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| *www.IowaABD.com* | *Lynn M. Walding, Administrator* |

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| *March 18, 2005* |

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**1. Luck of Irish Irrelevant to Alcohol Use**

By: Derek Lippincott – *Iowa ABD*

March 14, 2005

ANKENY, IA -- Don’t rely on the luck of the Irish to get you home safely on St. Patrick’s Day.

As green beer flows freely during one of the year’s most notorious party holidays, the Iowa Alcoholic Beverages Division reminds partakers to pace themselves and plan ahead. Iowa ABD Administrator Lynn Walding advised those who plan to celebrate St. Patrick’s Day this year by heading to the local pub to moderate their alcohol consumption and designate a sober driver.

“It’s legal to drink green beer in Iowa, you just can’t drink too much of it” Walding observed. “St. Patrick’s Day is a holiday in which people often begin drinking early in the day and continue into the evening. For that reason, it’s important that drinkers pace themselves and not drink too much, too quickly.”

In Iowa, the point of legal intoxication is .08 percent Blood Alcohol Content (BAC). For a 160-pound man, that BAC level can be reached by consuming more than three drinks in an hour. A 120-pound female would reach a .08 percent BAC with more than one drink an hour. The BAC numbers, however, are independent of actual physical impairment. While the BAC numbers vary according to gender and body weight, impairment for anyone begins with the first drink.

One drink will impact a consumer’s ability to track moving objects and to perform tasks requiring divided attention. After two drinks, a consumer’s thought, judgment and restraint become more lax, steering errors increase and vision becomes impaired. After three drinks, increased clumsiness and slowed reaction time make a consumer three-to-four times more likely to crash a vehicle than a sober driver. The risk of causing an accident increases dramatically with each additional drink.

What’s more, the average person can only metabolize about one drink per hour, making it particularly troublesome to partygoers that drink steadily over the course of several hours. “Prolonged drinking poses the risk that a person’s BAC can climb to dangerous levels even though their consumption rate appears to have slowed,” cautioned Walding. “In addition, the common belief that it’s safe to drive an hour after a person stops drinking is completely false.”

Joe Gilbert, manager of Paddy’s Irish Pub in Des Moines, said drunken driving can be especially problematic on St. Patrick’s Day. Irish Pub-themed bars such as Paddy’s typically see immense increases in traffic during that one evening. The greater volume, he added, may lead to greater risk on the road.

“On nights like St. Patty’s Day, you definitely see a larger number of people going out,” Gilbert said. “Plus, it’s traditionally a bar-hopping type of night so you have a lot of people driving from place to place.”

Several Iowa law enforcement agencies deploy extra officers to monitor bars and conduct driver sobriety checks on St. Patrick’s Day. Des Moines Police Lt. Dana Wingert said ensuring public safety requires the extra enforcement effort.

“It’s the nature of the beast,” Wingert said of holiday partying. “The biggest thing is to get out there and make sure people can get home safe. It’s the people that make poor decisions and just take off from the pub that you have to watch out for.”

“For those that exercise bad judgment, it will take more than a lucky four-leaf clover or an Irish jig to keep them safe, sound and out of trouble,” Walding said, emphasizing the importance of drinking sensibly and designating a sober driver. “The luck of the Irish is irrelevant if you’ve had too much to drink,” Walding concluded. “Instead, St. Patrick’s Day consumers should rely on preplanning and moderation as a safer and more responsible alternative.”

For more information, including a complete BAC chart, OWI criminal penalties and a comprehensive cost analysis of an OWI, visit [www.IowaABD.com](http://www.IowaABD.com)

**2. Vilsack Nominates Iowa City Leader**

*Iowa City Press Citizen*

March 16, 2005

Gov. Tom Vilsack on Tuesday formally nominated Iowa City businessman Jim Clayton to the Iowa Alcoholic Beverages Commission.

Clayton, 67, is stepping down as coordinator of the Stepping Up Project, a community coalition against underage and binge drinking.

The five-member state commission is a policy-making and advisory board to the division that regulates alcohol sales in Iowa.

"I think I bring a different perspective on the outcomes of the sale of alcohol," said Clayton, an outspoken critic of bar specials and admitting underage patrons.

He is one of several local nominees announced Tuesday. Each requires confirmation by the Senate.

Others were to medical and health-related boards, as well as commissions dealing with tobacco use and renewable fuels and to the boiler and pressure vessel board.

Clayton's term would begin immediately and continue through April 30, 2009. Clayton said he would advocate for the state to direct some of the revenue from alcohol sales toward substance abuse education, treatment and prevention.

**3. Five Teens Charged With Drinking Vodka on School Bus**

*By: The Associated Press*

March 16, 2005

MAQUOKETA, IA — Maquoketa police have filed charges against five teenagers, accused of drinking vodka on a school bus on the way to school.

One girl from Maquoketa and four teens from Delmar are charged in juvenile court with consuming alcohol in a public place.

Court records say the students were riding the bus from Delmar to Maquoketa High School. Officers said they were drinking a combination of vodka and soda while on the school bus.

Brian Bopes, juvenile probation officer, said the students most likely will face education classes on alcohol consumption. School district officials said school disciplinary procedures will be followed.

**4. CNN Now Accepts Ads for Hard Liquor**

BY: Stuart Elliott - *New York Times News Service*

March 14, 2005



**CNN has become the first news network to accept commercials for distilled spirits. While the ads will be product-oriented, they will also be accompanied by advice for drinking responsibly.**

CNN has become the first national cable television news network to accept commercials for distilled spirits, running a recent spot for Grey Goose vodka during *News Night With Aaron Brown*.

The policy change also affects a CNN sibling, CNN Headline News.

In rewriting its policy to accept liquor advertising for the first time since it began operating in 1980, CNN joins a growing list of national cable channels that run such commercials. The rest, focused on entertainment, financial and sports programming, include BET, Bloomberg, Bravo, E, FX, Fox Sports, Golf Channel, Spike TV, Sci-Fi Channel, Style, USA and VH1.

CNN and Headline News are also joining those cable networks in imposing rules for liquor commercials that are stricter than those for many other advertising categories. For instance, the spots run only after 9 p.m. and must include in some form a message that promotes drinking responsibly. The Grey Goose commercial is appearing around 10:40 p.m.

The policy shift at CNN and Headline News, owned by Time Warner, is emblematic of how much in flux are the traditional standards that media companies use to judge advertising acceptability, particularly as competition proliferates in the form of additional cable and digital-cable channels.

Although the big national broadcast networks -- ABC, CBS, Fox and NBC -- hew to their decades-old policies of refusing to run liquor commercials, the spots are being embraced by more than two dozen national cable networks, hundreds of local cable systems and more than 600 local broadcast stations, all of them eager for new sources of revenue.

''This is something that we've been discussing for quite some time,'' Sal Petruzzi, a spokesman for CNN in New York, said Feb. 28, adding that the network ``thought now would be an appropriate time to move in that direction.''

**STRONG OPPOSITION**

Critics like the American Medical Association and the Center for Science in the Public Interest have long complained that opening the powerful medium of television to liquor marketers will more easily expose the pitches to children and teenagers and further glamorize drinking among impressionable younger viewers.

Petruzzi said the audience for cable news is concentrated ''in the 25- to 54-year-old age range,'' and that the internal restrictions CNN and Headline News are imposing will help ensure viewers see nothing they would consider untoward.

As for CNN's becoming the first news programmer to run liquor commercials, Petruzzi said the move came only after ''a number of other cable networks'' accepted the spots. ''We look at the entire television marketplace as our competition,'' rather than just the news networks, he said.

At Fox News Channel, part of the News Corp., ''it was a News Corporation policy not to take distilled spirit ads when we launched,'' a spokeswoman in New York, Irena Briganti, said last month, ``and we don't see a reason to revisit it now.''

CNBC and MSNBC, part of NBC Universal, do not accept liquor commercials and have no plans to change their policies.

**HEATED BATTLE**

The fight for ad revenue and ratings among the cable networks has become increasingly heated, especially as Fox News Channel has pulled ahead of CNN in ratings and CNN trumpets what it calls its superiority in reaching more affluent, better-educated viewers.

The Grey Goose commercial on CNN is one of four created by DeVito/Verdi in New York that have been appearing for several months on cable networks like E, Golf Channel and VH1; local cable sports networks; and local cable systems. The spot, 15 seconds long, depicts a bartender making wry comments about Grey Goose, which was introduced in 1997 by the Sidney Frank Importing Co. and was acquired last June by the spirits giant Bacardi for an estimated $2.3 billion.

The Grey Goose commercial is part of a scheduled eight-week, 60-spot buy being made on CNN by the brand's media agency, KSL Media in New York, which declined to discuss the budget.

''Grey Goose started out going after the Wall Street Journal crowd, that high-end business crowd, to create its bona fides and justify its premium price,'' said David Sklaver, president of the KSL New York office.

**ADDING IMPACT**

''So this is an opportunity to expose our message to a broader segment of that group, high net-worth individuals and opinion leaders,'' he added, ``which I think will add a lot of impact.''

In addition to the Grey Goose commercials all carrying a message about drinking responsibly, Sklaver said, a certain number of the spots, to be determined, would be devoted entirely to the subject. Most of the other cable networks carrying liquor commercials ask or require the advertisers to devote some spots to that theme while the rest can be product-focused.

The most recent effort by a broadcast TV network to carry spots for distilled spirits came in December 2001 when NBC ran a series of commercials sponsored by Smirnoff vodka, sold by Diageo, that promoted designating a driver before going out to drink. Those spots were to be followed in April 2002 by product-focused commercials for Smirnoff and other Diageo brands. But a month before that, NBC, citing a fierce outcry from critics, ended the experiment. Since then, no broadcast network has run a liquor commercial.

With broadcast network TV off limits, Diageo turned to the alternative outlets to run its commercials, as did other large distillers like Allied Domecq, Bacardi, Brown-Forman, Fortune Brands, Frank Importing and V&S Vin & Sprit of Sweden. The brands being advertised, in addition to Grey Goose, include Absolut vodka, Baileys liqueur, Jim Beam bourbon, Bombay Sapphire gin, Jack Daniel's Tennessee whiskey, Captain Morgan rum, Chivas Regal Scotch whiskey, Crown Royal Canadian whiskey, Finlandia vodka, Patron tequila and Southern Comfort liqueur.

In addition to the loosening of acceptability policies by many TV outlets, a barrier also fell when NASCAR lifted a ban on sponsorships of cars by distilled-spirits marketers. Among those sponsoring cars are Brown-Forman and Diageo.

''The NASCAR deal has definitely drawn more interest in outreach to spirits companies'' by media companies, said Frank Coleman, senior vice president at the trade organization known as the Distilled Spirits Council of the United States.

5. Laphroaig 10-Year-Old Cask Strength Named 'Best Scotch Whisky in the World'

*Press Release*March 16, 2005

ISLAY, Scotland, March 16 /PRNewswire-FirstCall/ -- Renowned for its intrinsic boldness, massive explosion of smokiness and powerful taste, Allied Domecq's Laphroaig 10-Year-Old Cask Strength has achieved a most prestigious recognition: 2005's Best Scotch Whisky in the World.

This coveted honor was bestowed on Laphroaig 10-Year-Old Cask Strength by Whisky Magazine during its bi-annual quest to determine the world's best whisky. After four months of 'blind' taste tests, one hundred of the world's foremost Whisky writers, tasters and aficionados selected Laphroaig 10-Year-Old Cask Strength over some strong competition. More than 60 whiskies from three continents and five different Whisky-producing nations vied for the top honor, but none could compete against Laphroaig's unique flavor. Not only did Laphroaig 10-Year-Old Cask Strength win the distinction as the world's best Scotch whisky, but it also was awarded the highest score of all the whiskies tasted -- a crowning achievement solidifying the spirit as the ultimate champion.

"We are absolutely honored that Laphroaig 10-Year-Old Cask Strength was awarded this great accolade," said Kevin McCarthy, Brand Director, Scotch Malts Portfolio at Allied Domecq Spirits, North America. "After 200 years of dedicated work, we are humbled to be given such a tribute."

The rich gold color of Laphroaig 10-Year-Old Cask Strength reflects its vibrant quality. It is a full-bodied, straight-from-the-cask malt bottled at natural strength, with unparalleled smokiness that captivates the senses. Bottled on the remote Atlantic Ocean island of Islay, Laphroaig captures the sea's essence, giving it an initial hint of salt flavor with a surprisingly sweet finish. As uncompromising as the weather on its island of origin, Laphroaig 10-Year-Old Cask Strength is not for the faint of heart, and is sure to delight the most daring single malt connoisseur.

**6. Industry Honors Kentucky’s Best: Buffalo Trace Distillery Named 2005 ‘Distiller of the Year’ by Whisky Magazine**

*Press Release*

March 15, 2005

FRANKLIN COUNTY, Ky., March 15 /PRNewswire/ -- An international audience has spoken and Buffalo Trace Distillery was named "2005 Distiller of the Year" by Whisky Magazine at the annual "Icons of Whisky" dinner held in London, England, Thursday, March 10th in conjunction with WhiskyLive London. Buffalo Trace was up against such notable distillers as Allied Domecq, Chivas Brothers, Diageo, Gordon MacPhail and Four Roses.

In recent years Buffalo Trace has been recognized for cutting-edge bourbon production by such industry publications as Malt Advocate Magazine, The San Francisco World Spirits Competition and The International Wine and Spirits Competition. "What an incredible honor. We couldn’t be more proud," said Mark Brown, president of Buffalo Trace Distillery. "Such recognition by the industry is overwhelming. Everyone at Buffalo Trace takes great pride in the whiskies we produce and to receive this award is a validation of our efforts."

Whisky Magazine has been presenting this award for 5 years and this is the first time an American distiller has ever received the high distinction. Results were based on a poll of industry experts including: writers, retailers, whiskey producers and independent bottlers from around the world. "It’s not a moment too soon that an American Distiller has won this award," said Damian Riley-Smith, Managing Director of Whisky Magazine. "Bourbon whiskey is beginning its crusade around the world and it’s an honor to acknowledge a distiller who is at the forefront of that crusade."

Several of Buffalo Trace’s whiskies were also honored at the event. In the category of "Best American Whiskey -- over 10 years of age" five of the eight winners were from Buffalo Trace, including: Eagle Rare 17 yr. old, George T. Stagg 16 year old, Sazerac Rye 18 yr. old, Pappy Van Winkle Family Reserve Rye and the "Best American Whisky 2005" was Pappy Van Winkle Family Reserve 15 yr. old. Buffalo Trace has garnered more awards since 1990 than any other North American distillery -- over 130 awards for more than 14 different brands.

**7. Pernod Profits Boosted by ‘Premiumisation’**

*NOVIS*

March 17, 2005

A shift towards higher sales of premium products has helped France’s leading drinks group Pernod Ricard to post a 5.1 per cent increase in net profits for 2004, shrugging off the impact of exchange rate fluctuations.

The company, which is the third largest wine and spirits producer in the world, reported sales of €3.5 7 billion for the year, just 1.1 per cent higher than in 2003 as a result of foreign exchange impacts and disposals, but said that organic growth – excluding both these factors – was 5.4 per cent, a direct reflection of the shift towards more upmarket products.

Gross profits from the wine and spirits business (which accounts for all but 2.3 per cent of sales) grew by 7.1 per cent on an organic level, and rose more quickly than sales as a result of the ‘premiumisation’.

This was also the reason for the solid profit growth. Net profits rose by 5.1 per cent to €487 million, and while operating profits were just 0.5 per cent higher than 2003 at €742 million, this reflected an 8.6 per cent negative impact from currency fluctuations. Organic operating profit growth was 8.9 per cent.

The move towards a greater mix of premium brands began with Pernod Ricard’s acquisition of part of the Seagram portfolio back in 2000. That deal gave them two brands in particular – Chivas Regal Scotch and Martell Cognac – that have led this shift.

Both brands had always benefited from a premium image, particularly among Asian consumers, but both had also been left to stagnate a little under the Seagram management. Pernod Ricard understood the potential of the brands and immediately began investing in new marketing and promotional campaigns to support their development.

Indeed, this strategy has now been expanded to the whole of the group’s portfolio, with increased marketing expenditure seen as the best way of developing brand growth in the long term, especially in light of the ever growing competition from the likes of Diageo and Allied Domecq. Organic growth in advertising and marketing expenditure during the year was 10.5 per cent, but was largely offset by the strong profit performance and tighter cost control.

It is perhaps no surprise, therefore, that the main drivers of growth for Pernod Ricard in 2004 were the Asian and American markets, where Chivas and Martell have a strong following. Chivas and Martell sales in Chinese Asia, and Chivas sales in South and Central America, were singled out for particular praise.

Patrick Ricard, chairman & CEO of Pernod Ricard said: “These are good results. The factors which enabled us to achieve them, like the development of our premium brands and our leading position in high potential markets, are in place and growing the business. I look forward to the future with confidence.”

With its restructuring complete (focusing the company on its wine and spirit business after the sale of various operations such as Orangina, its fruit preparations arm and its drinks wholesale unit), Pernod Ricard is very well placed to benefit from ongoing growth, provided it can continue to invest in marketing and product innovation.

The company is particularly keen to move further down the premium route in sectors which have traditionally been perceived as more downmarket, in particular pastis. The anis brands after which the company is named have disappointed (Pastis 51, the main Pernod brand, saw its volumes drop by 6 per cent to 1.8 million 9-litre cases in 2004, while stablemate and arch rival Ricard slumped 3 per cent to 6 million cases) as French consumers have switched to more upmarket products, and the need for a new image is nowhere more necessary than for these products.

The company has already revamped the bottle design and marketing for these two brands, as well as rolling out spin offs such as premix Ricard Bouteille, the lemon-flavoured 51 Citron and Djangoa, a liqueur mixing chocolate and anis, but it is still too early to tell whether this will have the desired effect and attract new drinkers to the category.

Innovation will continue to play an important part in the premiumisation of the company’s portfolio as a whole, however. The recent launch of a premium liqueur, Gloss de Suze, is just the latest in a long line of product launches building on established brands, and this strategy – along with a return to the takeover market – is likely to form the crux of Pernod Ricard’s business for the next few years.

**8. Three Markets in One: Beer, Wine and Spirits Compete for the Hearts and Minds of Alcohol Beverage Consumers**

By: Jeff Cioletti - *Beverage World*

February 15, 2005

This time last year when beer industry observers were bemoaning the category's flatness in the prior 12-month period, the common rationale was that the beer market was feeling the effects of a "perfect storm" of circumstances: the Iraq war, the yet-to-recover economy and unusually wet weather across much of the United States in 2003. Those circumstances were helpful explanations for short-term performance, but when it comes to figuring out trends that reach somewhat further, the words wine and spirits tend to pop up quite a bit.

For some time now the moderate surge in wine and spirits consumption has been taking its toll on beer's share of the alcohol beverage business, creating a competitive environment that transcends the three categories. It's no longer just beer versus beer, wine versus wine or spirit versus spirit, but all of those engaged in a battle royal in a single, grander beverage alcohol arena.

"We're all competing with one another for the same drinking occasions," declares David Ozgo, chief economist for the Distilled Spirits Council of the United States (DISCUS). "And, from a scientific standpoint, alcohol is alcohol."

Guy Smith, executive vice president of external affairs for Diageo North America (Norwalk, CT, USA) witnesses that market dynamic in action daily. Diageo gets to have its cake and eat it too, in a sense, as it markets brands from all three alcohol beverage categories.

Different drinks suit different needs and Smith feels his company has products to meet all of those. In today's market, Smith notes, it would be a significant miscalculation to pigeonhole a consumer as a drinker of just one type of product.

"Think about the average weekend," says Smith. "On Friday night you go to a hockey game or a baseball game and have a beer with a hot dog, Cracker Jacks or whatever. On Saturday there's a brunch and you might have a Bloody Mary. Then you go to a cocktail party where you might have a Scotch. With dinner, you'll have wine and then after dinner you could have a Hennessy, a Baileys, another glass of wine or maybe a single-malt. And you haven't even gotten to Sunday yet! The consumer goes back and forth based on where they want to be."

And that, of course, is where marketers — especially those that could use a good share boost — need to be.

**Winners' circle**

David Rehr, president of the National Beer Wholesalers Association (NBWA), recommends visualizing the alcohol beverage market as a series of concentric circles (see diagram, page 24). The object of the game is to focus on the area where those circles intersect and grow that as much as possible. Think of it as the beverage equivalent of the fabled Swing States.

"If we can encourage more people to drink [our products], then it helps everybody, the spirits people, the beer people and the wine people," says Rehr. "As part of that, more importantly, we want to make sure beer's share goes up and not down."

Despite shrinking alcohol share, it's important to note that the beer category is in no credible danger of being surpassed financially or volumetrically by its rival segments any time soon. Beer still enjoys quite a comfortable lead in dollar sales over competing alcohol beverage products.

"Let's keep in mind that the beer segment sales are higher than ever and overall US sales in the alcohol beverage category also are up," says Jeffrey Guice, editor and publisher of Darien, CT, USA-based Beer, Wine & Spirits Industry Newsletter. "Even if the beer segment is losing market share within the alcohol beverage category, the beer segment outlook is still very positive."

According to figures released by Beverage Marketing Corporation and Adams Business Media, beer generated about US$31.5 billion in wholesale dollar sales in 2003, while distilled spirits accounted for slightly less than half of that, with US$15.2 billion. Wine sales totaled about US$9.6 billion. In wholesale dollar terms, beer, spirits and wine represent respective 55.9-percent, 27.0-percent and 17.1-percent shares of the US alcohol beverage business. However, the share numbers favored beer considerably more in 1998 when the breakdown was 61.4 percent, 23.3 percent and 15.3 percent, respectively. It's a trend that had been several years in the making.

**The back story**

After enjoying nearly two decades of virtually uninterrupted per capita growth between the mid 1960s and early 1980s, per caps for beer began to slip. Per capita consumption reached its pinnacle in 1981, when the average beer consumer was drinking 24.6 gallons per year, according to Beverage Marketing Corporation, but by 2003 it had fallen to 21.6 gallons, its lowest level since 1976. The compound annual growth rate (CAGR) for the five-year period from 1998 to 2003 was only 0.4 percent. And beer's numbers are not likely to change in the short term, as preliminary Beverage Marketing Corporation single-year figures suggest a 0.4-percent increase for the industry in 2004.

Conversely, the steady decline in spirits per caps that began in the late '70s started to reverse itself in the late '90s. In 1997 the category reached its lowest per capita level of 1.23 gallons and continued to work its way up to 1.33 gallons by 2003. Overall spirits volume peaked in 1981 at 449.5 million gallons before its gradual decline commenced. Between 1982 and 1997, there were only three isolated years in which the category posted gains. But since 1998 the spirits segment has experienced low-single-digit growth each year. Spirits posted a 1998-2003 CAGR of 2.5 percent.

As for wine, between the early 1950s and mid 1980s per capita consumption nearly tripled to an all-time high of 2.48 gallons. Then, like the spirits category, it entered its dark period of steady decline, bottoming out at 1.72 gallons in 1993. But in 1994 the tide began to turn and wine per caps have climbed steadily ever since, reaching 2.16 gallons in 2003. Wine had the best CAGR of the bunch with 3.5 percent for 1998-2003.

**The grapes of cash**

There were a few major factors that helped get the wine corks a-poppin': a massive US grape glut and the arrival of dirt-cheap options like Charles Shaw, better known as Two-Buck Chuck. "Two-Buck Chuck, and eventually others, offered the millennial generation the opportunity to sample wine, which is perceived to be a much more sophisticated product, over beer," says Beer, Wine & Spirits Industry Newsletter's Guice.

Additionally, hip packaging and marketing from the likes of Aussie import Yellow Tail and others have sought to make wine a desirable option for the recently legal. Tony bars and restaurants in cosmopolitan locales often display collectible postcards for the brand in "Go-Card" bins in their foyers or outside their restrooms — grabbing a captive audience of trendy line-waiters.

The industry, according to Guice, also has attracted that demographic's parents by capitalizing on medical studies that found moderate wine consumption to be a healthy addition to their diets. "The baby boomers took advantage of this new information, combined with much more affordable prices, and consumer consumption expanded to new levels," Guice reports.

**Spirits rise**

From a regulatory standpoint spirits marketers historically have had the most obstacles to overcome. But in recent years they've managed to score a few noteworthy victories, which have played some role in the category's mini-renaissance of late.

One playing field the spirits industry has been fighting hard to level — and in a number of cases succeeding — has been product tastings. While it's fairly easy for a consumer of legal drinking age to walk into a winery or wine seller and participate in a sampling session, there's a lot more red tape for spirits companies to overcome. DISCUS has been working to eliminate a lot of that and has been fairly successful in doing so thus far. About six years ago the organization launched an aggressive campaign to persuade states to lift their bans and since then has managed to get the laws changed in a dozen states. Today a total of 39 states allow some kind of spirits tasting, on-premise, off-premise or both. "It's important from the standpoint that if you're looking to buy a $60 bottle of Scotch, you might want to taste it before you're going to buy it," notes DISCUS's Ozgo. "Very often it's not necessarily a high-end product, it's a lower-priced product. But what they're doing is showing new ways to use that particular vodka or rum in a new drink."

Spirits marketers also are benefiting from a slightly more level playing field in the area of Sunday sales, which traditionally has been more available to wine and beer. In the past three years 11 states joined the ranks of those permitting sales of spirits on Sundays, thanks in part to the ongoing efforts of organizations like DISCUS. But, most spirits marketers agree, there's still much work to be done. Diageo, which markets products from all three alcohol categories, looks forward to the day when all consumers across the US have equal access to the three types of products. "We do not think there should be any difference in the way beer, wine and spirits are treated in the marketplace," says Diageo's Smith. "Why is it okay to buy beer on a Sunday and not a bottle of gin? Why does the license to sell beer and wine cost a tiny little amount of money in the United States and spirits cost a huge amount of money?"

A third area that likely has helped give spirits a boost is the category's increased access to advertising. Until 1996, spirits marketers had been adhering to a self-imposed ban on TV advertising that spanned nearly five decades. While spirits are still not on network TV (the closest they came was an aborted NBC deal to run Diageo ads a few years ago), they're hard to miss on cable and local network affiliate stations. "It's still not completely level [with beer] but we are in every market," reports Ozgo. "There are somewhere around 500 cable and network affiliate stations that will take our advertising, even though the networks themselves won't take it."

In just five years, spirits marketers' total TV ad spend increased twenty fold. By 1999, three years after companies ended their self-imposed exile, money spent on the medium totaled only about US$4.5 million, according to Ozgo. By the time 2004 numbers are reported, he expects the total TV ad spend for last year to be about US$100 million. "It's nowhere near the $800 million-plus for beer, but the fact that we're in there now is a big help."

TV may have helped the spirits category in a more indirect way. Shows like Sex & the City helped nurture the cocktail culture that started to emerge in the late '90s, giving mixed drinks a much-needed image boost. "Just look at how our product is portrayed on television," Ozgo suggests. "If you go back to the 1950s, 1960s and 1970s, the perception of spirits was Humphrey Bogart pulling up to the bar and saying 'give me a whiskey and leave the bottle,' -— kind of the he-man, drinking-to-get-drunk image. Contrast that with [Sex & the City's] Samantha and the girls drinking pink cosmos. So, culturally the image is changing and rightfully so. There's a kind of romance behind the cocktail culture. There's something special about people sitting down for a cocktail. Even if you're not in a restaurant or a bar and you're at home you can create an event for yourself."

**Excitement brewing**

If beer wants to boost its growth numbers, it must become a part of that culture. It may be the leading alcohol product from a volumetric and dollar sales standpoint, but when it comes to image, it generally lags behind the other two. Wine and spirits have had the easy edge on the sexiness scale, but current efforts of beer marketers and industry organizations could help turn the tide.

NBWA has established a Share of Stomach Taskforce, which explores opportunities to get beer's message at the top of retailers' and consumers' minds. "It's about making beer more interesting," NBWA's Rehr explains. "Both the wine people and the spirits people have done well with packaging and flavoring innovation, making it seem more interesting, making it more hip. And we just have to realize that they're our allies, but they're also our competitors."

Beer, Wine & Spirits Industry Newsletter's Guice emphasizes education as a primary tool in building the beer business. Part of that involves venturing into territory that's been a major wine stronghold. "Beer marketers should be more aggressive in bringing the product directly to the consumers," Guice advises. "You can find a wine tasting just about anywhere on any given night. With all the sub-categories within the beer segment, I'd like to see weekend beer festivals across the US."

Food pairing is another area that beverage marketers previously had taken for granted as wine's domain, but beer marketers and industry organizations increasingly have been getting in on the action. Belgian-style craft brewer Ommegang (Cooperstown, NY, USA), for instance (see Brandstand, page 12), has had much success with its "Great Food Deserves Great Beer" series, in which participants learn how to best serve their palates with the right brews. Industry organizations also have been publishing cookbooks that incorporate beer as key ingredients in their recipes.

Additionally, beer marketers are beginning to pay greater attention to on-premise venues, which currently account for only about 25 percent of its volume. Enhanced promotional activity, as well as bar-and-wait-staff training, are critical elements in marketers' strategies to secure a larger slice of the on-premise pie. A few minor tweaks in waitpersons' selling scripts could make all the difference. In addition to asking patrons if they'd like a cocktail they could be suggesting beers to whet their appetites.

And then there's the "I" word.

"Product innovation is the best solution to build the beer segment market share," Guice suggests. "The more choices the consumers have, they longer they will continue to stay within the beer segment."

That would be a welcome development for Rehr, who sees the beverage market continuing to move in complicated directions that extend even beyond alcohol.

"It's not just liquor versus beer versus wine, it's beer versus liquor versus soft drinks versus New Age beverages versus energy drinks," he observes. "Consumers have a lot more choices and opportunities, which is great, but I think it also means that all the segments — whether it's energy drinks, liquor or beer — need to be more on their toes about how to grab those people and hold those people."

**9. College Alcohol Problems Exceed Previous Estimates**

*Press Release - National Institute on Alcohol Abuse and Alcoholism*

March 17, 2005

The harm caused by alcohol consumption among college students may exceed previous estimates of the problem.  Researchers report that unintentional fatal injuries related to alcohol increased from about 1,500 in 1998 to more than 1,700 in 2001 among U.S. college students aged 18-24.  Over the same period national surveys indicate the number of students who drove under the influence of alcohol increased by 500,000, from 2.3 million to 2.8 million.  The new findings appear in the 2005 issue of the Annual Review of Public Health, now online at http://arjournals.annualreviews.org/loi/publhealth.

"This paper underscores what we had learned from another recent study - that excessive alcohol use by college-aged individuals in the U.S. is a significant source of harm," said Ting-Kai Li, M.D., Director of the National Institute on Alcohol Abuse and Alcoholism (NIAAA), part of the National Institutes of Health (NIH).

"The magnitude of problems posed by excessive drinking among college students should stimulate both improved measurement of these problems and efforts to reduce them," added the report's lead author Ralph W. Hingson, Sc.D, Professor at the Boston University School of Public Health and Center to Prevent Alcohol Problems Among Young People.

As a member of the NIAAA Task Force on College Drinking, Dr. Hingson and other researchers reported in 2002 that alcohol contributed to an estimated 1,400 injury deaths among college students age 18-24 in 1998.  A subsequent change in college census methodology that increased the estimated number of 18-24 year olds who were college students in 1998 led to an upward revision of that estimate to about 1,500 deaths.  The same methods were used to calculate the 2001 estimates in the current review article.

Dr. Hingson and colleagues from the Schools of Public Health at Boston University and Harvard University gathered information about drinking and its consequences among college students for the year 2001.  Their analyses included data from the National Highway Traffic Safety Administration, the Centers for Disease Control and Prevention, the National Household Survey on Drug Abuse, and the Harvard College Alcohol Survey, as well as national coroner studies and census and college enrollment data for 18-24 year olds. They compared the 2001 data with similar analyses of 1998 data that they published in 2002.

"In both 1998 and 2001 more than 500,000 students were unintentionally injured because of drinking and more than 600,000 were assaulted by another student who had been drinking," said Dr. Hingson.  "We must remember, however, that since the 18-24 year old non-college population vastly outnumbers the college population, they actually account for more alcohol-related problems than do college students.  For example, while 2.8 million college students drove under the influence of alcohol in 2001, so too did 4.5 million college-aged persons who were not in college."

Dr. Hingson and his colleagues propose data collection practices that they believe would improve future analyses of the consequences of college drinking.  For example, they call for alcohol testing in every injury death in the United States.

 "The data already collected on the numbers of alcohol-related fatal crashes annually in each state has proven invaluable to researchers seeking to study the effects of state-level legislative interventions to reduce alcohol-related traffic deaths," they note.  "Unfortunately, without comprehensive testing for alcohol and determination of college student status of all persons who die from falls, drownings, poisoning, homicide, suicide, and any other kind of injury, we lack the most dependable yardstick by which to measure the magnitude of alcohol-related fatal injuries among college students, and whether this figure is changing over time."

The researchers conclude that greater enforcement of the legal drinking age of 21 and zero tolerance laws, increases in alcohol taxes, and wider implementation of screening and counseling programs, and comprehensive community interventions are among the strategies that can reduce college drinking and associated harm to students and others.

**10. Beer Industry Needs to Follow its Own Rules for Advertising**

By: Robert Reynolds – *MercuryNews.com*

March 17, 2005

When the president of a national law enforcement organization asked Anheuser-Busch to stop running a commercial making fun of stealing beer and running away from the police, a vice president of consumer affairs from the world's largest beer company wrote back basically saying, what's the matter, can't you take a joke?

That's the way the beer industry responds to complaints about its advertisements that appeal to children, demean women, encourage overconsumption or resort to bathroom humor. If you send a complaint to the Beer Institute about women ripping their clothes off on Saturday afternoon TV beer spots, it gets routed to the brewery that produced the ad, where an executive handler responds that the company is very concerned about promoting responsible drinking and following the industry's advertising code and thank you very much for writing.

Contrast that to what's done at the Distilled Spirits Council of the United States (DISCUS), a trade association of distillers that doesn't include the breweries. DISCUS has a code review board made up of board members that takes all complaints, investigates them and asks distillers to pull ads that violate the industry's advertising code. It also releases to the public a semiannual report on complaints. The first report, released this month, reviewed 14 complaints, including one of a bra-and-panties-clad woman on her hands and knees serving drinks from a tray on her back.

Most of the offensive ads were stopped after DISCUS notified the advertiser, although with some, including the aforementioned woman-as-drink-tray, the distiller simply ignored the admonishments.

That shows the shortcomings of voluntary compliance; regulatory guarantees could ensure that such ads don't appear in the first place. But for the alcohol industry, DISCUS's code compliance effort is certainly something new, and a step in the right direction. It's certainly much more than the beer industry is willing to do.

Beer is where we need advertising code compliance the most. Beer is the intoxicant of choice for underage drinkers; a recent national survey showed that about half of all high school students drink beer. Alcohol remains a far bigger threat to young people than all illegal drugs combined. It's a major contributing factor in the four leading causes of death for young people: traffic crashes, injuries, homicide and suicide. Meanwhile, kids see so much beer advertising that when asked in a recent survey about their favorite television commercials, more teens named Budweiser than any other brand.

The beer industry does have its own advertising code. And while it's weaker than the codes for the spirits and wine industries, it includes an array of proscriptions, such as rules against portraying excessive and irresponsible drinking or using language, music or cartoon characters that appeal to underage kids. It also includes passages insisting that advertisements ``should not portray sexual passion, promiscuity or any other amorous activity as a result of consuming beer,'' and ``should reflect generally accepted contemporary standards of good taste.''

Anyone who watches TV or leafs through magazines knows that some beer ads break all these rules. And that's exactly the problem. There's no process to ensure that breweries comply with their own industry's advertising code. Hence, it's violated every day.

When asked, the Beer Institute general counsel said enforcing the beer industry's advertising code ``is not our job.''

The beer industry's failure to enact an effective process to ensure compliance with its own advertising and marketing code is irresponsible, especially since beer is so heavily marketed -- more than $1 billion is spent on advertisements each year. Beer needs to take the lead from distilled spirits, and turn its professed concern about responsibility into something more than eyewash.

**11. Steroids? Alcohol is Real Problem**

By: Joan Ryan - *San Francisco Chronicle*

March 17, 2005

Congressman Tom Davis claims straight out that steroids are a public health crisis. That is why he and his colleagues on the House Government Reform Committee have gone to the trouble of summoning some of the biggest stars in baseball to Capitol Hill to testify today. It's about -- all together now -- protecting our children.

OK. Let's say the motive for this steroids hearing is, in fact, about protecting America's kids from the harmful influence of sports leagues that care only about boosting ticket sales and TV ratings. Then I imagine we can expect a big ballyhooed hearing soon on the substance that is most glorified by sports leagues and kills more kids every year than every other drug combined.

**Alcohol.**

No single industry promotes the consumption of alcohol among teenagers as much as college and professional sports.

Nebraska Republican Rep. Tom Osborne knows a bit about college and professional sports. He played for the 49ers, then coached the University of Nebraska football team for 36 years. He says that during all those years on the Nebraska campus, he dealt with only three students who abused steroids -- and thousands who abused alcohol.

"Probably 85 to 90 percent of the negative incidents on campus, whether dealing with players or other students, were in some way related to alcohol,'' Osborne said by phone from Washington, D.C. "About 70,000 sexual assaults each year are related to alcohol, and 500,000 injuries.

"We have justifiable anxiety over 1,500 (American) deaths in Iraq of a two-year period, but alcohol kills 1,400 college students annually.''

That, said Rep. Tom Davis, R-Va., of the House Government Reform Committee, is a public health crisis.

This is why, as his colleagues delve into baseball's secret little underworld of serums and syringes, Osborne will be elsewhere. He'll be calling upon the National Collegiate Athletic Association to ban alcohol commercials from all radio and TV broadcasts of the "March Madness'' NCCA basketball tournament, which starts today.

"Colleges and universities continue to take money from beer companies whose ads glamorize drinking and target a youthful audience,'' Osborne said. "They're sending very mixed messages to their students, because every college president will tell you that the No. 1 problem on their campus is alcohol.''

The 1,400 college students who die each year from alcohol-related injuries translates to three or four students every single day. Try to find any reputable research that says steroids has killed a single child. There isn't any. Several suicides have been linked to steroid use, but as tragic as they are, they do not constitute a public health crisis. The numbers of kids using steroids in the U.S. barely registers on the scale of teen drug use. In a 1999 study by the National Institute on Drug Abuse, 2.7 percent of 8th- and 10th-graders and 2.9 percent of 12th-graders had taken steroids.

By contrast, 80 percent of high school seniors have used alcohol; 32 percent say they had been drunk in the last month. About 3 million teens are said to be alcoholics.

Baseball's unwillingness to acknowledge its role in glamorizing steroids, however unintentional that promotion might be, is nothing compared to its unwillingness to acknowledge its role -- and the entire sporting world's role -- in glamorizing alcohol.

Nearly 1,000 alcohol commercials aired in 2002 during the telecasts of the Super Bowl, the World Series, college football bowl games and the National Football League's Monday Night Football broadcasts, according to the Center on Alcohol Marketing and Youth. College sports games showed 4,747 commercials for alcohol in 2003.

Every time a kid tunes in to a March Madness game the next two weeks, he or she will see an average of four advertisements of attractive young people having a great time drinking. By year's end, this one kid will see about 245 such ads. Indeed, teenagers see more ads for alcoholic drinks than for fruit juices and fruit-flavored drinks. When researchers from Teenage Research Unlimited in 2002 asked teens to choose their favorite commercials, more named commercials for Budweiser than for any other brand, including Pepsi and Nike.

But it's not only television commercials that associate sports with alcohol. Kids see enormous Bud ads on scoreboards at stadiums. They see Coors as the official name of the Colorado Rockies ballpark. Down the road from Capitol Hill, they see promotions for Smirnoff Ice and Captain Morgan's Gold products in the Washington Redskins' stadium and on television during Redskins broadcasts. They see Crown Royal as the official sponsor of auto racing's International Race of Champions. The list goes on.

The money and power the alcohol industry wield are enormous, something Osborne has learned first-hand. In 2003, when a landmark National Academy of Sciences report to Congress concluded that underage drinking costs the United States $52 billion a year, he co-sponsored a bill that would have funded new efforts to prevent kids from drinking. The bill failed even to reach the House floor, thanks to vigorous lobbying against it.

The National Beer Wholesalers Association is the fifth-highest spender of all political action committees in Washington. (Its director is a close friend of House Majority Leader Tom DeLay.) The alcohol industry spent $10,164,916 last year in Washington to promote its products.

Last month, Osborne and his co-sponsors reintroduced the "STOP Underage Drinking'' bill. It is fairly tepid, frankly, falling far short of calling for a ban on alcohol advertising from sports telecasts that children are likely to be watching. But its passage is as unlikely today as it was last year and the year before.

"You're swimming upstream,'' Osborne said of fighting Big Alcohol.

Even the House Government Reform Committee concedes that no legislation will come out of today's steroids hearing. Steroids are already illegal without a prescription. Baseball already is moving, however slowly, toward a stricter drug policy. What, then, is the point of Congress devoting an entire workday and hauling in baseball stars and executives?

A hearing about sports and alcohol would mean a parade of parents and experts testifying about drunken driving accidents, violence, rape, unsafe sex, suicide, educational failures and crime. It would mean a photo exhibit of the 1,400 college students lost last year to alcohol. Such powerful testimony surely would put pressure on Congress to do something about it.

And that is why the hearing today is about steroids.

