



**Federal Trade
Commission**
Protecting America's

Consumers

Appendix B
ALCOHOL ADVERTISING EXPENDITURES

Measured Media Advertising

Each year, the alcohol industry spends more than a billion dollars on "measured media" advertising, that is, television, radio, print, and outdoor ads. The available evidence indicates that more than 300 wine brands, 350 beer brands, and 1,400 distilled spirits brands are marketed in the U.S., but fewer than a quarter of them are advertised through measured media each year.⁽¹⁾ In its special report to the FTC, one industry member estimated that during the course of a year, its advertising for a single mid-sized brand would reach 88 percent of adults an average frequency of 12 times -- more often in large markets. In 1997, measured media advertising expenditures were as follows:⁽²⁾

Total measured media expenditures reached an all-time high of \$1.26 billion in 1985 and declined to \$1.0 billion by 1994, before increasing to the present level.⁽⁴⁾ When adjusted for inflation in national advertising costs, however, it appears that total measured alcohol advertising expenditures actually decreased from 1980 to 1996, with only a small increase between 1996 and 1997 (Fig. 1).⁽⁵⁾

The allocation of expenditures within media categories varies among beverage types. In 1997, allocations were as follows:⁽⁶⁾

Allocations among media change over time. During the 1990s, the beer industry has reduced use of radio advertising in favor of more television advertising.⁽⁷⁾ The wine industry is devoting an increasing share of its advertising budget to magazines and less to broadcast media,⁽⁸⁾ and the allocations in the distilled spirits industry show only a very small increase in the use of broadcast advertising between 1990 and 1997.⁽⁹⁾

Other Means of Promotion

While precise figures are not available, the special reports to the FTC suggest that industry's total expenditures to promote alcohol may be three or more times its expenditures for measured media advertising. The company documents show that even for heavily advertised brands, measured media advertising typically accounts for only one third to one half of total promotional expenditures,⁽¹⁰⁾ and of course, many brands do not use measured media at all. Other forms of alcohol promotion include:

- sponsorship of cultural, musical, and sporting events;
- Internet advertising;
- point-of-sale materials, including window and interior displays at retail outlets, bars, and restaurants;
- distribution of brand-logoed items such as t-shirts, hats, watches, and glassware;
- product placements in movies and TV shows;
- catalogs and other direct mail communications;
- price promotions such as sales, coupons, and rebates; and
- trade promotions directed at wholesalers and retailers.

ENDNOTES

1. See M. Shanken Communications, Inc., *The U.S. Wine Market: Impact Databank Review and Forecast* (1998 ed.) [hereinafter 1998 Wine Impact], at 198 (Table 6-5); M. Shanken Communications, Inc., *The U.S. Beer Market: Impact Databank Review and Forecast* (1998 ed.) [hereinafter 1998 Beer Impact], at 182 (Table 5-7), 324 (Table 7-7). Spirits data was provided by industry, which indicates that members of the distilled spirits trade association, the Distilled Spirits Council of the United States (DISCUS), market approximately 1,240 brands and that hundreds more are sold by non-member companies.

2. 1998 Beer Impact, supra note 1, at 321 (Table 7-3). Additional sources of data regarding alcohol advertising expenditures include *Liquor Handbook*, *Wine Handbook* and *Beer Handbook* (published annually by Adams Business Media).

3. Coolers (also called "refreshers") may have a base of wine, malt, or spirits.

4. 1998 Beer Impact, supra note 1, at 321 (Table 7-3); M. Shanken Communications, Inc., *The U.S. Beer Market: Impact Databank Review and Forecast* (1997 ed.) at 309 (Table 7-2). According to the 1997 Beer Impact, 1994 media advertising expenditures were as follows: wine, \$48.7 million (down substantially from 1990); distilled spirits, \$204.3 million (also down from 1990); beer, \$708.7 million.

5. Nominal advertising expenditures were obtained from Impact Magazine (various issues) and adjusted for inflation in national advertising costs based upon McCann-Erickson Media Cost Indexes (May 1998), at 5 (Table III, composite cost per thousand index for national media).
6. 1998 Beer Impact, supra note 1, at 325 (Table 7-9); M. Shanken Communications, Inc., The U.S. Distilled Spirits Market: Impact Databank Review and Forecast (1998 ed.) [hereinafter 1998 Distilled Spirits Impact], at 334 (Table 6-7); 1998 Wine Impact, supra note 1, at 399 (Table 12-5) (cooler advertising); for data regarding allocation of wine expenditures, see id. at 312 (Table 8-7) (percentages in this Report are calculated based upon expenditures per medium identified in Table 8-7; the total 1997 wine advertising expenditure figure identified in Table 8-7 appears to reflect a miscalculation).
7. 1998 Beer Impact, supra note 1, at 325 (Table 7-9).
8. See 1998 Wine Impact, supra note 1, at 312 (Table 8-7) (comparing 1990 and 1997 data per medium; the total wine advertising expenditure figures identified in Table 8-7 appear to reflect a miscalculation).
9. 1998 Distilled Spirits Impact, supra note 6, at 334 (Table 6-7). From 1990 to 1997, broadcast advertising expenditures increased from 0.1 percent to 2.2 percent of the distilled spirits industry's advertising expenditures. Id. These low figures likely reflect the fact that most television networks do not accept distilled spirits advertising, and the advertising code of DISCUS included a voluntary ban against broadcast advertising until 1996.
10. According to a special report, for example, one brand (of the more than 2000 alcohol brands) with a mid-sized promotion budget allocated its funds as follows: 32 percent to advertising (including production and dissemination of traditional media, web, and to-the-trade advertising); 40 percent to merchandising (including packaging, direct mail, logoed items, and point of sale materials, as well as sales seminars and other trade support activities); and 28 percent to other promotion (including couponing and sponsorship of sports activities and a concert tour).

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