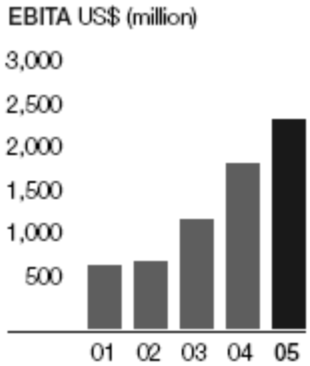
In 2003 it was the largest foreign brewer in China, and has also has operations in 7 other Asian countries. In May 2005, it doubled its stake in India, where it is now the No.2 brewer with 10 breweries. In October 2005, it bought a controlling share of Bavaria, No.2 brewer in South America. It is the No. 1 brewer in Africa, operating in 20 countries. In Africa it also produces soft drinks, including CocaCola (switching from Pepsi a few years ago) and maintains its own bottling capacity.

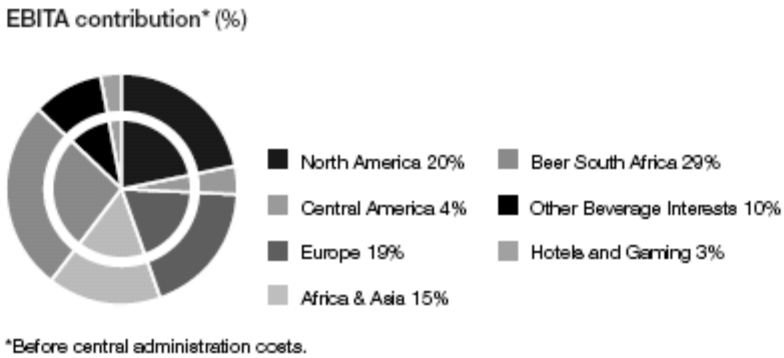
SABMillers in US sport

Its website lists 8 breweries in USA (noting recent success with low carb beer), 2 in Central America, 7 in South Africa (where it also produces the two top alcopop brands), 18 breweries in Europe, and 61 lager breweries and 29 sorghum breweries in 8 Asian and 20 African countries. Sorghum is the grain used to produce traditional ‘cloudy’ African beer. This was traditionally a cottage industry, which SABMiller is industrialising, bringing a large proportion of supply under regulation through liquor licensing.

SABMiller’s global success can in part be attributed to it being used to operating in countries with limited infrastructure. Its website explains some of its strategies. Important international brands may be too expensive for many drinkers in developing countries, so SABMiller reduces production costs (‘helps build local economies’) and transportation costs by using local produce to brew beer in local breweries. It trains local farmers and suppliers to provide what it needs. And, as noted with sorghum beer, it takes over production/ownership of competing local products.

SABMiller interim report for 2005





Heineken

Heineken calls itself the 'most international brewer'. It reports that it is No.2 brewer in the world in profitability, with €10,005m turnover and a net operating profit of €537m. Heineken sells beer in sells in 170 countries and owns 115 breweries in more than 65 countries. In 2004, its beer volume increased 13.8% to 112.6 million hectolitres and it showed 8.1% growth in net profit.

Heineken is the largest beer brand in Europe, and its second brand Amstel is third largest. Heineken also wholesales spirits, wine and soft drinks in Europe. In Italy it also produces Budweiser for Anheuser Busch. Based in the Netherlands, Heineken bought breweries in Germany and Austria in order to expand in these countries and into Central and Eastern Europe. In 2002-2003 it also bought breweries in Russia, Siberia, Hungary, Poland, Croatia/former Yugoslavia.

In 2002 it bought Baru breweries in Panama. In 2003 it changed its licensed producer supplying Chile and Argentina, buying a 50% share of Chilean brewer CCU. In Brazil it has a 20% share in the Molson merger of Kaiser and Bavaria breweries. In 2004, Heineken formed a partnership with Mexican brewer Femsa to target the fast growing Hispanic market in the USA. In South Africa, a Heineken/Diageo/ Namibia Breweries partnership was formed in 2004 with 40 brands. In the Middle East Heineken owns 40% of a new beer company together with Tempo which has 50% of Israeli market; the Heineken brand has 9%. It recently increased its shareholding in a Lebanese brewery from 10% to 79%.

In New Zealand, Heineken and Amstel are DB Breweries brands. DB is now fully owned by Asia Pacific Breweries, owned by Heineken and Fraser & Neave, Singapore. In Australia, Heineken has a joint venture with Lion Nathan, agreed in 2004.

In China, Heineken is buying part-ownerships in the largest breweries in several Chinese provinces. These will produce Heineken beer alongside local brands, using the Chinese brewer's local distribution network and local knowledge for marketing.

Anheuser Busch

Anheuser Brusch makes Budweiser and Bud Light, **'**the two largest beer brands in the world'**.** It is the leading brewer in USA, with 46% of the market. It has recently embarked on an international growth strategy, especially in China. In the last five years, its international income has tripled, to $485 million in 2004. Its 2004 total gross turnover of $US 17,160 includes beer, packaging and family adventure parks, but its operating profits from beer was $US 3,400 million.

Anheuser Busch has been controversial in the USA because of its advertising practices. Budwieser's cartoon frogs are well-known to US children. Its brands are linked to sports, especially major league baseball, music and sponsored concerts, films including product placement. Its 'commitment' to US ethnic minorities includes targeted websites. Its marketing strategy is also nationalistic – indeed, militaristic. Until its most recent expansion, its international operations appear to have followed deployments of US troups. The company boasts ''150 years of military support' and undertook a Budweiser 'Heroes Tour', complete with draught horses, in support of the Iraq war.

In Asia, Budweiser has been brewed under licence in Japan and Korea since 1986. In the Philippines it is brewed by the Asian Brewery. In Japan Anheuser Busch has a partnership with Kirin Breweries and 90% ownership of Budweiser Japan Ltd. Their recent expansion into China is on a different scale altogether. Anheuser Busch makes Budweiser at its Wuhan brewery, it has a strategic alliance with Tsingtao with 50 breweries, and in 2004 it acquired Harbin with 13 breweries. Anheuser Busch also sells Budweiser and other brands in Taiwan, Singapore, Thailand, Guam, Micronesia and other Asia Pacific locations.

Anheuser Busch owns 50% of the leading Mexican brewer and imports its Corona brand into the USA. In Canada Budweiser is brewed under licence by the Inbev Labatt breweries in Canada and the Inbev

Guiness breweries in Ireland. In Italy it is brewed by Heineken. Anheuser Busch brews its own beer in the UK where it is the No.1 packaged beer sold in on-licensed premises.

Marketing through sports is also an international strategy for Anheuser Busch. It has been a sponsor of the US Olympics team since early 1980s. Budweiser was the official beer of the 1996 Olympics in Atlanta. Anheuser Busch paid $US 20m for this sponsorship and spent a further $100m on related marketing. It sponsored the 1998 World Cup soccer at a cost of $US20m, but failed to get the French government to lift its Loi Evin against alcohol sports sponsorship for the event. It also sponsored the 2002 Winter Olympics in Salt Lake City, a Mormon community. This time it was more successful. Starting back in 1996 with a legal challenge, it put pressure on the Utah state government to change a law that limited alcohol advertising to low alcohol beers only. Anheuser-Busch will be the official beer sponsor of the 2006 Olympic Winter Games in Torino, Italy.

Down this end of the world, Fosters sponsored the 2002 Sydney Olympics and Lion Nathan’s band Steinlager sponsors the America’s Cup international yacht race.

Spirits and wine

Pernod Ricard

Pernod Ricard is now No.1 in world for spirits, wine, champagne, liqueurs, with €5,600 million net sales. In June 2005 it bought Allied Dolmeq, the former No.2, selling on some brands and distribution networks to Fortune Brands (Jim Beam). In the process it acquired half New Zealand’s wine industry, as Allied Dolmecq owned Montana and other wineries. As part of the deal, Diageo had an option to buy the New Zealand wine portfolio and decided against it (cost $320m or $750m depending on news source). Pernod Ricard also acquired a base in South Korea.

Pernod Ricard is a French company but 80% of sales are outside France. It is No.1 for spirits and wine in the Asia Pacific region. Its global brands – Chivas, Jameson, Ricard, Ballantine’s, Kalhua, Malibu, Beefeater, Havana Club, Stolinchaya, Martell, The Glenlivet, Jacob's Creek, Seagram’s Gin, Mumm, Perrier-Jouët – are complemented by strong local brands in most regions.

The company doubled in size in 2001 when it acquired 40% of Seagrams. Diageo got other half. Pernod Richard originated in 1974 from a merger of these brands and Campbell whiskies. In the 1980s it acquired companies for Irish whiskies, US bourbon and Australian wines (including some New Zealand ones). In the 1990s it got Cuban rum and top European gin company. It markets its brands through advertising and via sports and culture, including art/classical music for young people.

Pernod Richard had net sales of wine and spirits of €3,490m in 2004, although adverse foreign exchange rates affected group profits that year. €787m (22.6% of sales) was spend on advertising and promotion in 2004, to accompany their ‘premiumisation’ strategy and ‘builds the future of markets with potential’. This was an ‘acceleration’ of 10% globally and 21.3% in their ‘Asian and rest of world’ region (that benefited from exchange rates). In China, it is also promoting responsible drinking through a joint nationwide Anti Drink-Driving Campaign in partnership with the Road Traffic Safety Association of China.

For the first six months of 2005-06, Pernod Ricard reported a 9.4% growth in sales of wine and spirits (followed by a 45% increase in size from the Allied Dolmeq acquisition). This growth is mainly in China, Hong Kong, Singapore (cognacs) and India (a 15% growth in Royal Stag) – despite a slowdown in Thailand and Taiwan. Pernod Ricard is ‘strengthening commercial forces in high growth regions’ in Asia, India and South America.

Allied Dolmecq

Allied Dolmecq marketed premium wines from France, Portugal, Spain, Argentina, USA and New Zealand, as well as two top champagnes, nine of the world's top 100 spirit brands, including brands that are No.1 or No.2 in six key markets. In the USA it also has fast food outlets.

Its key spirits brands are Ballantine's, Beefeater, Canadian Club, Courvoisier, Kahlúa, Maker's Mark, Malibu, Sauza, and Stolichnaya – plus local brands in Germany, Philippines, South Korea, Mexico, Spain, USA and the UK. Allied Dolmecq sponsors 'culture' events linked to these brands.

In New Zealand, Allied Dolmecq spirits brands have been managed by Lion Nathan – until June 2005, at which date the agreement was to end. Allied Dolmecq planned then to market their 'de luxe' spirits alongside their wines. Other spirits were going to Independent Liquor, an alco-pop company which also operates in Australia and Asia. Independent Liquor also operates in Australia, Asia and recently expanded to Europe and North America from a UK production base. Its brands are Purple Goanna, KGB, Vodka Cruiser, Woodstock Bourbon & Vodka Mudshake.

This arrangement suggests different marketing strategies for different target markets for 'premium' and other spirits. I don't know whether the new arrangement will continue or change under Pernod Ricard ownership.

Diageo

Until June 2005 Diageo was the world leader in marketing spirits, wine and beer. In 2004 its turnover was £9,000m, up 4% on the previous year, with a £1,900m operating profit, up 7%. It spends over $1,000m on marketing.

Diageo was formed in 1997 from a merger of Guiness (which included United Distillers) and GrandMet (which included International Distillers & Vintners). In 2001, it acquired 60% of Seagrams (which got overextended in its Asian markets in the 1990s). Its international brands are Smirnoff**,** Johnnie Walker**,** Guinness**,** Baileys**,** J&B**,** Captain Morgan**,** Cuervo**,** Tanqueray**,** Crown Royal and Beaulieu Vineyard and Sterling Vineyards**.**

It operates in 180 countries, including 'emerging markets'. Its Australian, New Zealand and Pacific region is described as 'east of East Timor and west of the International Date Line'. In Asia it operates in Cambodia, Indonesia, Japan, Korea, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam, China, Hong Kong andTaiwan. It is in the Middle East and in India. In Africa it is also a leading brewer, with 10 beweries and licensed beer production in 15 countries as well as 6 distilleries. It also operates in Latin America and the Caribbean.

Diageo has main international spirits brands in New Zealand, operating through a management arrangement with Lion Nathan. In Australia, Diageo spirits are distributed by Carlton Fosters (2003). Its main brands in Australia are Bundaberg Rum, Snirnoff, Johnnie Walker, Guinness, Bailey's, Gordon's Gin and UDL (alcopops). Despite the arrangement with Fosters, it is currently organising a price deal on spirits and Lion Nathan beers in all Coles stores.

As part of a corporate responsibility strategy, Diageo sponsors eco-projects, eg. a Bundeberg Rum Bush Fund to improve water quality, and likes its US and Australian staff to engage in community work.

In October Diageo got pourage rights at the Sydney Cricket Ground and Aussie Stadium for 4 years. Diageo has just signed a $30m five year deal for Bundberg Rum to sponsor Australian rugby union, totally $50m since 2001.

> *"Rugby has achieved record growth in participation, match attendance and TV audiences over the past five years, while Bundy has doubled in size during the period — it's hard to think that is a coincidence."* Tony Scanlan, Diageo/Bundeberg chairman.

Asia Pacific region

The following companies now dominate the Australian and New Zealand alcohol markets:

Beer:	Carlton Fosters. Lion Nathan (Heineken, Stella Artois), DB (Heineken)
Wine:	Fosters Group (South and US vineyards); Pernod Ricard
Spirits:	Diageo; Pernod Ricard

The 2003 Narsey report commissioned by the Pacific Forum reported on alcohol ownership in the Pacific Islands:

Beer: Fosters, Lion and DB all export to the Pacific Islands
Fosters Group owns/ part-owns breweries in Samoa, Fiji, China, Vietnam, India, Fiji
Carlsberg owns 49% of the Royal Beer Company in Tonga brewery

Spirits: Fosters Group part-owns South Pacific Distillery in Fiji, also imports Jamaican rum
Most spirits in Tonga are imported from New Zealand, though little is made here.

China

> "China is the largest beer market in the world with an estimated sales volume of 250 milion hectolitres of beer in 2003." Heineken

> "We believe that China has the greatest potential in the beer industry in the world outside of the United States. China per-capita consumption is relatively low, creating growth opportunities in the beer category. Anheuser Busch, 2003

To recap information in earlier sections, the following global alcohol companies are operating in China. Inbev now has 18 breweries in 6 provinces. They bought Lion Nathan's joint operations, which were one of largest foreign holdings in 1998. Carlsberg, a strong brand in the UK and Europe sponsoring sports, now has 13 breweries in 6 provinces of China. SABMiller was the foreign brewer in China in 2003. In 2004-2005, Heineken Asia Pacific Breweries bought large stakes in DaFuHau, Kingways and Guangdong breweries. In 2004 Anheuser-Busch beat SABMiller to buy Harbin Brewery, China's No.4 in 2004, and has shareholding in 64 other breweries. Fosters also owns breweries in China and Vietnam.

It is not surprising then that since 1999 China's per capita beer consumption has been growing at 5 percent a year.

Global alcohol strategies

From the information provided by the top 20 global alcohol companies in their websites and reports, a set of common strategies can be identified:

- **Refocusing on the 'core business' of alcohol (beer or spirits/wine)**
- **Global marketing of higher priced 'premium' brands.**

For example, Heineken terminated an agreement for South African breweries to produce its brand because the premium sector was expected to grow in coming years' and Heineken preferred to produce and profit directly.

Global alcohol sales strategies are all about marketing a brand image, just like Nike shoes or CocaCola Naomi Wolf's analysis of globalisation and marketing practices applies to alcohol – in fact *No Logo* includes a chapter on alcohol.

- **Targeting 'emerging markets' in developing countries, not just 'saturated' ones in richer countries**

- **Identifying growing or recovering economies**
- **Supporting 'free trade' agreements, lobbying the WTO and challenging national policies as 'non-tarriff barriers to competition'**…[3]

although at this level of global industry consolidation, competition is a fiction. There are several examples in the material above of alcohol companies doing deals with each other, producing or distributing each other's products, buying and selling brands. Moreover, where there is competition within a country, they are…

- **Buying up or buying into the largest competing local brewer,**
  then running international and local brands together.

In industrialised countries, buying up the local competitor may infringe national regulations about competition and market monopoly, and the sale may need to be approved by a government agency. The buyer may need to shed a brand or two to another player in the market. But this strategy is about *global* consolidation, not national monopoly. As the companies tell their shareholders, mergers provide opportunities for cost savings in production and distribution – but this is essentially a *market* strategy. It is about identifying the most profitable bits of the fastest growing and most profitable new markets for alcohol, and retaining and the most valuable segments of mature markets in regions like Europe and the USA.

As SABMiller says:

> "We now have a continuum of businesses from emerging to mature; enabling us to benefit from both value and volume growth. In many cases, there's also an upward trend towards higher value brands as consumers enter the market at the bottom end and others progress towards the premium end."

Most acquisitions and mergers are announced in media releases, but Carlsberg provides a convenient list from 2000 to 2004. Table 1 below shows its 2004 and 2003 acquisitions, mainly in the 'emerging markets' of Eastern Europe and Asia.

What is most striking about the strategy of buying up the local competition is that these global alcohol companies are now so large, they are buying breweries in other countries ***out of their surplus operating profits***. They do not have to get finance from banks or float additional shares to expand. Top companies have been reporting operating profit increases of 7-12% in recent years. On the scale of huge global operations, this works out as a lot of money that needs to be reinvested. Profit itself, as well as 'saturation in the West, helps drive the need to find more markets and more drinkers.

So? – this is successful capitalism in the 21st century. What's wrong with that?

Well, nothing – if they were selling orange juice.

Why it's a worry

Alcohol is now the leading factor in injury and disease in low mortality developing countries [4], such as the Pacific Islands and growing Asian economies. These alcohol giants are expanding rapidly into 'emerging market' countries with few alcohol policies or health services. They have a huge capacity to market alcohol and promote drinking – as part of a desirable middle class lifestyle, as part of sports or music, as part of mateship or masculinity or whatever works best. In countries higher proportions of non-drinkers than in developed countries, even promoting 'responsible drinking' should be recognised as a way of promoting the brand.

For example, Pernod Ricard spent 22.6% of net sales in 2004 on advertising and promotion. Thanks to the Allied Dolmeq acquisition they're 45% larger bigger, so we might estimate that they'll spend around €1100m in the next year (~US$1,250m). Diageo also spends US$1,000m a year on advertising and promotion.

Table 1: Carlsberg mergers and acquisitions, 2002-2004.

Date	Type	Country	Company	Subject (Partner)	Share
28.09.2004	A	China	Carlsberg	Carlsberg and Ongo Investment Pte Ltd. have acquired 34.5% of Wusu Brewery	34.5%
15.07.2004	A	China	Carlsberg	Carlsberg and the Danish Industrialization Fund for Developing Countries (IFU) acquire 50% of the share capital of Lanzhou Huanghe Brewery	50%
23.03.2004	A	Germany	Carlsberg	Carlsberg now 91.55% shareholder of Holsten	91.55%
08.03.2004	A	Denmark	Carlsberg A/S	Carlsberg A/S acquires Orkla ASA's 40% shareholding in Carlsberg Breweries A/S	100%
10.02.2004	A	Tibet	Carlsberg Breweries	Carlsberg and the Danish Industrialization Fund for Developing Countries (IFU) acquire 50% of the share capital of Lhasa Brewery	50%
20.01.2004	A	Germany	Carlsberg	Carlsberg has entered agreements to acquire 51% of Holsten-Brauerei A/S	51%
15.12.2003	A	Poland	Carlsberg Breweries	Carlsberg Breweries increases shareholding in the Polish Carlsberg Okocim S.A..to	85%
10.11.2003	A	Bulgaria	Carlsberg Breweries	Carlsberg Breweries increases shareholding in the Bulgarian brewery Shumensko Pivo to	89%
14.10.2003	A	Poland	Carlsberg Breweries	Carlsberg Breweries increases shareholding in Carlsberg Okocim to	79%
22.09.2003	A	Serbia	Carlsberg Breweries	Carlsberg Breweries acquires 51% of the shares in Pivara Celarevo	51%
14.08.2003	A	Vietnam	Carlsberg Breweries	Carlsberg Breweries increases shareholding in Vietnam	75%
01.08.2003	D	Asia	Carlsberg Breweries	Carlsberg Breweries terminates Asian J/V and takes full control over Carlsberg Asia	100%
16.07.2003	D	Switzerland	Carlsberg Breweries	Feldschlösschen Getränke AG sells its soft drink bottling plant in Eglisau	
01.07.2003	D	Germany	Carlsberg Breweries	Carlsberg Breweries sells its German subsidiary Hannen's production facilities	
10.06.2003	A	China	Carlsberg Asia	Carlsberg Asia acquires Dali Beer (Group) Ltd. Company and Yunnan Dali Beer Joint Stock Company	100%
06.06.2003	A	Turkey	Carlsberg Breweries	Carlsberg increases shareholding in Türk Tuborg	95.3%
27.05.2003	A	Kazakstan	Carlsberg Breweries	BBH acquires Ak-Nar Brewery	100%
26.03.2003	A	Poland	Carlsberg Breweries	Carlsberg Breweries increases shareholding in Carlsberg Okocim	75%
23.01.2003	A	China	Carlsberg Asia	Carlsberg Asia has through Carlsberg Brewery Hong Kong Ltd. acquired Kunming Huashi Brewery Co. Ltd.	100%
06.01.2003	A	Bulgaria	Carlsberg Breweries	Pirinsko Pivo Brewery, public tender increases shareholding	94.5%

Alcohol company money also funds 'social aspects' organisations to influence policy directions – 'to act as an advisor to the public authorities in terms of prevention', as Pernod Ricard puts it. Social aspects organisations repeatedly support ineffective policies and oppose policies that research has shown to be effective.[5] They seek partnerships with ngos to address issues like responsible drinking or drink-drive campaigns, etc. Experience has shown that these partnerships advance the interests of the industry rather than public health, and can lead ngos to change their policies or practices.[6] Examples include alcohol education programmes for teenagers and material for schools – eg SABMiller plc donated £60,000 to Addaction (UK) to educate children about alcohol; Diageo funded ThinkB4Udrink in Australia. Another favourite is drink-driving campaigns. These are very worthy, but persuade people when not to drive, rather than not to drink. Pernod Ricard's new partnership with Road Traffic Safety Association of China has been mentioned. Diageo also has partnerships with governments and/or ngos in 'Safe Roads' campaign in Greece, South Africa, 15 Latin American countries, UK, Sweden Norway, India and Poland.

Corporate social responsibility – or PR

A new strategy adopted by the largest alcohol companies is a response to the anti-globalisation movement's critiques of other global corporations. The alcohol corporations now have statements, policies and reports about Corporate Social Responsibility. These are shaped by the 1999 UN Global Compact to 'bring companies together with UN agencies, labour and civil society to support universal environmental and social principles'. The principles do not include the protection of public health. The gap between trade interests and health is not addressed by the UN Global Compact, which is this is given such attention in the new Bangkok Health Promotion Charter

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The global alcohol corporations' Corporate Social Responsibility policies include some or all of the following:

- business ethics
- reducing environmental impacts – including reduction of water use and carbon emissions
- supporting local communities
- marketing – with minimal codes for industry self-regulation, or support for such codes.

The public relations benefits of such polices with different audiences will be apparent.

Does corporate social responsibility offer some future leverage for public health? It seems unlikely – unless we agree with alcohol companies that the problem is drinker responsibility, not risks inherently related to the product. If we do agree, then corporate social responsibility may lead to more mass media campaigns, alcohol education for young people, and drink drive programmes. Unsurprisingly, corporate social responsibility does not including facing up to selling a product that causes harm, and is unlikely to lead alcohol corporations or their social aspects organisations to support effective policies to reduce that harm, such as taxes affecting price or restrictions on sales or marketing.[7]

All the top 20 alcohol companies emphasis the responsibility of the drinker. A few briefly mention the adverse health impacts of alcohol, in the context of 'responsible drinking', often with a referral to the websites of social aspects organisations. Since the 1970s, Big Alcohol has learned many of its marketing strategies from Big Tobacco, but just one company has learned from the recent law suits against the tobacco industry. Allied Dolmecq's 2004 annual report notes that the industry is facing some tobacco style litigation in the USA. But only Heineken's website covers this risk by giving its customers extensive research-based health information about the health risks of alcohol. Heineken drinkers can't say they haven't been warned.

'Responsible marketing' or public health policy

Corporate responsibility statements include responsible marketing and support for voluntary marketing codes of practice. This is in fact a tactical preference for industry self-regulation to avert possible regulation by governments. Allied Dolmecq states the case very clearly for 'responsible self-disciplined marketing' to avoid a 'regulatory backlash. *"39 countries have imposed new and tighter restrictions on the marketing of alcohol since 2003, and the number is rising."*

Industry self-regulation of alcohol advertising is strongly supported and lobbied for by social aspects organisations and by the corporations themselves. *"Confident that self-regulation is the most effective means of regulating all forms of business communication, Pernod Ricard has been an active participant in developing codes of ethics both on a national and international scale."* Allied Dolmecq has its own code, while other alcohol companies support codes developed by industry organisations, with or without public input.

Some companies also use 'drink responsibly' slogans on their websites and advertisements. Some, particularly in the USA, are responding to public health criticisms with 'responsibility advertising' complete with brand logos. Evaluation research shows that children perceive alcohol corporate ads as simply alcohol advertising; heavy drinkers ignore 'responsibility' messages on ads for cut price bar promotions; corporate responsibility ads on television in the USA appear at time when they are less likely to be seen by teenagers than by their parents.[8]

Responsible marketing and responsibility messages are good public relations but, in my view, allowing industry self-regulation of alcohol advertising is like letting the fox design the chicken coop. Firstly, there is amble evidence that voluntary codes are often ignored or manipulated by the alcohol, advertising and media industries. Since observance is voluntary, the codes are susceptible to collapse, as occurred in Australia and the USA in the 1990s. Secondly, there is now a large body of evidence that shows alcohol advertising – that is, ads that do adhere to industry codes – influences the alcohol attitudes and drinking patterns of children and young people. Codes on advertising standards do not and cannot restrict the ways in which continual advertisements linking alcohol to the desirable lifestyles of young adults makes these products attractive to younger teenagers. [9]

The industry prefers debate to focus on whether statistical studies show that total advertising expenditure increases consumption by the whole population. The evidence from these econometric studies – undertaken in ‘saturated’ markets not ‘emerging’ ones - is less clear cut. The industry also argue for the right to advertising a legal product – in the US, for freedom of commercial speech – preferring to overlook the fact that alcohol is a *regulated* product, for good public health reasons. These arguments have contributed to weak policy and regulation on alcohol marketing.

Policy on alcohol advertising is of key importance, both to the industry and to public health, because alcohol advertising and sponsorship help recruit the next generation of heavy drinkers in industrialised countries and new drinkers in developing ones. As the World Medical Association recently stated:

> Alcohol advertising and promotion is rapidly expanding throughout the world and is increasingly sophisticated and carefully targeted, including to youth. It is aimed to attract, influence, and recruit new generations of potential drinkers despite industry codes of self-regulation that are widely ignored and often not enforced.”[10]

Its importance should also be recognised because brand marketing is central to a globalised alcohol industry. Debates about globalisation include analysis of the ‘commodity chains’ of globalised businesses – that is, the links from the producer to the consumer. With advances in communications and transport, different parts of the chain can be contracted out (‘made under licence’). Design or manufacture or different components can be made in different labour markets at lower cost. To ensure that profits accrue to the corporate shareholders, however, control must be retained over two essential links in the chain – the ‘recipe’ (brand) and the marketing strategy (for the brand).[11] As anyone can make lager or ethanol, policies that affect brand marketing will also affect sales, consumption levels and global profits.

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