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**1. Beer Battle Heats Up for Super Bowl**

By Christopher Lawton, Staff Reporter – *The Wall Street Journal*

February 4, 2005

**Miller Postures to Upstage Anheuser’s Exclusive Slots Introducing Low-Carb Brew**

Anheuser-Busch has the spotlight all to itself as the Super Bowl's exclusive beer advertiser, but Miller Brewing is unleashing a flurry of ads around the big game in an effort to upstage one of its rival's new products.

***Miller is taking a poke at Anheuser-Busch's new Budweiser Select beer in ads that tout Miller Lite.***

Anheuser-Busch will be promoting a new low-calorie, low-carbohydrate brew called Budweiser Select with one of its several advertising slots during Super Bowl XXXIX, which will be broadcast Sunday on News Corp’s Fox. Miller will take some shots at Select in 15-second spots set tobegin airing tonight in network and cable venues such as "SportsCenter" on Walt Disney’s ESPN -- not to mention Fox's Super Bowl pregame show.

One ad features a Miller Lite bottle at the end of a pool table. A voiceover mentions that Anheuser-Busch recently introduced "a new light beer" in Budweiser Select, and asks why. "Are they searching for a better light beer than Bud Light?" the voiceover asks. "If so, they could have called us."

The spot, created by Interpublic Group’s Martin Agency, ends by reminding drinkers that Miller Lite "still" has more taste than Bud Light, with half the carbs. The spots don't directly compare Lite with Select, which is lower in carbs than Lite and has three more calories.

In a twist to the face-off, Anheuser itself isn't promoting Select as a light beer, saying it is simply a crisp-tasting premium beer. Pat McGauley, senior director of innovation and high-end brands at Anheuser-Busch, describes the beer's low carb and calorie counts as merely a "secondary benefit." Select goes on sale Feb. 21 nationwide.

The Miller ads are the latest round in the battle between Anheuser-Busch and Miller, a unit of London's SABMiller.. Miller tweaked Budweiser's "King of Beers" slogan with a campaign for Lite as "President of Beers." Anheuser tagged Miller as "South African-owned" because of its parent company's original home. The St. Louis brewer seems to have backed away from that strategy. This year, most of Anheuser's Super Bowl spots will return to the kind of humor that has worked for the company in the past.

"Our goal is to get people's attention back on beer," says Mike Owens, Anheuser's vice president of sales and marketing. "That is what we are focused on. We are not focused on Miller." Anheuser doesn't have a "hard and fast" policy on responding to competitors' ads, Mr. Owens says.

Miller, on the other hand, maintains that comparative advertising has played a part in Miller Lite's resurgence, and it is sticking with the practice. "We actually see the launch of Budweiser Select as a huge opportunity for us," says Erv Frederick, who oversees Miller's trademark U.S. marketing. "We are using it to highlight the success we've had on Miller Lite this year."

For now, the brand is one of the most successful in the industry. Miller Lite sales were up 10% by volume in supermarkets last year through Dec. 26, according to Information Resources, a market-research firm. Anheuser-Busch, meanwhile, has seen its brands stall in the marketplace. Bud Light was down 0.1% by volume during the same period, and the flagship Budweiser brand has been declining for more than a decade. Low-carb Michelob Ultra has been a bright spot for Anheuser, with sales up 26% by volume during the same period.

While Anheuser has a lock on network-carried beer advertising on the Super Bowl, competitors have a back-door method to get their message to thirsty football fans: Local network affiliates sell their own ad slots during the game.

Miller says it won't follow course, but Dutch competitor Heineken has bought local ad time to run two 60-second spots, one during the pregame show and one just before halftime. One spot is rumored to star actor Brad Pitt, but spokesman Dan Tearno declines to comment on any celebrity participation.

**2. Pernod Considers Quaffing U.K. Drinks Rival**By Jason Singer and Deborah Ball, Staff Reporters – *The Wall Street Journal*

February 4, 2005

LONDON -- Talk about a cocktail. Pernod Ricard SA, maker of Chivas Regal Scotch whisky and Jacob's Creek wines, is studying a possible takeover of Allied Domecq PLC, famous for its Beefeater gin and Stolichnaya vodka, according to people familiar with the matter.

The two drinks companies haven't yet been in contact about a deal, these people added, and Pernod may decide to shelve any approach. But Pernod executives in Paris, who have consulted bankers, are scoping out the feasibility of a bid for Allied of Bristol, England, these people say.

Allied, with a market value of slightly more than $10 billion, has made no secret of the fact that it expects consolidation in its industry, as large but second-tier companies such as itself and Pernod compete with giant Diageo PLC of the United Kingdom, maker of Smirnoff vodka and Johnnie Walker Scotch whisky, among others.

One sticking point that now could arise if talks commence would be price, these people say, as Allied has seen a sharp increase in its share price in the past 18 months.

In 4 p.m. composite trading yesterday on the New York Stock Exchange, Allied's American depositary receipts were down 29 cents at $37.49. In over-the-counter trading away from any formal market, Pernod's ADRs are at $140.66 a share. It has a market capitalization of $9.73 billion.

A spokesman for Allied said the idea of a merger between the two companies was "speculation." Pernod declined to comment.

Previously, there were big obstacles to a potential combination between Pernod and Allied. Allied's collection of fast-food chains, including Dunkin' Donuts and Baskin-Robbins ice-cream shops, were struggling. Pernod, meanwhile, was laden with debt.

![[Liquid Assets]]()But now both companies are in better shape to consider getting together and industry executives expect the sector to undergo another round of consolidation after Diageo became the world's largest liquor group when it bought about two-thirds of Seagram Co.'s drinks portfolio in 2001.

Pernod bought the rest of Seagram's liquor cabinet, a move that catapulted it from being a sleepy family-controlled company with most of its business in France to the third-largest premium-spirits company after Diageo and Allied. At the time, Allied decided to pass on the Seagram auction and instead has been snapping up wine brands around the world.

Diageo now accounts for nearly half of the volume of the world's top 10 premium spirits, and has more than 20% of the rich U.S. spirits market, or more than twice the share of Allied, the No. 2 in that market. That has allowed Diageo to use its size, particularly in the U.S., to cut deals to get distributors to push its brands among retailers. It has also ratcheted up spending on advertising and innovations, pressuring competitors to do the same.

As a result, many industry executives expect the second tier of spirits companies to combine to get big enough to promote their brands. At the same time, spirits volumes have been growing faster than beer, as booze companies come up with flashy new brands -- such as Grey Goose vodka and Diageo's bottled Smirnoff Ice drink -- which appeal to the growing number of 20-something drinkers. That has increased pressure on all liquor companies to grow bigger to support bigger advertising budgets and have the distribution muscle to roll out new products.

"Further consolidation is pretty well inevitable," Allied's chief executive, Phillip Bowman, said in an August 2003 interview.

Along with Brown-Forman Corp. of Louisville, Ky., and Bermuda-based Bacardi, Pernod and Allied are considered candidates for consolidation. As the only one without a controlling shareholder, Allied is frequently mentioned as a possible target.

Meanwhile, Pernod's hands have been tied until recently by the €5 billion ($6.52 billion) in debt it took on to buy the Seagram's brands. But it announced yesterday that its debt fell to €1.8 billion last year, a level the company regards as low enough to consider new acquisitions. Meanwhile, it is churning out a strong performance by Chivas Regal and Martell cognac, the two key brands it acquired from Seagram, and has posted above-sector growth. Yesterday, it reported a 5.8% rise in sales growth, with 2004 sales in wine and spirits of €3.490 billion.

There is relatively little overlap in the portfolios of Pernod Ricard and Allied Domecq; the biggest problem would be in cognac, given that Allied Domecq's Courvoisier brand and Pernod's Martell are both major players.

After deciding against participating in the Seagram auction in 2001, Allied Domecq built itself into one of the leading wine companies in the world, though it lacks a strong Australian brand. Pernod's Jacob's Creek brand, an Australian wine that is among the biggest-sellers in the U.K. and is growing fast in the U.S., could fill the gap in Allied's wine cellar.

The companies also are geographically complimentary. While Pernod has only 4% of the U.S. spirits market, it could help bolster Allied's No. 2 position there. Pernod is the largest spirits group in Europe, while Allied's continental European business has been struggling. Pernod is very strong in Asia, particularly China, while it has little presence in South Korea, which has been a problem for Allied.

Despite the neat fit, a stumbling block would be the price. While Allied's stock was in the doldrums for some time because of doubts about its wine strategy and poor performance of its restaurant chains, its shares have risen strongly. In the past 18 months, Allied's shares have jumped 74% and they are up 14% since August.

**3. Viewers Can 'Talk Back' to Beer Ads**

By Christopher Lawton – *The Wall Street Journal*

February 2, 2005

**Alcohol-Industry Watchdog Launches a Web Service To Facilitate Complaints**

Just in time for Super Bowl Sunday, the chief holiday on the beer calendar, an alcohol-industry watchdog group has come up with a new way for viewers to complain about alcohol advertisements on the big game and elsewhere.

The Marin Institute has launched on its Web site a service it calls Talk Back, with which viewers can enter information about an offending ad for automatic crafting into a complaint letter to the advertiser, the relevant industry trade group and the Federal Trade Commission. The San Rafael, Calif., group says Talk Back has attracted a handful of legitimate complaints since debuting on a test basis in December.

Referees run off with some ill-gotten Bud Light in a spot that has drawn a complaint from an industry watchdog group.

Alcohol-awareness groups and the FTC are increasingly impatient with the beer industry's policing of its own advertising. The Beer Institute, the industry's Washington trade group, has an advertising and marketing code with various strictures, but the institute refers complaints to the brewer in question.

"The beer industry, with these marketing codes that are essentially industry self-regulation, is like a fox guarding the henhouse," says Laurie Leiber, a spokeswoman for the Marin Institute.

Jeff Becker, president of the Beer Institute, says the group's review system "has worked well, and has led to prompt and effective resolutions of most complaints. There are several examples of ads being pulled or edited within just hours of our having received complaints."

The FTC, in a letter Friday to the Washington advocacy group Center for Science in the Public Interest, expressed concern about the procedures in the Beer Institute's code for addressing advertising complaints. While reiterating the agency's support for self-regulation, Mary K. Engle, associate director of the FTC's Division of Advertising Practices, wrote in the letter that the Beer Institute should establish "an external process for consideration of its members' code compliance."

While the FTC cannot require changes , Janet Evans, program director of the agency's alcohol program, says she is "very optimistic that they will do the right thing."

"The Beer Institute's member brewers are continuing to discuss the FTC's recommendation for an additional external review panel to address advertising complaints," Mr. Becker says.

The letter was prompted by George Hacker, the director of the advocacy group's Alcohol Policies Project, who wrote to the FTC after filing a complaint late last year with the Beer Institute about Bud Light television ads. Mr. Hacker says he filed the complaint to demonstrate the inadequacy of self-regulation.

One ad features football-style referees who take Bud Light beer from a party. In another, the refs head off the police who later confront them about the switch. Cannonball, a St. Louis ad agency, crafted the ads. Mr. Hacker said in his complaint that the ads violate sections of the Beer Institute's code that say beer advertising shouldn't portray illegal activity.

The institute sent the complaint to Anheuser-Busch, which said the spots didn't violate the code.

"We take every complaint about our advertising seriously when it comes from reasonable people," says John Kaestner, vice president of consumer affairs for Anheuser-Busch, St. Louis. He says the ads drew fewer than 25 consumer complaints. "Clearly, consumers understood the activities in these ads were not real and did not violate the intent of the ad code," he says. Anheuser has moved on to another phase of its advertising and isn't using the referee spots anymore, he says.

In her letter, the FTC's Ms. Engle praised the complaint-review process of the Distilled Spirits Council of the U.S., the spirits industry's trade group. Since its code-review system was started in the early 1980s, the trade group has used a board that consists of its member companies to review ads that have received complaints. If an ad is deemed in violation of the group's Code of Responsible Practices, it must be pulled.

Peter Cressy, president of the Distilled Spirits Council, says the group has had 100% compliance from member companies with requests for ad changes or withdrawals. He calls the Marin Institute's Talk Back system a "useful" idea.

**4. NCAA Begins Broad Review of Policies on Alcohol**

By Steve Wieberg*, USA Today*

January 26, 2005

The NCAA is rethinking college athletics' relationship with alcohol.

The association's top rules-making body, the Division I Board of Directors, has quietly begun a review of alcohol-related policies — from advertising guidelines to the allowance of stadium and arena beer sales — at local, conference and national levels.

Its deliberations predate last week's decision by a New Jersey jury that a Giants Stadium concessionaire is liable for millions in damages in a drunken-driving case, as well as the NBA player-fan fight in Auburn Hills, Mich., in November. But officials say the incidents underscore the issue for colleges.

"There's such a panorama of response to the issue that I think it's going to be hard to arrive at any positions," says the board's chairman, Kansas Chancellor Robert Hemenway. "The one place where I don't think there's any difficulty — I think you'd get support on this from almost all presidents and chancellors — is that the vast majority of us don't believe you ought to be serving alcohol at the contest itself. ... There are many buildings, many parts of the university, where we don't permit alcohol consumption. And I don't think we should be hesitant to apply that to athletic contests."

Whether the NCAA would, or legally could, dictate that restriction to schools is uncertain. The association prohibits the sale of alcoholic beverages only at championship events. More than a quarter of I-A schools responding to a 2003 survey indicated they allowed sales at their own events. Of those, well more than half permitted sales at an on-campus venue.

Almost a third of the responding schools said they allowed alcohol ads in stadium and arena signage. More than a third permitted it in game programs.

The issue is set for further discussion by the board when it meets in Indianapolis in April. "The bottom line is that schools should be very concerned about this," says Matt Mitten, a Marquette law professor who heads the NCAA's Committee on Competitive Safeguards and Medical Aspects of Sports. "They want to make sure they're protecting the student-athletes' health and safety, creating the right environment. And you want to avoid potential legal liability, like in the Giants' case.

**5. Lawsuit Alleging Beer Ads Target Teens Is Tossed Out**

By Myron Levin - *LA Times*

February 1, 2005

**A Los Angeles judge rules that the issue should be dealt with by state alcoholic beverage regulators, not courts.**

In a legal victory for the beverage industry, a Los Angeles judge has dismissed a class-action suit accusing beer giants Anheuser-Busch Cos. and Miller Brewing Co. of encouraging underage drinking by targeting teens with their advertising.

Under state law, ruled Superior Court Judge Peter D. Lichtman, regulating alcohol ads is the job of the Department of Alcoholic Beverages Control, not the courts.

In any case, he said, the suit had failed to identify beer ads that were literally false. Further, plaintiffs failed to show how they'd suffered any direct harm as a result of beer marketing campaigns, the judge wrote.

Filed last February, the suit is known as the Goodwin case after lead plaintiffs Lynne and Reed Goodwin of Tulare County, whose 20-year-old daughter Casey was killed in 2003 by a teenage drunk driver.

Beer and spirits makers face similar class-action suits in Ohio, Colorado, North Carolina and the District of Columbia that allege they use sexually charged ads to induce illegal drinking by teens. Lichtman's ruling has no direct bearing on those cases, but could discourage the filing of additional suits.

Steve Berman, lead attorney for the Goodwins, said Monday that the decision was no surprise given Lichtman's skeptical questions during arguments Thursday on the motion to dismiss.

"I think [Lichtman is] just dead wrong," Berman said. "We'll appeal it, and we're highly confident that we're going to win."

Kristin Kaplan Wolfe, assistant general counsel for Miller Brewing, applauded the ruling: "The courtroom is not the place to address the problems associated with illegal underage drinking."

That should be done "through effective law enforcement and having parents talk to their kids about not drinking — and certainly by having people not drive drunk," Wolfe said.

Lichtman's ruling dismissed claims of public nuisance, unjust enrichment and deceptive advertising. According to one estimate, underage drinking accounts for nearly 20% of U.S. alcohol consumption.

The Goodwins said they had agreed to be lead plaintiffs to push for advertising restraints, rather than seek financial damages.

But Lichtman found they had no standing to sue because they had not established that the companies' ads played a role in their daughter's death.

"There is no allegation in the complaint that the teenage drunk driver who killed Casey Goodwin saw any specific advertisements" or "relied on the advertisements to become illegally intoxicated," the judge wrote.

**6. US: AB Launches Budweiser Select Early**

Source*: just-drinks.com editorial team*

January 31, 2005

Anheuser-Busch has revealed plans to launch a new beer in the US market. The brewing giant said on Friday (28 January) that Budweiser Select will be introduced with a television ad during the Super Bowl on 6 February. The new beer will be available nationwide 21 February.

“The consumer response to Budweiser Select has been great. Beer drinkers in the test markets are excited about the brand, so we decided to roll it out nationally much earlier than planned,” said Don Meyer, director of Budweiser Select marketing, Anheuser-Busch, Inc. “With approximately 100m viewers watching the Super Bowl, we can’t think of a better opportunity to introduce Budweiser Select.”

With a tag-line of “Crisp taste with no aftertaste,” Budweiser Select contains 3.1 grams of carbohydrates, 99 calories and 4.3% alcohol by volume per 12 oz. serving.

Budweiser Select will be priced on par with Budweiser and Bud Light and supported by a full line of point-of-sale and merchandising materials in addition to television, outdoor, radio and print advertising, the company said.

**7. Smirnoff Offspring Sues U.S. Brand Demanding Share of Profits**

*****MosNews*

January 31, 2005

Kira Smirnova, the great-granddaughter of Petr Smirnov, the maker of the famous Smirnov vodka, has announced her plans to demand compensation from the owners of the U.S. brand Smirnoff. Smirnoff has been selling vodka, produced under Russian license for almost 70 years.

“I have submitted all the documents to the lawyers. I am fighting and I won’t give up. The Americans have thought that if they received a production license, that means that they bought the brand. But that’s not so,” Kira Smirnova said on Monday, Jan. 31, at a press conference held at the *RIA Novosti* agency.

The heirs of the famous vodka maker who delivered his product to the Russian tsars have established two trademarks of the famous vodka — U.S. Smirnoff and Russian Smirnov — and each maintains its priority and importance. The grandfather of Kira Smirnova, Vladimir Smirnov, emigrated after the October Revolution of 1917 and signed off a production license to the U.S. company which since then has headed the world’s top vodka producers list. Vladimir Smirnov died shortly afterwards, leaving heirs in Russia.

[UDV](http://www.diageo.com) company which owns the Smirnoff trademark is paying a life-long subsidy to approximately 60 heirs of Petr Smirnov, but Kira Smirnova refused the subsidy, because she hopes for a share of the revenues. Alexander Nikishin, the head of the “House of Russian Vodka” company, who also spoke at the press conference said: “If Kira Smirnova receives compensation for the use of a brand after all these years, she will become as rich as Bill Gates.”

The great-granddaughter of the famous vodka maker said that she already knows how to spend such sums of money — she plans to establish a Moscow museum dedicated to her great ancestor and a rehabilitation fund that will help people fight their addiction to alcohol.

