ECONOMETRIX
(PTY) LTD

ECONOMIC IMPACT OF AN ADVERTISING BAN ON ALCOHOLIC BEVERAGES

FOR INDUSTRY ASSOCIATION FOR RESPONSIBLE ALCOHOL USE

MARCH 2013

ANALYSIS

Ilse Fieldgate, B. Comm Hons, M. Comm Econometrics

Rob Jeffrey, MBL, MA (Economics)

Manqoba Madinane, B.Sc, B.Econ.Sc, M.Comm (Economic Science)

Yumna Ebrahim, B.Comm Hons, M.Comm (Economics)

Luchelle Soobyah, B.Econ.Sc Hons

MODELS AND FORECASTING

Dr Johannes Jordaan PhD (Economics)

Index

Table of charts

Index of Tables

Index of Boxes

List of acronyms and abbreviations

ABV	Alcohol By Volume
ACASA	Association for Communication and Advertising South Africa
ANC	African National Congress Party
AMPS	All Media and Products
APC	Adult Per Capita Alcohol Consumption
ARA	Industry Association for Responsible Alcohol Use
ASA	Advertising Standards Authority
ATL	Above The Line (advertising)
BAC	Blood Alcohol Consumption
BASA	Business and Arts South Africa
BEE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
BMI	Business Marketing and Information
BMR	Bureau for Market Research
BRICS	Brazil, Russia, India, China and South Africa
BTL	below the line (advertising)
CPI	consumer price index
CRM	consumer relationship marketing
DGB	Douglas Green Beckham
DTI	Department of Trade and Industry
EMR	Eastern Mediterranean Region
ESPAD	European School Survey Project on Alcohol & Other Drugs
EU	European Union
FAB	Flavoured Alcoholic Beverage
GDP	gross domestic product
GOS	gross operating surplus
GSHS	Global School based Student Health Survey
GVA	gross value add
HED	heavy episodic drinking
ICAP	International Centre for Alcohol Policies
IES	Income and Expenditure Survey
MASA	Marketing Association South Africa
NAB	National Association of Broadcasters
NHI	National Health Insurance
NIMMS	National Injury Mortality Surveillance System

NPSL	National Professional Soccer League
NSRP	National Sport Recreation Plan
OECD	Organisation for Economic Co-oporation and Development
OOH	Out of home
PAYE	pay as you earn
PDS	patterns of drinking score
PMSA	Print Media South Africa
PR	public relations
RSP	retail selling price
RTD	ready to drink beverage
SAB	South African Breweries
SABC	South African Broadcasting Corporation
SAM	social accounting matrix
SEAR	South-East Asia Region
SIC	Standard Industrial Classification
SITE	standard income tax on employees
SMME	Small, Medium and Micro Enterprises
STC	Secondary Tax on Companies
STROBE	STrengthening the Reporting of OBservational studies in Epidemiology
TB	Tuberculosis
UNB	United National Breweries
VAT	Value added tax
VFD	Verified Free Delivery
WHA	World Health Assembly
WHO	World Health Organization
WIDA	Wine Industry Development Association
WOSA	Wines of South Africa
YOY	year-on-year
YRBS	Youth Risk Behaviour Survey

CHAPTER 1

The contribution of the liquor industry to the South African economy [1]

Introduction

From a policy maker perspective, the South African liquor industry presents a complex problem for policy makers, as it does in many other countries of the world. On the one hand, the industry makes a large contribution to employment, domestic output (GDP), taxation and export earnings, and should be regarded as an important component of the domestic economy. The upstream and downstream activities in the alcoholic beverage value chain generate additional income and tax revenue, inducing further economy-wide benefits.

However, on the other hand, the abuse of alcohol causes an enormous economic, social and emotional cost to the economy. An analysis of the costs associated with the *abuse* of alcohol will be detailed in Chapter 3.

The purpose of this chapter is to assess the direct, as well as the multiplier effects, of the liquor industry on production, employment, labour remuneration, capital stock, tax revenue and the gross domestic product in South Africa.

Background and structure of the South African liquor industry

The industry spans across the primary, secondary and tertiary sectors of the South African economy - from agriculture (grapes, malt, hops and sugar cane) to manufacturing (wine making, distilling and brewing) to marketing, distribution and retail. The extensive range of up and downstream industries associated with the liquor industry are set out in the exhibit below:

Exhibit 1: Supply chain of the liquor industries: up- and downstream industries

Raw materials and process inputs at breweries, distilleries and wineries:

- Water, fruit and grains, bulk juice, wine, additives, oak products
- Fuel, packaging materials such as plastic and glass and electrical power.

Manufacturing and Processing at breweries, distilleries and wineries:

- Fermentation, distillation and brewing using raw products
- Products are then moved to facilities where they are matured in wooden or steel barrels or tanks or blended
- Equipment and machinery used such as boilers, heaters, generators and cooling equipment
- Bottling done either at manufacturing site or transported to bottling site of either bottling company or liquor company
- Imports of beer, spirits or wine

Distribution, wholesale and retail undertaken by large players themselves, specialty distributors, wholesalers and mass-retailers

- Final products transported by truck, rail, ship and air to distributors, wholesalers, large specialty retailers and mass-retailers
- Wholesalers distribute to smaller specialty retailers and some on-premise establishments such as taverns, shebeens, restaurants and bars
- Specialty retailers and mass-retailers sell to on-premise establishments such as restaurants and private consumers for off-premise consumption
- Online or mail order beverages shipped from producers, agents and wholesalers to end-consumer
- Direct producer sales of packaged wine to consumers on wine estates or direct producer exports
- Producers and wholesalers exports packaged and bulk products.

---

[1] *We acknowledge the following reports that have been used extensively as reference in this chapter: "Working for South Africa, The Contribution of SAB to the South African economy", 2010, Quantec Research and Econex*

- Wooden barrel and tank manufacturers;
- Stainless steel tank manufacturers;
- Import and export industry;
- Bottling industry including manufacturers of glass and bottle caps and labels;
- Manufacture and supply of boilers and burners;
- Chemicals, gases and fermentation product manufacturers and suppliers;
- Advertising and marketing industry;
- Event management industry;
- Food and product safety and quality monitoring industry;
- Health and safety industry;
- Generator industry;
- IT (hardware and software) industry;
- Industrial cleaning industry;
- Promotional branding industry;
- Public relations industry;
- Recycling of glass industry;
- Tourism industry;
- Vineyard equipment industry;
- Viticulture industry;
- Water and effluent treatment industry;
- Wine filtration equipment; and
- Liquor licensing consultancies.

The alcoholic beverage or liquor industry in South Africa comprises the beer, wine, spirits, and ready-to-drink (RTD) segments.

For historical and economic reasons, the industry is today highly concentrated on the production side. This is particularly true of beer and spirits segments, but less so in the wine industry. This has contributed to the development and continued existence of a large illegal informal retail sector. In addition, past political interference and regulations have been a significant and often destructive force in both the development of the industry and its consumption patterns. Parts of the alcohol abuse problems are attributable to these developments.

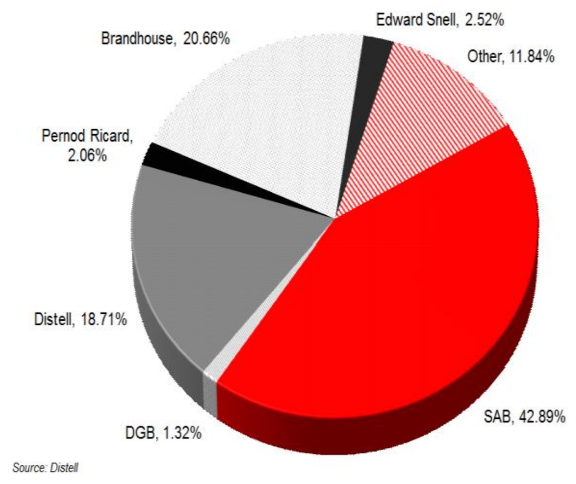
At a company level there is significant consolidation:

- More than 80% of the value of off-consumption liquor sold in SA is consolidated amongst Distell, SAB, and Brandhouse.
- On the volume side, more than 90% of the volume of liquor sold is from Distell, SAB and Brandhouse.
- The remaining share of both volumes and value of liquor sold in the off-consumption channels are highly proliferated with each market participant having less than 1-2% share. Aside from Distell and Douglas Green Bellingham, wine producing companies mainly fall into the ‘others’ category with very little market share prominence from a total liquor perspective.

At a brand level, 80% of total off-consumption liquor volumes in South Africa are from ten brands, eight of which are beer and two are ciders. The market share of the remaining 20% of volumes are high proliferated, distributed over 1,000 liquor brands in South Africa.

The key reality is that, in South Africa, the distribution of market shares on a company and brand level projects almost a barbell figure, where there is heavy consolidation of market shares among big players and a significant number of companies with very small shares; there is very little to no players that provide a balance of power in-between.

Chart 1: Market/value share of total off-consumption liquor by liquor manufacturer and brand distributor



- In the beer sub-sector, SABMiller has a 90% market share in South Africa. The brewer is the 2nd largest brewer globally. The malt beer segment is by far the largest sub-category of the liquor industry, with malt beer sales accounting for approximately 51% of total liquor sales volumes (in alcohol by volume terms).

- South Africa is the 7th largest wine producer in the world although it ranks 14th in terms of hectares destined for wine grape production. There are about 3 596 grape farmers, between 800 and 1 000 wine cellars and 102 bulk wine buyers in South Africa.

- The following are the largest players in the spirits sector.

  * The Distell Group is South Africa's biggest wine and spirit producer. It is also South Africa's largest whisky producer. Distell's Amarula brand is the 2nd biggest selling cream liqueur globally and the largest seller in its category in South Africa.

  * Diageo has 45% of Africa's total spirits market with approximately 50% of their revenue from the South African market.

  * Edward Snell & Co has a 13% share of the South African spirits market by volume.

Sales

The charts and table below show that sales of malt beer accounted for the majority of total liquor sales in 2009, namely 51% of the total volume of liquor sales, as well as 51% of the sales revenue generated by the liquor industry.

In alcohol sales by *volume* terms, spirits (with a share of 18%) and wine (16%) are the second and third largest liquor segments, followed by sorghum beer (8%).

In alcohol sales by *value* terms, spirits (with a share of 20%) and wine (14%) are the second and third largest liquor segments, followed by RTDs (11%).

However, it should be noted that these estimates only cover sales of commercially produced sorghum beer, while more than two-thirds of sorghum beer is home-brewed (and hence unrecorded).

Chart 2: Sales of liquor by volume shares

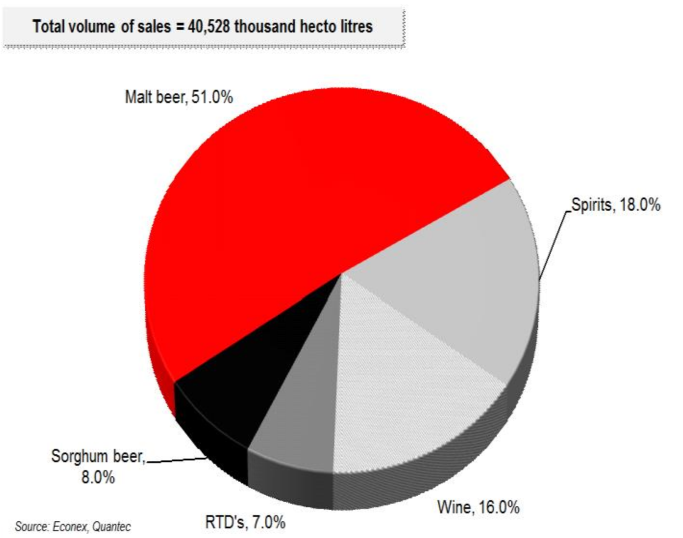


Chart 3: Sales of liquor by value shares

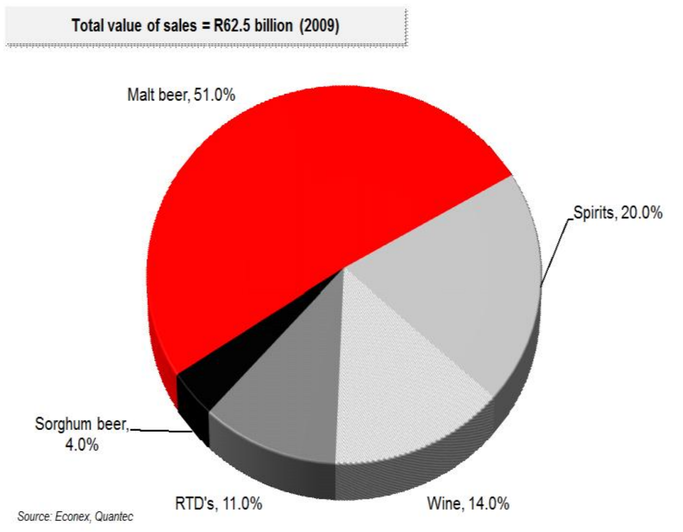


Table 1: Industry sales (volume and value) by liquor category – 2009

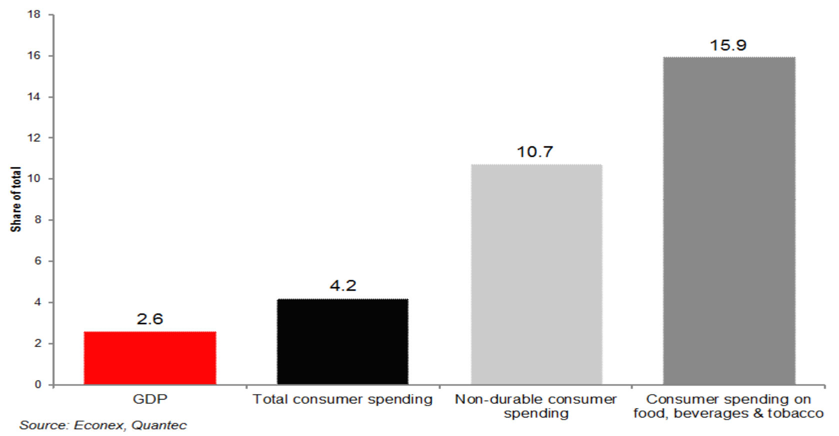
	Malt Beer	Sorghum beer (b)	Wine	Spirits	RTDs	Total liquor	Total liquor excl sorghum beer
Alcohol strength	*5.0%*	*4.2%*	*12-17%*	*43%*	*5%*		
Volume (thousands of hectolitres)	27,204	5,319	3,472	1,041	3,491	**40,528**	***35,209***
Share of category by volume	*51.2%*	*8.4%*	*16.3%*	*17.6%*	*6.6%*	*100%*	
Value (Rand billion)	31.9	2.5	8.4	12.7	7.0	**62.5**	***60.0***
Share of category by value	*51.0%*	*4.0%*	*13.4%*	*20.3%*	*11.2%*	*100%*	

Source: Econex, Quantec, SAB

Note: (a) The table only refers to the formal (and not the total) liquor industry (i.e. what is recorded)
(b) Volume statistics on sorghum beer is a derived/calculated statistic and there is no official source. As a result, this number can vary according to sources, and can also skew the percentage distribution shares of the various categories.

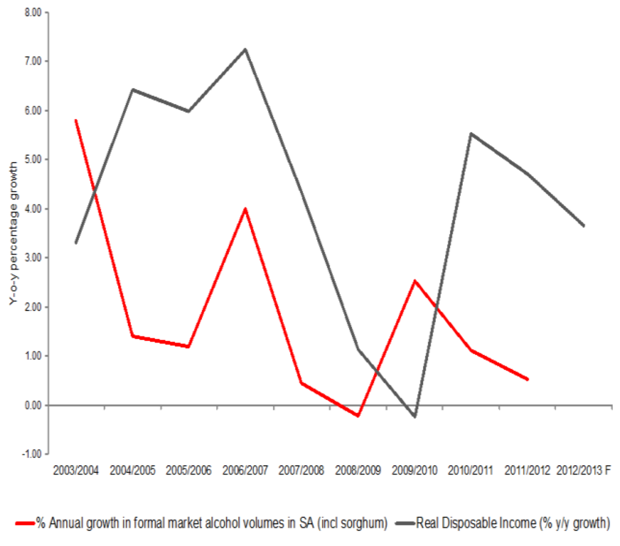
With the *value* of sales at **off-premise** prices estimated at R62.5 billion in 2009 (see Table 1), total liquor sales (including commercially produced sorghum beer) accounted for 15.9% of consumer spending on food, beverages and tobacco in 2009, and 4.2% of total consumer spending (see Chart 4). Weighed against South Africa's GDP, the share of total liquor sales measured 2.6% in 2009.

Chart 4: Share of total liquor sales in nominal GDP and consumer spending , 2009



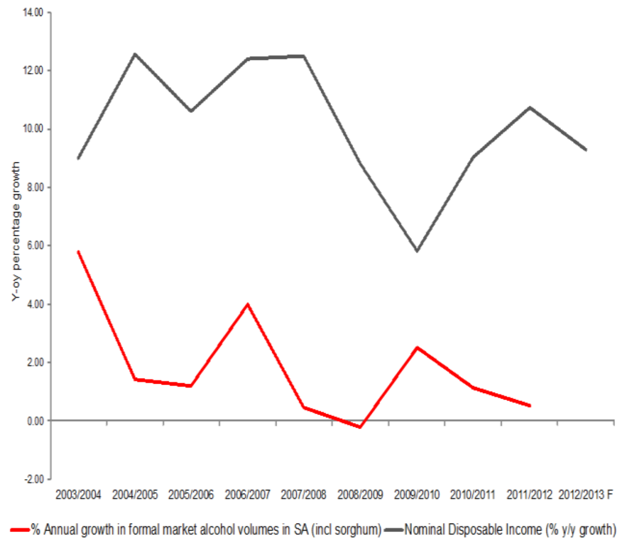
The charts below show the growth in liquor sales, in volume terms, relative to the growth in disposable income since 2001.

Chart 5: Growth in liquor *volume* sales vs. growth in real disposable income



Source: Econometrix, Distell, SARB

Chart 6: Growth in liquor *volume* sales vs. growth in nominal disposable income



Source: Econometrix, Distell, SARB

In *volume* terms, total liquor sales (including commercially produced sorghum beer) increased by an average rate of 1.9% over the last nine years, significantly slower compared to the average annual growth in real disposable income of 4.3%.

Considering the relative performance of the different liquor categories over the last decade, RTDs topped the log, with an average annual growth rate of 20.3% in sales at off-premise sales between 2003/04 and 2011/12. This was followed by spirits (7.4%), and wine (-5.9%), per annum since 2003/04 to 2011/12. Given that total household consumption expenditure posted an average annual increase of 42% since 2003/04 to 2011/12, this suggests that there was a significant increase in the share of RTDs in total consumer spending. The share of spirits in total consumer spending also increased slightly, mainly at the expense of wine consumption.

While the South African liquor industry has performed relatively well in recent years, other retail sectors are challenging domestic liquor sales for a share of the consumer's wallet. During the late 1990s and early 2000s, the proliferation of new spending avenues such as cell phones, laptop computers, satellite television, digital cameras, MP3 players, casinos and the National Lottery attracted an increasing share of the disposable income of consumers.

Although the growth in liquor sales improved significantly between 2003/04 and 2011/12, the recession posed new challenges to the South African liquor industry with sales noticeably declining in 2008/09. While it did pick up in the years thereafter, growth was imminently slower than had been the case prior to 2008/09. In particular, widespread job losses in the domestic economy, topping one million between 2008 Q4 and 2010 Q1, are weighing on volume growth and the pricing power of the liquor industry. Furthermore, the South African government is reinvestigating excise duties on liquor, and any further increase in excise above inflation will likely lead to further downward pressure on volume growth in the industry.

International trade

Exports

South Africa is a net exporter of liquor, largely due to extensive wine exports. Total beer, spirits, wine and other fermented beverage exports measured R7.1 billion in 2009, while imports were estimated at only R3.36 billion in 2009 (see Table 2). Total liquor exports have shown impressive growth over the last four years, with an increase of 71% in the Rand value between 2005 and 2009.

In comparison, the Rand value of exports of all commodities increased by 58% since 2005. Considering South Africa's export performance since 2000, the outperformance of the liquor industry is even more striking – whereas the value of all South African exports increased by 143% between 2000 and 2009, the value of liquor exports surged by 253%. Furthermore, liquor exports appear to have weathered the recession quite well, posting only a marginal decline of 0.1% in value terms in 2009, compared to a contraction of 20.5% in the value of total exports from South Africa.

Wine exports accounted for 85% of total exports in 2009, followed by spirits (8.6%), other fermented beverages (3.7%) and beer (2.6%).

Beer exports are typically small in comparison with wine, as beer is generally brewed by domestic breweries within a country. Europe (and the United Kingdom in particular) is South Africa's largest wine export market, accounting for three-quarters of all South African wine exports.

On the spirits export side, South Africa is regarded as one of the premier brandy producers worldwide, while South Africa can also boast with other "home-grown" spirits brands such as Amarula Cream Liqueur and Cape to Rio cane spirit in international markets.

Imports

Liquor imports also showed strong growth over the period 2005 to 2009, with a cumulative increase of 166.6% since 2005, relative to total import growth of 52.8% between 2005 and 2009.

Spirits (with a share of 86.3% in 2012) and malt beer (7.6%) imports account for the bulk of liquor imports in South Africa. The dynamics of the spirits market are such that global brands are either imported directly, or produced under international licence in South Africa. Looking at a breakdown of spirits imports by country (2009), the bulk of spirits imports were sourced from the UK and Ireland (76.4%), home to the world's leading spirits (notably whisky) producers and marketers.

Table 9 shows that beer imports surged over the last four years (albeit from a low base). While SAB started to import the Peroni Nastro Azzurro (from Italy) and Grolsch brands (from the Netherlands), the dramatic increase in beer imports between 2006 and 2009 can largely be ascribed to imports of the Amstel brand from the Netherlands. Whereas Amstel, one of the fastest growing premium beer brands, was previously brewed by SAB in South Africa under licence from Heineken, Heineken moved the brand to Brandhouse – a joint venture between Namibian Breweries, Heineken and Diageo – in 2007, as Heineken was now competing with SABMiller on an international level.

Table 2: Liquor import and export performance – 2005 to 2012, R million

	Malt beer		Wine		Other fermented beverages (e.g. cider)		Spirits		*Total*	
HS Classification	*H2203*		*H2204*		*H2206*		H2208		*Aggregate*	
	Exports	**Imports**	**Exports**	**Imports**	**Exports**	**Imports**	**Export**	**Import**	**Exports**	**Imports**
2005	51.6	35.4	3806.8	81.3	20.3	1.3	255.4	1141.2	4 134.1	1259.1
2006	70.1	58.4	3563.5	110.4	28.1	2.7	287.2	1501.0	3 948.9	1672.5
2007	68.8	637.5	4731.9	130.5	32.1	0.9	398.7	1823.3	5 231.6	2592.2
2008	188.6	813.4	6229.0	163.7	106.9	1.1	550.1	2113.7	7 074.5	3092.0
2009	182.2	1185.9	6015.4	143.5	261.8	1.1	608.7	2025.8	7 068.2	3356.3
2010	124.5	156.9	5717.4	126.8	294.3	1.1	663.8	2274.5	6 799.9	2559.3
2011	138.5	187.5	5437.8	157.3	338.4	1.3	809.0	2615.3	6 723.8	2961.4
2012	225.1	251.2	5986.8	199.3	370.2	3.8	861.1	2849.9	7 443.2	3304.2
2012 share in exports	*3.0%*		*80.4%*		*5.0%*		*11.6%*		*100%*	
2012 share in imports		*7.6%*		*6.0%*		*0.1%*		*86.3%*		*100%*

Source: Econex, Quantec

Economic contribution of liquor

The South African liquor industry has developed into a major force in the South African economy, providing employment and income to thousands of households and making a substantial contribution to export earnings and government tax revenue.

However, the direct economic impact of the liquor industry constitutes only a small fraction of its total contribution to the South African economy. In the process of manufacturing, packaging, marketing and delivering alcoholic beverages, the liquor industry stimulates economic activity throughout the entire beverage value chain, encompassing a wide range of producers and suppliers (upstream linkages) and retailers, distributors and the hospitality industry (downstream linkages).

These upstream and downstream activities in the alcoholic beverage value chain generate additional income and tax revenue, which in turn is spent in the economy, inducing further economic benefits.

The purpose of this section is to give a credible assessment and measurement of the direct, indirect and induced impacts of the South African liquor industry on intermediate output (i.e. the value of production), capital stock, employment, labour remuneration, government tax revenue and value added (GDP) are analysed.

The Social Accounting Matrix (SAM) for South Africa developed and published by Quantec Research was used to map the economic footprint of the industry throughout the domestic economy.

Box 1: How does the Social Accounting Matrix (SAM) work?

The SAM utilises the initial injection of operational spending by the liquor industry (e.g. sales revenue, employment, capital expenditure and contribution to tax revenue - as discussed in the previous chapter), along with a series of inter-industry technical coefficients and multipliers reflecting the linkages between the liquor industry and the rest of the economy, to estimate the total impact of the industry on different sectors in the economy.

The SAM differentiates between:

- The initial injection – the liquor industry's own employment numbers, capital expenditure and tax contributions
- First round effects – the impact of the liquor industry on its direct suppliers (e.g. production, employment and tax revenue stimulated at first round suppliers)
- The **direct impact** – the sum total of the liquor industry's initial injection (e.g. the total production/turnover of SAB, the intermediate goods bought, the salaries and wages paid and the profits generated by the liquor industry) and the impact on its first round suppliers
- The **indirect impact** – the impact that occurs when suppliers to the liquor industry purchase goods and services from their suppliers, who in turn remunerate their employees and pay taxes
- The **induced impact** – the impact that occurs when the supplying sectors and their employees and households re-spend in the economy, generating further economic activity
- The **total economy-wide impact** – the sum total of the direct, indirect and induced impacts

In addition, this section will first give an overview of sales and international trade of liquor.

The numbers used in the following analysis were derived from the study by Econex and Quantec Research, "Working for South Africa", 2010.

Contribution of liquor industry to intermediate output

In order to produce liquor, the liquor industry depends on various sectors of the economy to supply the necessary production inputs, ranging from water, sugar, barley, hops and malt to tin cans, glass bottles, corks and bottle crowns, as well as fuel and power.

During 2009, the liquor industry purchased goods and services (including capital equipment) from its direct suppliers to the value of R115.5 billion. Chart 7 shows that the supplying sectors that experience the greatest **direct** benefit from the liquor industry's operations are:

- food and beverages manufacturing (particularly sugar and fruit juices);
- agriculture, forestry and fishing (e.g. grapes, barley, hops, malt, and maize farming);
- finance, insurance and other business services (including advertising);
- wood and paper; publishing and printing
- community, social and other personal services
- metals, metal products, machinery & equipment

The value of production supported by the liquor industry throughout the South African economy is valued at R332.7 billion in 2009; the **economy-wide impact** of the liquor industry on intermediate output (or production) is therefore considerable. Chart 8 shows that the sectors that profit the most from the liquor industry's operations are:

- food and beverage manufacturing;

- wholesale, retail, catering and accommodation;
- finance, insurance and other business services (including advertising);
- petroleum products, chemicals, rubber and plastic; and
- transport, storage and communication;
- transport equipment manufacturing.

The direct impact of the liquor industry (R115.5 billion) accounts for just over a third of the liquor industry's economy-wide impact on production, while the indirect impact contributes a further 17.0% (or R56.7 billion) and the induced impact constitutes the remaining 48.3% (or R160.5 billion). – see Chart 9.

Chart 7: Output by industry – direct impact

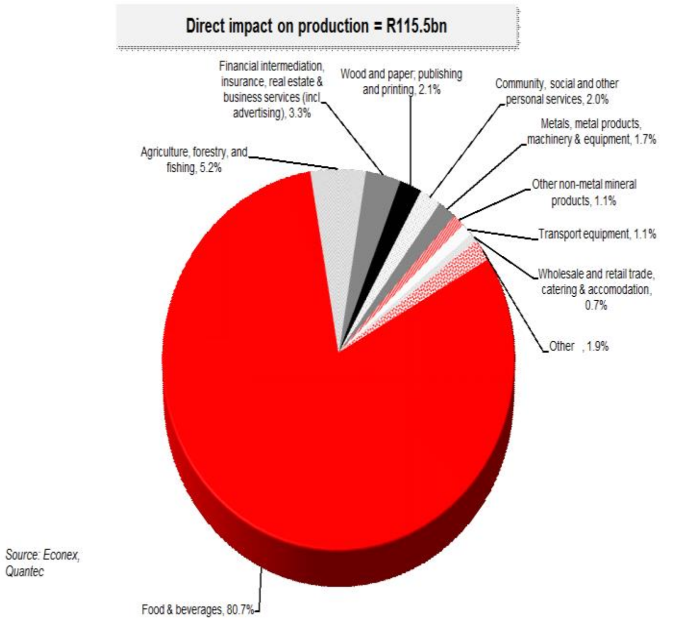


Chart 8: Output by industry - economy wide impact

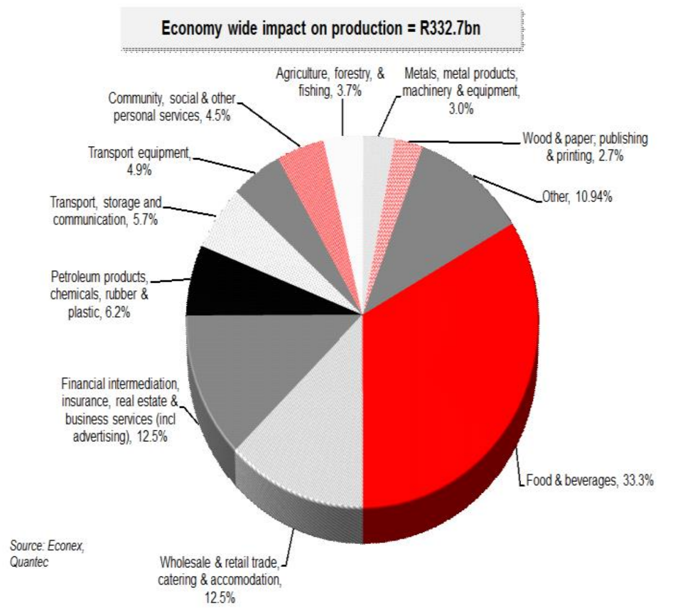
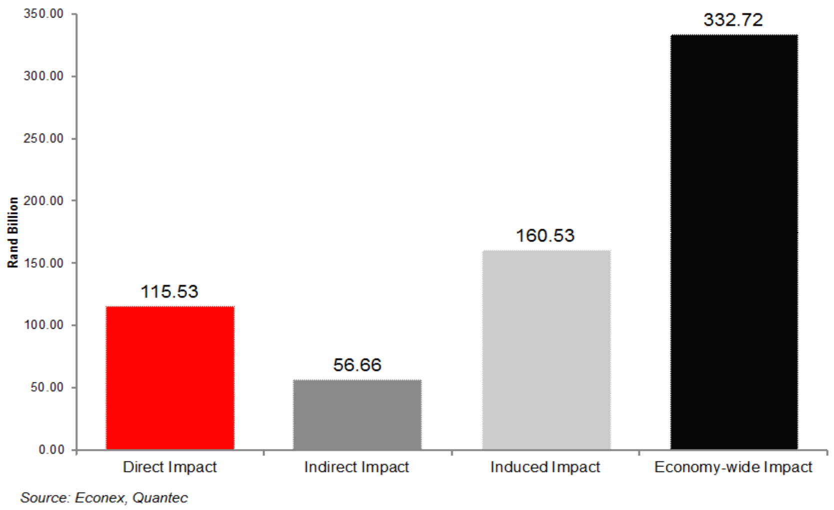


Chart 9: Direct, indirect and induced impact of the liquor industry on intermediate output (production)



Capital requirement

Productive capital assets – including technologically advanced machinery and equipment, trucks and building structures – together with labour and entrepreneurship, form the basic productive factors needed in most manufacturing processes. The liquor industry's production processes sustains a significant amount of fixed investment in the economy.

On an economy wide basis, the total capital stock needed to sustain the present level of liquor production totals R173.1 billion, or 3.5% of South Africa's total capital stock. Buildings and construction works account for 70% of the total capital requirement, while machinery and other equipment and transport equipment constitute 23% and 8% respectively – see Chart 10.

Chart 10: Capital stock by type, economy wide impact

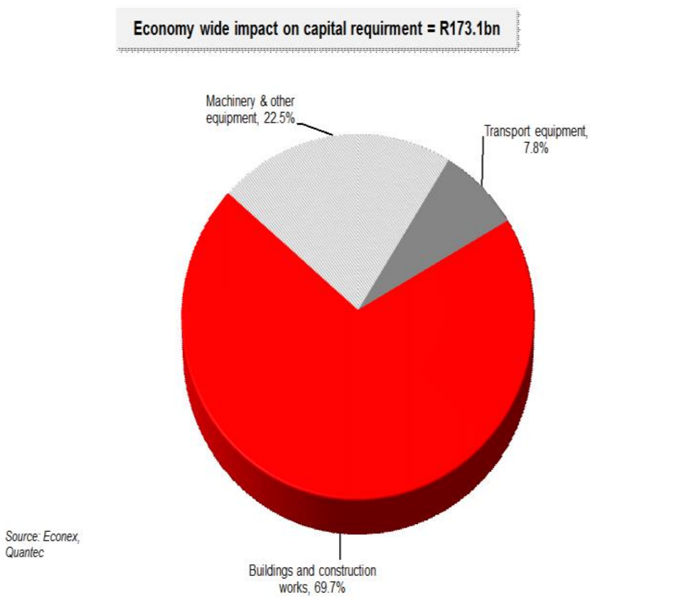
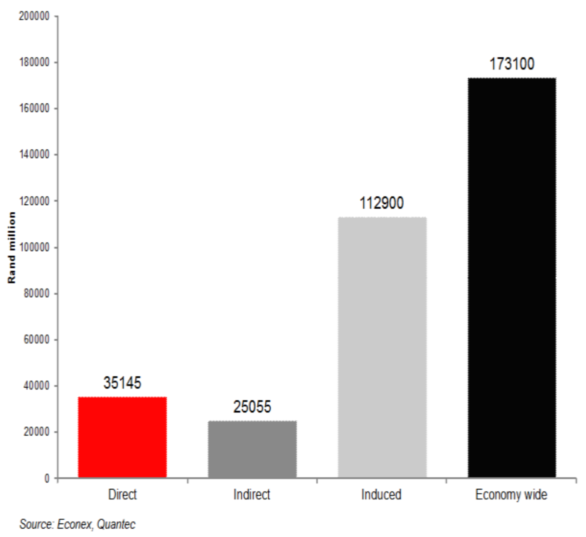


Chart 11: Direct, indirect and induced impact of the liquor industry on capital stock requirements



Impact on employment creation

The liquor industry is an important source of household employment in South Africa. Unfortunately, Statistics South Africa does not provide disaggregated employment statistics for the beverage sector – or the liquor industry – implying that there are no official statistics on the number of jobs sustained by the liquor industry in South Africa.

Quantec Research estimated that the liquor industry (excluding sorghum beer) employed roughly 21,300 workers in 2009, with around 15,100 working in the wine and spirits segments of the market (reflecting the higher labour intensity of the wine industry) and the remaining 6,200 in the malt beer industry.

The industry further supported an additional 66,000 jobs at first round suppliers.

A large number of jobs are created in industries that are dependent on and/or related to the South African liquor industry. One example is the informal sector, where the sale of alcohol provides 'jobs' (albeit mostly illegal) to many South Africans who would otherwise have no incomes (Parry & Bennetts, 1998). Another example is the tourism industry in South Africa, for which the liquor industry – and the Cape wine route in particular – is a major draw card. It was estimated that around R4.2 billion in foreign tourism spend in 2008 may be indirectly linked to visitors to the winelands, while local tourists in all likelihood spent another R800 million in the winelands. This influx of tourists and tourism spend benefits the hospitality and tourism industries, which are significant sources of job creation in South Africa (Parry &

Bennetts, 1998). A case in point is estimates by the DTI that puts tourism-related jobs, directly attributable to the wine industry, at close to 7,000.

Overall, **548,000 employment opportunities (or 4.5% of total employment in South Africa)** can be directly or indirectly traced back to the production and sale of liquor (of which an estimated 37% are in the retail, wholesale, catering and accommodation sectors).

The direct employment impact (i.e. by liquor manufacturers and their first round suppliers) only represents a fraction (16%) of the total economy-wide impact of the liquor industry – for each job offered by the liquor industry and its first round suppliers, 5.3 additional jobs are supported in the rest of the economy.

Approximately 88% of the employees in the liquor industry and its direct suppliers are from previously disadvantaged backgrounds, and the agriculture, forestry and fishing sector derives the largest direct benefit (in terms of employment opportunities) from the liquor industry's operations.

Looking at the skills composition of the economy wide impact of the liquor industry's operations on employment, only a small portion (8.4%) of the positions are filled by highly skilled employees. The majority of job opportunities sustained by the liquor industry's value chain are low skilled positions (37.6%) or in the informal sector (22.3%). The liquor industry's noteworthy contribution to employment of low skilled workers should be viewed positively given the high unemployment rate among low skilled workers in South Africa. Furthermore, the vast majority (72%) of the 548,000 jobs sustained by the liquor industry's operations are filled by black employees (see Chart 15).

Chart 12: Employment by industry – direct impact of the liquor industry

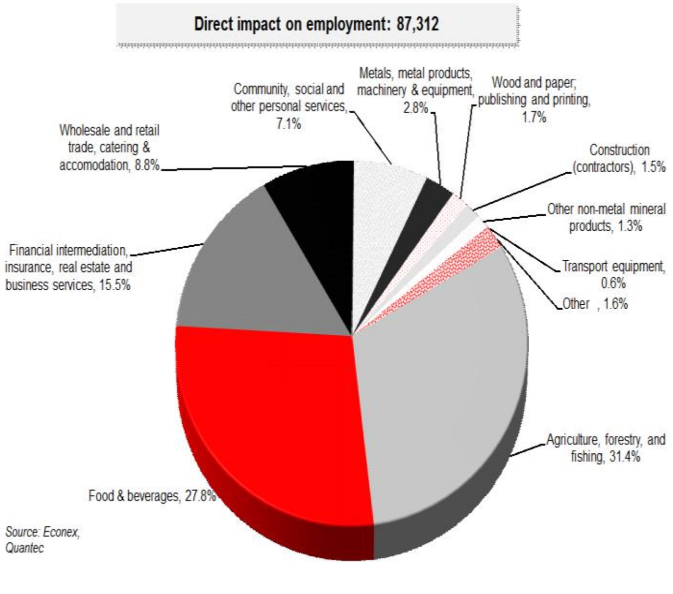


Chart 13: Employment by industry – economy wide impact of the liquor industry

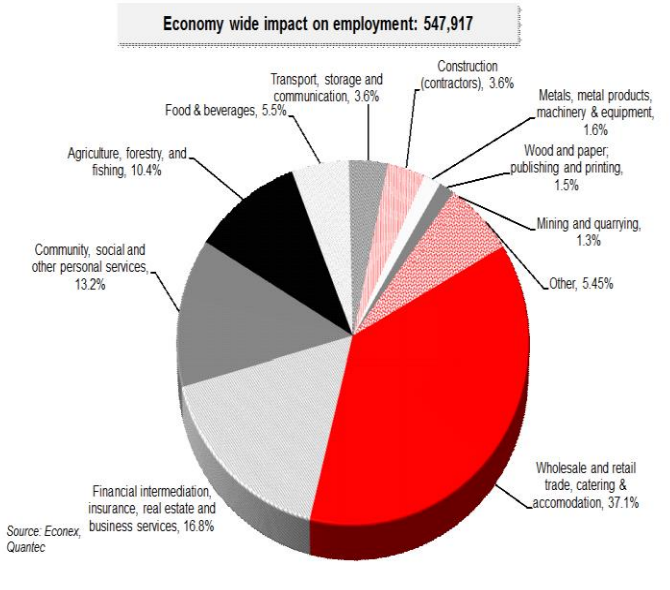
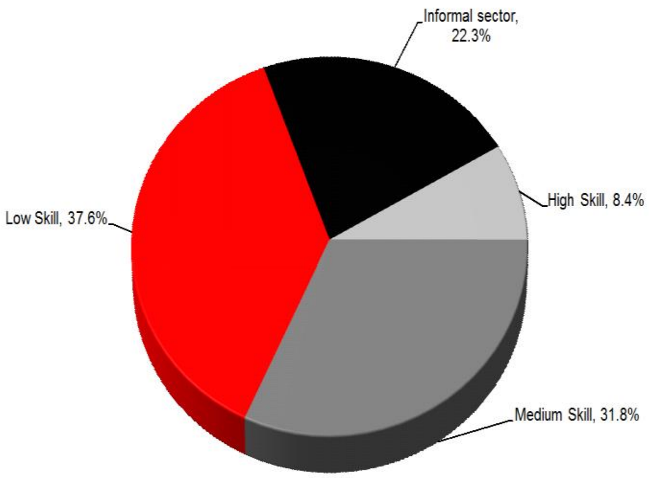
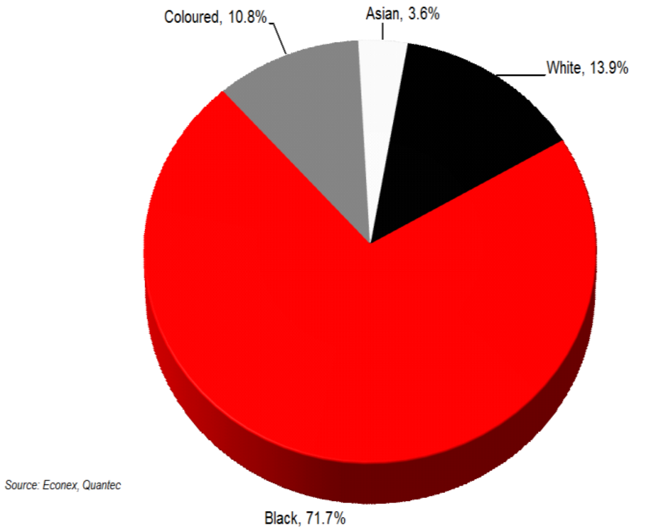


Chart 14: Employment by skill - economy wide impact



Source: Econex, Quantec

Chart 15: Employment by race - economy wide impact



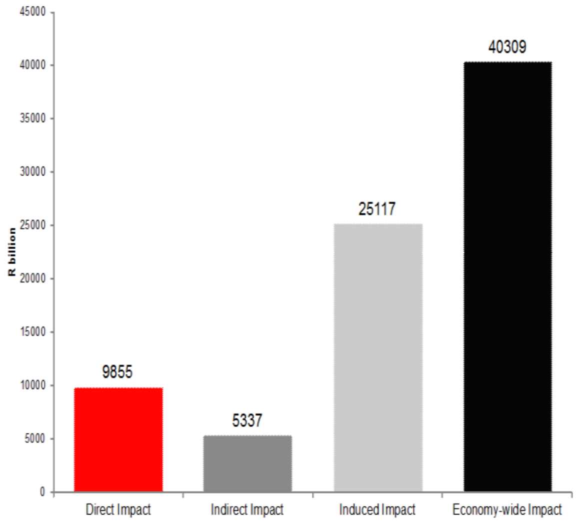
Source: Econex, Quantec

Contribution to labour income

The liquor industry and its first round suppliers contributed an estimated R9.9 billion towards labour remuneration during 2009. However, the results from the SAM multiplier analysis show that, when the indirect and induced impacts of the liquor industry's value chain are also taken into consideration, the economy-wide impact on household incomes increases to R40.3 billion (see Chart 16).

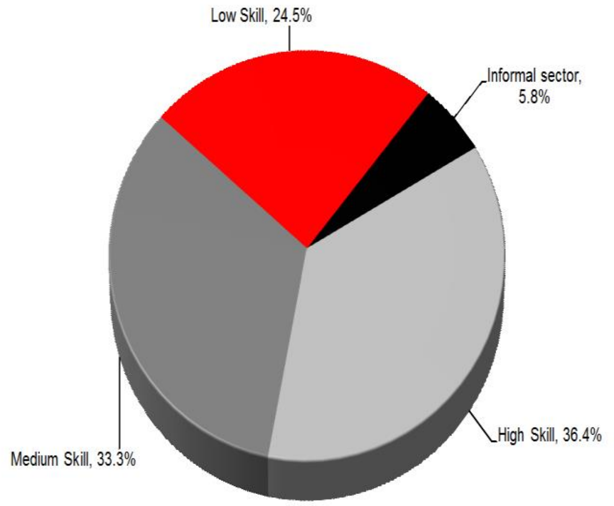
In contrast to the skills breakdown of employment, the labour income figures favour the higher skilled (i.e. higher remunerated) occupations – approximately 70% of the labour income generated can be ascribed to the medium and highly skilled groups in the formal sector – see Chart 17.

Chart 16: Direct, indirect and induced impact of the liquor industry on labour income



Source: Econex, Quantec

Chart 17: Labour income by skill



Source: Econex, Quantec

Contribution of liquor industry to government tax

Financial proceeds arising from direct and indirect taxes on the production and sale of beverages, particularly alcoholic beverages, are an important source of government revenue in South Africa. The liquor industry contributes to government tax revenue in various ways, including excise duties, value added tax (VAT), corporate tax and personal income tax.

The **direct impact** of the liquor industry and its first round suppliers on tax revenue is estimated at **R19.5 billion** in 2009.

However, the tax revenues arising from the **indirect and induced impacts** through the economy raised the government's take to an estimated **R41.8 billion** in 2009, or 6.7% of total government tax revenue – see table below and Chart 19.

Table 3: Contribution of liquor industry to government tax revenue, 2009/10, R million

	Direct impact	Indirect impact	*Direct + indirect impact*	Induced impact	Economy wide impact*
Direct taxes – corporate *(company tax & STC)*	2,595	1,295	*3,889*	6,037	9,927
Direct taxes – Personal *(SITE/PAYE)*	1,561	1,036	*2,597*	4,621	7,218
Indirect taxes *(excise, VAT, other)*	15,392	3,594	*18,986*	5,677	24,663
Total government tax revenue from liquor industry	**19,548**	**5,924**	***25,472***	**16,335**	**41,807**
% Share of government tax revenue	*3.1*	*1.0*	*4.1*	*2.6*	*6.7*

Source: Econex, Quantec

* *Direct + indirect + induced impact*

57% derived from taxes on production & sale of malt beer

SAB's beer division accounted for nearly half of this amount

Chart 18: Contribution of liquor industry to government revenue by type of tax

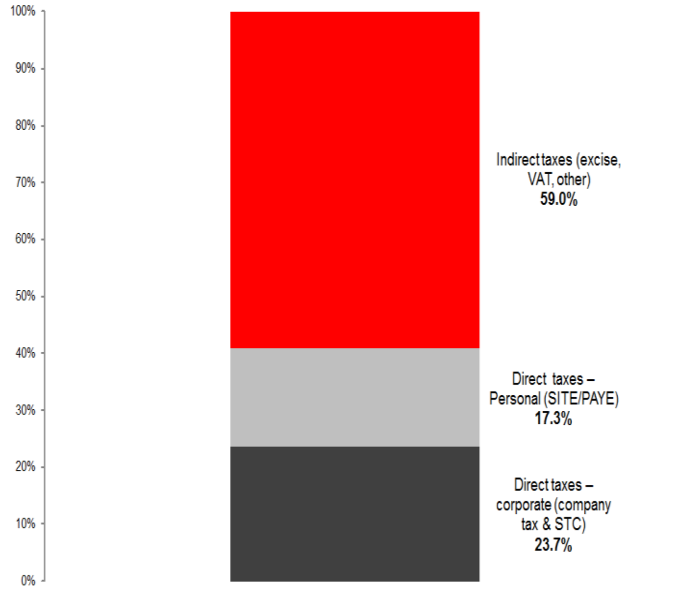
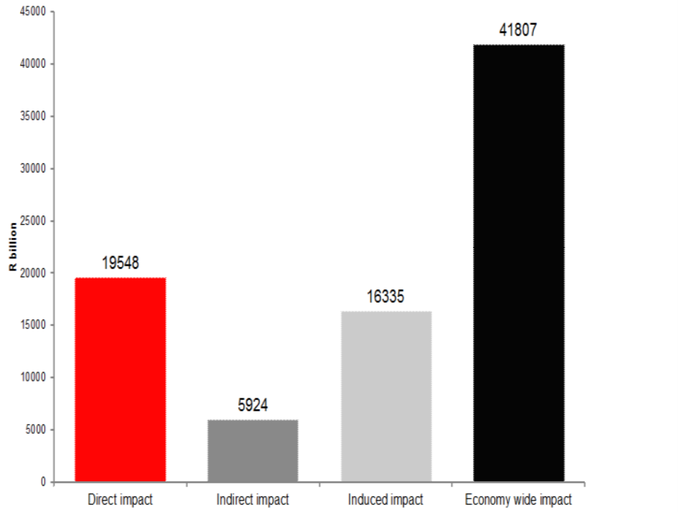


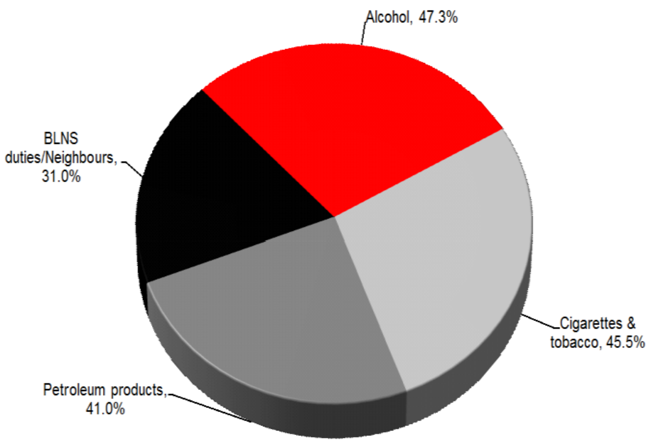
Chart 19: Contribution of liquor industry to government revenue (directly, indirectly and induced impact)



Source: Econex, Quantec

It is clear from Table 3 that the majority share of government revenue raised by the liquor industry throughout the *whole* economy (i.e. economy wide impact in above table), stems from indirect taxes such as excise duties and VAT (59%, or R24.7 billion), followed by corporate tax (24%, or R9.9 billion) and personal tax (17.3%, or R7.2 billion) – see Chart 18.

Chart 20: Excise contribution by industry



Source: Econex, Quantec

The single largest proportion of the tax paid by the liquor industry is derived from specific **excise tax**. According to National Treasury, excise duties derived from the liquor industry (excluding sorghum) amounted to **R10.01 billion** during the 2009/2010 fiscal period, representing roughly 60% of the liquor industry's total tax burden, and 47% of all excise tax collected in South Africa (see Chart 20).

The revised estimate of expected excise duties on alcohol beverages for the 2013/14 fiscal period is R15.7 billion which amounts to approximately 46.6% of all expected excise tax to be collected in the 2013/14 fiscal year.

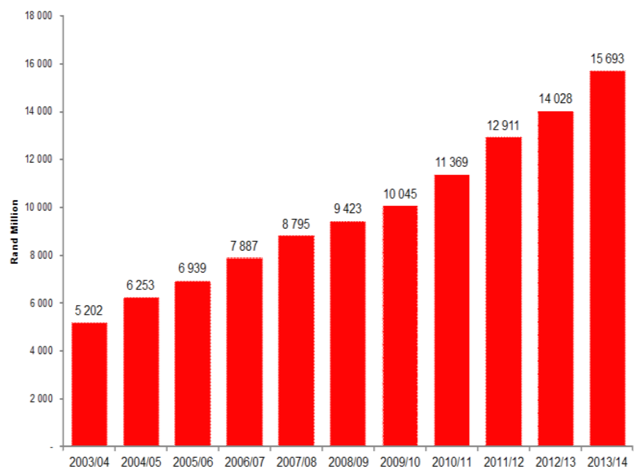
Apart from traditional beer, for which excise was not increased, all the other liquor categories saw real increases in excise duties of around 2% to 4.5% in the 2013/2014 fiscal year.

According to the 2013 Budget Review, the government received 100.98c in excise tax from every 340 ml can of malt beer sold in 2012/13. In the current (2013/14) financial year, the amount was increased by 7.5% in nominal terms to 108.48c/ 340 ml can (see Table 4), or 1.9% in real terms.

Considering excise tax according to the Rand amount paid per litre of absolute alcohol obtained (see Table 5), spirits and fortified and unfortified wine currently carries the highest excise duties, at R122.80 per litre of absolute alcohol (2013/2014 fiscal year). Malt beer and alcoholic fruit beverages rank second and third highest on the list, with excise duties of at R63.81 and R50.16 respectively.

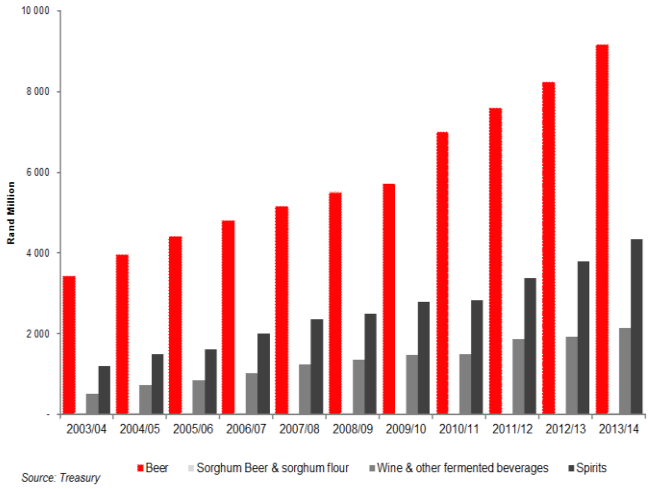
According to the Budget Review 2013, the current targeted tax burdens (excise duties plus VAT) expressed as a percentage of the weighted average retail selling price for wine, clear beer and spirits are 23%, 35%, and 48% respectively. Government proposes to increase excise duties on alcoholic beverages for this year by between 5.7% and 10%. The expected impact of the new tax proposals of the increase in alcohol beverages is a R1.2 billion contribution toward tax revenue.

Chart 21: Revenue generated from excise duties on alcohol beverages



Source: Treasury

Chart 22: Revenue generated from excise duties on alcohol beverages



Source: Treasury

Table 4: Specific excise duties (alcohol and tobacco), 2012/13 vs. 2013/14

Product	2012/13 Excise duty rate	2013/14 Excise duty rate	% Change in excise duties	
			Nominal	Real
Malt beer	R59.36/litre of absolute alcohol (100.98c/average 340ml can)	R63.81/litre of absolute alcohol (108.48c/average 340ml can)	*7.5%*	*1.9%*
Traditional beer (sorghum)	7.82c/litre	7.82c/litre	*0.0%*	*-5.6%*
Traditional African beer powder	34.70c/kg	34.70c/kg	*0.0%*	*-5.6%*
Unfortified wine	R2.50/litre	R2.70/litre	*8.0%*	*2.4%*
Fortified wine	R4.59/litre	R4.85/litre	*5.7%*	*0.1%*
Sparkling wine	R7.53/litre	R8.28/litre	*10.0%*	*4.4%*
Ciders & alcoholic fruit beverages	R2.97/litre (100.98c/average 340ml can)	R3.19/litre (108.48c/average 340ml can)	*7.4%*	*1.9%*
Spirits	R111.64/litre of absolute alcohol (R36.00/average 750ml bottle)	R122.80/litre of absolute alcohol (R39.60/average 750ml bottle)	*10.0%*	*4.4%*
Cigarettes	*R10.32 / 20 cigarettes*	*R10.92 / 20 cigarettes*	*5.8%*	*0.3%*
Cigarette tobacco	*R11.05 /50g*	*R12.16 /50g*	*10.0%*	*4.5%*
Pipe tobacco	*R3.22/25g*	*R3.54 /25g*	*9.9%*	*4.4%*
Cigars	*R53.05 /23g*	*R56.76 /23g*	*7.0%*	*1.4%*

Source: National Treasury (Budget Review)

Table 5: Excise duties (Rand) per litre of absolute alcohol

Product	2009/10 Excise duty rate	2013/14 Excise duty rate
Spirits	R77.67	R122.80
Alcoholic fruit beverages	R46.60	R50.16
Malt beer	R46.41	R63.81
Sparkling wine	R37.33	R40.42
Fortified wine	R21.88	R122.80
Unfortified wine	R16.50	R122.80
Sorghum beer	R1.86	R1.86
Sorghum flour (R/kg)	R0.35	R0.35

Source: National Treasury (Budget Review)

Impact on the gross domestic product

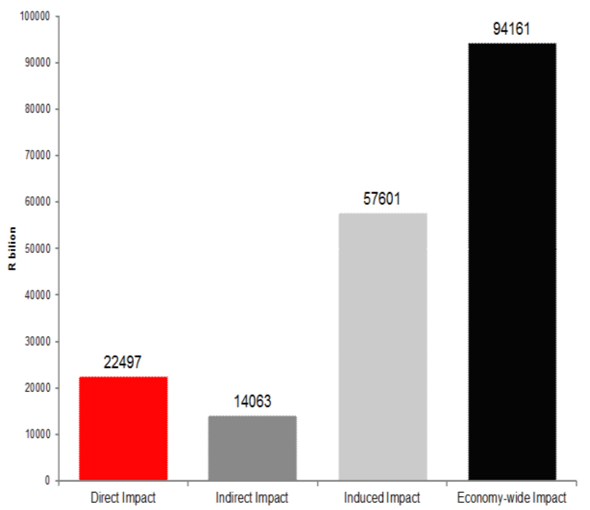
Estimated at **R94.2 billion** during 2009, the total economic contribution from the production and sale of the liquor industry's products to value added (GDP at factor costs) is considerable. Approximately 4.4% of South Africa's GDP can be traced back to the direct, indirect and induced impacts of the liquor industry.

The liquor industry's GDP multiplier is estimated to be 2.1, indicating that for every R1.00 in sales revenue generated by the liquor industry (i.e. turnover at company level), R2.10 is added to the country's gross domestic product.

Chart 23 shows that the direct and indirect impacts comprise approximately 39% of the liquor industry's economy-wide impact, with induced effects accounting for the remaining 61% of the value added.

Table 6 shows the GDP and employment multipliers for the liquor industry, as well as two indicators of the efficiency with which the industry employs scarce productive resources, namely the GDP/capital ratio and the labour/capital ratio.

Chart 23: Contribution of liquor industry to GDP (directly, indirectly and induced impact)



Source: Econex, Quantec

Table 6: Liquor industry's multipliers and efficiency ratios

	Total liquor industry	Total SA
Employment multiplier in terms of direct jobs (incl informal sector)	6.3	
GDP multiplier	2.1	
GDP/capital ratio	0.5	0.4
Labour/capital ratio	3.2	2.5

Source: Econex, Quantec

The liquor industry's labour/capital ratio, measuring the number of additional employment opportunities that can be created from the investment of R1 million in capital by the liquor industry and its first round suppliers, is estimated at 3.2. This is higher than that of the overall South African economy (2.5).

The liquor industry's GDP/capital ratio of 0.5 is in line with that of the overall SA economy (0.4), indicating that for every R1 million in capital invested by SAB and its first round suppliers, an additional R0.5 million in GDP is generated.

Both the liquor industry's GDP/capital ratio and its labour/capital ratio suggest that SAB and its first round suppliers are slightly more efficient in utilising a unit of investment compared to the overall South African economy. In all, the results from the analysis show that the liquor industry not only makes a substantial direct contribution to state coffers in terms of tax revenue, but the liquor industry's operations have high spin-off effects on production, employment creation and value added in the South African economy.

Summary of contribution of liquor industry to the economy

While the liquor industry in itself provides employment and income to thousands of workers and makes a substantial direct contribution to export earnings and government tax revenue in South Africa, this initial injection of economic activity is only the tip of the iceberg. The results from the SAM multiplier analysis suggest that, after accounting for all the indirect and induced economic benefits arising from the liquor value chain, the liquor industry **stimulated production** to the value of **R333 billion** during 2009.

In addition, the liquor industry **supported roughly 548,000 jobs**, or 4.5% of total employment in South Africa, yielding more than R40 billion in household income.

The results from the multiplier analysis confirm that the liquor industry is a key source of government revenue in South Africa. The direct impact of the liquor industry on **tax revenue** is estimated at **R19.5 billion** in 2009. The tax revenues arising from the indirect and induced impacts through the economy raised the government's take to an estimated R41.8 billion in 2009, or a hefty 6.7% of total government tax revenue.

Estimated at **R94 billion** in 2009, or 4.4% of the country's gross domestic product (**GDP**), the liquor industry makes a substantial contribution to the South African economy. The GDP multiplier - based on net sales by liquor manufacturers - is 2.08, indicating that for every R1.00 in sales revenue generated by the liquor industry (i.e. turnover at company level) R2.08 is added to the country's GDP.

Apart from the multiplier effects quantified in the above analysis, the liquor industry – and the **Cape wine route** in particular – also serves as a draw card for tourism in South Africa. Although data on the number of tourists that visit the winelands are lacking, a rough estimate is that around R4.2 billion in foreign tourism spend in 2008 may be indirectly linked to visitors to the winelands, while local tourists in all likelihood spent another R800 million in the winelands. Considering its contribution in terms of tourism, job creation, export earnings and government tax revenue, it is clear that the South African liquor industry has developed into a major force in the economy.

Overall, the findings from this analysis reflect the economic importance of the liquor industry in South Africa. The liquor industry is an indispensable source of government tax revenue, and has high spin-off effects on production, employment creation and value added in the South African economy. In addition, both the GDP/ capital ratio and the labour/capital ratio of the liquor industry suggest that the liquor industry is more efficient in utilising a unit of investment compared to the overall South African economy.

Table 7: The impact of the liquor industry on the South African economy - 2009

	Impact (including gross domestic fixed investment), Rand million				
Description	**Direct impact**	**Indirect impact**	**Direct and indirect impact**	**Induced impact**	**Economy wide impact**
Initial injection					
Sales – Net	45 306	45 306	45 306	45 306	45 306
Sales – Net at consumer prices	84 501	84 501	84 501	84 501	84 501
Gross domestic fixed investment	4 512	4 512	4 512	4 512	4 512
Output by industry (intermediate at user-prices)					
Agriculture, forestry and fishing	6 010	2 021	8 031	4 335	12 366
Mining and quarrying	71	3 101	3 173	5 210	8 383
Food and beverages	93 210	9 418	102 629	8 215	110 843
Textiles, clothing and leather goods	82	373	455	3 995	4 450
Wood and paper; publishing and printing	2 432	1 951	4 383	4 564	8 947
Petroleum products, chemicals, rubber and plastic	782	5 182	5 963	14 683	20 646
Other non-metal mineral products	1 283	1 097	2 380	861	3 241
Metals. Metal products, machinery and equipment	2 018	4 555	6 574	3 411	9 984
Electrical machinery and apparatus	20	860	880	1 043	1 923
Radio, TV, instruments, watches and clocks	11	465	476	2 398	2 874
Transport equipment	1 280	9 664	10 944	5 355	16 298
Furniture, tobacco, and other manufacturing	29	591	620	3 234	3 854
Electricity, gas and water	308	696	1 003	3 206	4 210
Construction (contractors)	489	4 839	5 328	2 144	7 472
Wholesale and retail trade, catering and accommodation	845	975	1 820	39 736	41 556
Transport, storage and communication	443	2 137	2 580	16 543	19 123
Financial intermediation	3 853	7 266	11 119	30 330	41 449
Community, social and other personal services	2 362	1 465	3 827	11 271	15 098
Total Output (at consumer prices)	**115 527**	**56 657**	**172 184**	**160 533**	**332 717**
Output multiplier	*1.4*	*0.7*	*2.0*	*1.9*	*3.9*

Description	Direct impact	Indirect impact	Direct and indirect impact	Induced impact	Economy wide impact
Capital requirement					
Buildings and construction works	22 410	17 368	39 778	80 917	120 695
Machinery and other equipment	11 309	6 035	17 344	21 594	38 939
Transport equipment	1 426	1 652	3 078	10 389	13 466
Total capital requirement	**35 145**	**25 055**	**60 200**	**112 900**	**173 100**
% Share of SA capital stock	*0.7*	*0.5*	*1.2*	*2.3*	*3.5*
Labour income by skill					
High skill	3 685	2 061	5 746	8 915	14 661
Medium skill	2 850	1 421	4 270	9 162	13 432
Low skill	2 831	1 611	4 442	5 417	9 859
Labour income -Formal sector	**9 365**	**5 093**	**14 458**	**23 494**	**37 952**
Informal sector	489	244	733	1 623	2 356
Total labour income	**9 855**	**5 337**	**15 191**	**25 117**	**40 308**
Employment					
Employment by race (number)					
Black	63 907	50 731	114 638	278 081	392 720
Coloured	11 101	8 255	19 356	39 825	59 181
Asian	2 134	2 322	4 456	15 246	19 701
White	10 170	11 537	21 707	54 608	76 316
Total employment (incl informal sector)	**87 312**	**72 845**	**160 157**	**387 760**	**547 917**
Employment by gender (number)					
Male	53 504	49 443	102 947	213 753	316 700
Female	33 808	23 402	57 210	174 007	231 217
Total employment (incl informal sector)	**87 312**	**72 845**	**160157**	**387 760**	**547 917**
Employment by skill (number)					
High skill	5 780	6 793	12 574	33 189	45 763
Medium skill	23 503	20 764	44 268	129 981	174 249
Low skill	47 754	32 487	80 241	125 738	205 979
Employment – Formal sector	77 038	60 045	137 083	288 907	425 990
Employment – informal sector[2]	10 274	12 800	23 074	98 853	121 927
Total employment	**87 312**	**72 845**	**160 157**	**387 760**	**547 917**

[2] *Given that the number of unlicensed outlets in SA is estimated at 120,000 (which is essentially the informal sector) vs. 50,000-60,000 licenced outlets (formal sector), this number for employment in the informal sector could be higher*

Description	Direct impact	Indirect impact	Direct and indirect impact	Induced impact	Economy wide impact
Employment by industry					
Agriculture, forestry and fishing	27 741	9 295	37 037	19 793	56 830
Mining and quarrying	93	2 723	2 817	4 087	6 904
Food and beverages	24 534	537	25 070	4 930	30 000
Textiles, clothing & leather goods	208	580	787	5 972	6 759
Wood and paper; publishing & printing	1 469	1 902	3 371	4 662	8 033
Petroleum products, chemicals, rubber and plastic	311	1 305	1 616	3 566	5 182
Other non-metal mineral products	1 107	1 351	2 458	1 259	3 716
Metals. Metal products, machinery & equipment	2 492	3 338	5 830	3 113	8 943
Electrical machinery and apparatus	24	406	430	566	996
Radio, TV, instruments, watches & clocks	7	78	86	430	516
Transport equipment	571	3 568	4 138	2 450	6 589
Furniture, tobacco, & other manufacturing	96	606	701	2 909	3 610
Electricity, gas and water	174	427	601	1 889	2 489
Construction (contractors)	1 291	12 476	13 767	5 929	19 696
Wholesale and retail trade, catering and accommodation	7 760	5 837	13 597	189 841	203 438
Transport, storage & communication	477	2 259	2 735	17 139	19 874
Financial intermediation	13 666	16 431	30 097	61 772	91 868
Community, social & other personal services	6 244	8 776	15 020	57 452	72 472
Total employment	**88 264**	**71 893**	**160 157**	**387 760**	**547 917**
Employment multiplier (In terms of direct jobs)					
Employment multiplier (excl informal)			1.8	3.8	5.5
Employment multiplier (incl informal)			1.8	4.4	6.3
% share of RSA employment			*1.3*	*3.2*	*4.5*
Government income					
Direct taxes – Corporate	2 595	1 295	3 889	6037	9 927
Direct taxes – Personal	1 561	1 036	2 597	4 621	7 218
Indirect taxes	15 392	3 594	18 986	5 677	24 663
Total government tax revenue	**19 548**	**5 924**	**25 472**	**16 335**	**41 807**
% share of government tax revenue	*3.1*	*1.0*	*4.1*	*2.6*	*6.7*
Value added					
Gross operating surplus	12 642	8 726	21 369	32 484	53 853
Labour income	9 855	5 337	15 191	25 117	40 308
Value added at factor costs (GDP)	**22 497**	**14 063**	**36 560**	**57 601**	**94 161**
GDP multiplier	05	0.3	0.8	1.3	2.1
% share of RSA GDP	*1.0*	*0.7*	*1.7*	*2.7*	*4.4*

Source: Econex, Quantec

The above estimates by Econex and Quantec of an economy wide contribution of R94.2 billion to South Africa's GDP is in line with various other estimates, as detailed in the box below.

Box 2: Other estimates of the economic contribution of the liquor industry

The figures of the impact on the economy contained in the DNA Economics entitled "*Baseline study of the liquor industry" 2011,* gives the following information relating to the industries contribution to GDP and employment.

In the year 2009/10, the manufacturing of liquor products was estimated to directly contribute just over R23 billion in value added terms, or approximately 0.9% of GDP. 58% of this direct value was accounted by the beer sector. The manufacture of liquor is also estimated to employ almost 30,000 employees directly, over half of which is through the production of wine. Using the multiplier estimates, the industry is estimated to have contributed R68.5 billion in total to the economy in 2009/10, or 2.7% of GDP.

During the same period, the (formal) off-consumption of liquor is estimated to have contributed R8.3 billion to the economy. Based on sales of R62.5 billion the rough estimate of total employment in the formal off-licence environment was approximately 30,600 individuals. It was estimated that the formal on-consumption sale of liquor resulted in a contribution of R815 million to the economy. It was estimated that the total number of shebeens in South Africa was 120,000-200,000. Research roughly estimated the value added by shebeens at R6.3 billion, involving employment for approximately 446,000 people. The type of shebeen ranged from small one person or family businesses to more established enterprises. Total VAT and excise contributions across the liquor industry was estimated to be R19.3 billion, implying that 40% of the direct value added by the industry accrued to the state.

In **total**, the manufacturing and retail of liquor direct, indirect and induced is estimated to have contributed **R93.2 billion to the economy, or approximately 3.9% of GDP**. Total employment was estimated at 516,000 people.

These figures could be directly compared to the figures from the findings submitted in a report by Tiaan Van Der Spuy, "*Advertising effectiveness in the alcoholic beverage industry of South Africa: measuring the influence of branded liquor advertising on consumption levels", 2011*. According to this report, in 2009, it is estimated that the liquor industry's manufacturing operations and capital expenditure contributed an estimated **R94 billion to GDP** and sustained directly and indirectly roughly 548,000 jobs.

SYNOPSIS OF KEY POINTS

- The liquor industry makes a valuable contribution to the economy. The production and sale of alcoholic beverages generates profits for farmers, manufacturers, advertisers and investors. Alcohol provides employment for people in bars and restaurants, brings in foreign currency for exported beverages and generates tax revenues for the government.
- The industry spans across the primary, secondary and tertiary sectors of the South African economy - from agriculture (grapes, malt, hops and sugar cane) to manufacturing (wine making, distilling and brewing) to marketing, distribution and retail.

Including all multiplier effects (i.e. economy wide impact), the liquor industry:

- Sustained production to the value of R333 billion throughout the economy
- Supported more than 548 000 jobs throughout the economy
- Generated R41.8 billion in government tax revenue (6.7% of total tax revenue) – direct impact totalled R19.5 billion.
- Added R94.2 billion (or 4.4%) to the country's GDP in 2009
- For every R1.00 in sales generated by the liquor industry, R2.08 is added to the country's GDP.

The liquor industry has particularly high spin-off effects on employment:

- For each job offered by the liquor industry and its direct suppliers, 6.3 additional jobs are supported in the rest of the economy (formal and informal)

- The majority of positions are for unskilled workers
- Around 88% of employees in the industry and its direct suppliers are from previously disadvantaged backgrounds.
- The key reality is that, in South Africa, the distribution of market shares on a company and brand level projects almost a barbell figure, where there is heavy consolidation of market shares among big players and a significant number of companies with very small shares; there is very little to no players that provide a balance of power in-between.

Table 8: Summary of the impact of the liquor industry on the economy – 2009 (Rbn)

Description	Direct impact	Economy wide impact (direct+ indirect + induced)
Intermediate output (as user prices)		
Rand billion	115.5	332.7
Employment		
Number, including informal sector	87,312	547,917
Share of total employment in SA	*0.7%*	*4.5%*
Government tax revenue		
Rand billion	19.5	41.8
Share of total tax revenue in SA	*3.1%*	*6.7%*
Value added (GDP) at factor cost		
Rand billion	22.5	94.2
Share of total SA GDP	1.0%	4.4%
Multipliers		
Employment multiplier		6.3
GDP multiplier		2.1

Source: Econex, Quantec

CHAPTER 2

Alcohol demand/consumption patterns in South Africa[3]

Background

One of the reasons that no one regulatory system is suited to all countries is because the pattern of alcohol consumption varies so widely by country. Before good interventions to reduce the harms associated with alcohol can be designed, it is first necessary to understand the pattern of those harms. This section gives an overview of the pattern of alcohol demand and consumption patterns in South Africa.

How much do people drink?

Adult per capita alcohol consumption

The true picture of alcohol consumption is often shrouded in myths and assumptions. A statistical presentation and mapping of the level and patterns of global, regional and South African alcohol consumption by adults 15 years and older provides a sound basis for the analysis of problems related to alcohol. Data presented in this section was sourced from the World Health Organization's (WHO) *"Global status report on alcohol and health, 2011*". The principal measure is adult per capita alcohol consumption (APC) in litres of pure alcohol (see Box 3).

Box 3: Adult per capita alcohol consumption (APC) – WHO definition

Total adult per capita alcohol consumption is the adult (the population of 15 years and over) per capita amount of alcohol consumed in litres of pure alcohol in a given population. Total APC consists of the average APC of recorded alcohol in 2003–2005 and the APC of unrecorded alcohol (see Box 4) in 2005.

The WHO uses adult per capita data to measure alcohol consumption, instead of the widely used "per capita for the whole population". This is to balance the fact that population distributions in developing countries are quite different from developed countries (they have much larger proportion of children and young people). Using per capita consumption would mean that consumption among adults would be underestimated in those countries with many young people (if it were assumed that most young people under 15 years do not consume significant quantities of alcohol).

South African **adult per capita alcohol consumption** in 2005 equalled **9.5 litres of pure alcohol**. Of this consumption, 26.3% or 2.5 litres per person, was homemade and illegally produced alcohol or, in other words, unrecorded alcohol. The consumption of homemade or illegally produced alcohol may be associated with an increased risk of harm because of unknown and potentially dangerous impurities or contaminants in these beverages.

APC in South Africa (of 9.5) is *above* the world average of 6.13, the regional average for Africa of 6.2, the average for the Americas of 8.7, the average for the South-East Asia region of 2.2, and the average for the Western Pacific region of 6.3. It is, however, *below* the European regions' APC of 12.2. South Africa has the 75th highest APC in the world.

A large variation exists in adult per capita consumption globally (see Chart 24). The highest consumption levels can be found in the developed world, mostly the Northern Hemisphere, but also in Argentina, Australia and New Zealand – South Africa's APC is lower than the majority of developed countries (see Chart 25). Medium consumption levels can

[3] *Main source for this chapter: World Health Organization's (WHO) "Global status report on alcohol and health, 2011".*

be found in North and South America and southern Africa, with South Africa having among the highest levels (South Africa has the highest APC in Africa, with the exception of Namibia, Uganda, and Nigeria).

Low consumption levels can be found in the countries of North Africa and sub-Saharan Africa, the Eastern Mediterranean region, and southern Asia and the Indian Ocean - these regions represent large populations of the Islamic faith, which have very high rates of abstention.

Chart 24: Global per capita alcohol consumption pattern

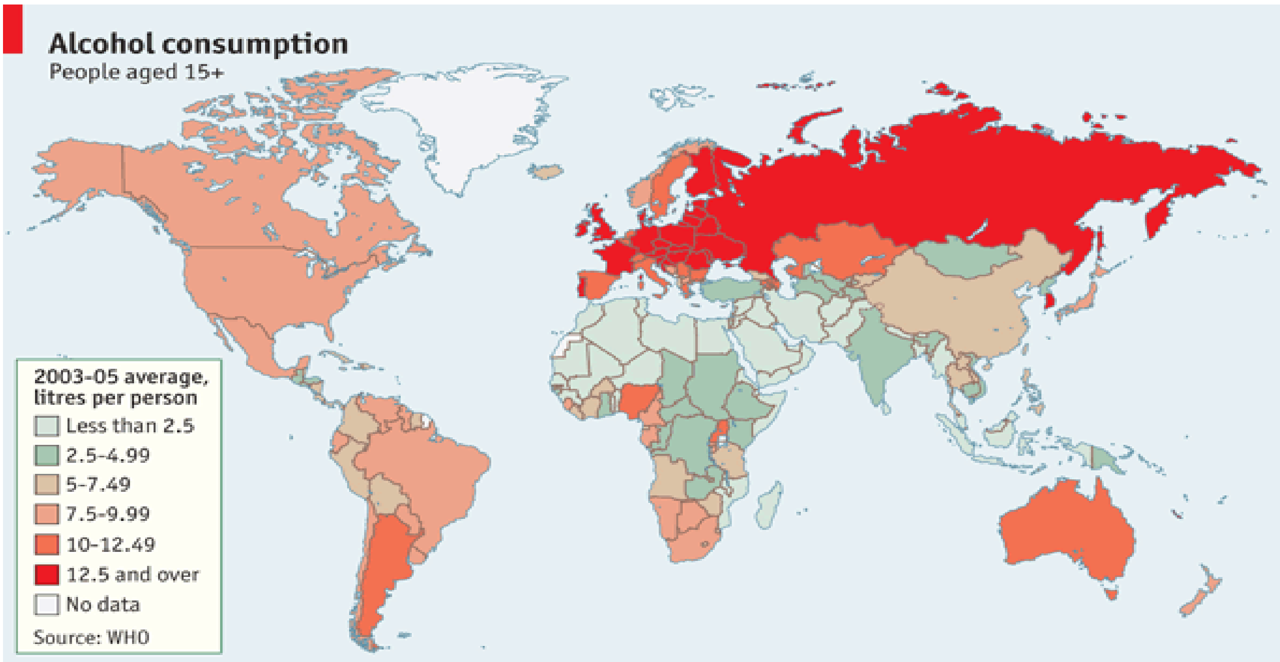


Chart 25: Adult per capita consumption in SA vs. selected *African* countries (average 2003-2005)

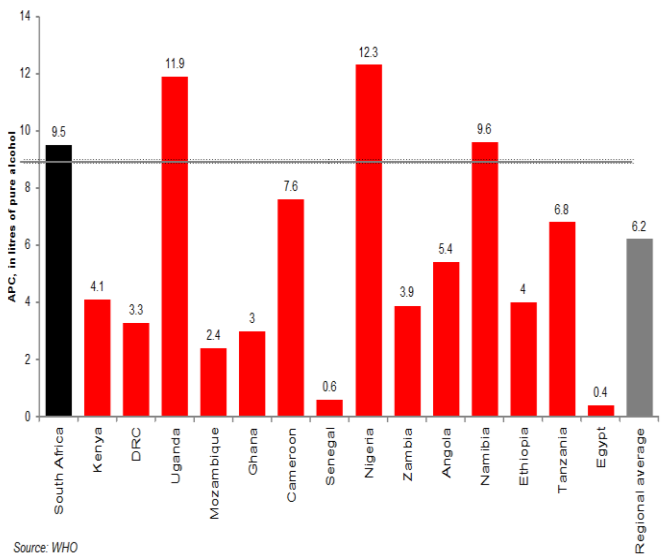


Chart 26: Adult per capita consumption in SA vs. selected *developed* countries (average 2003-2005)

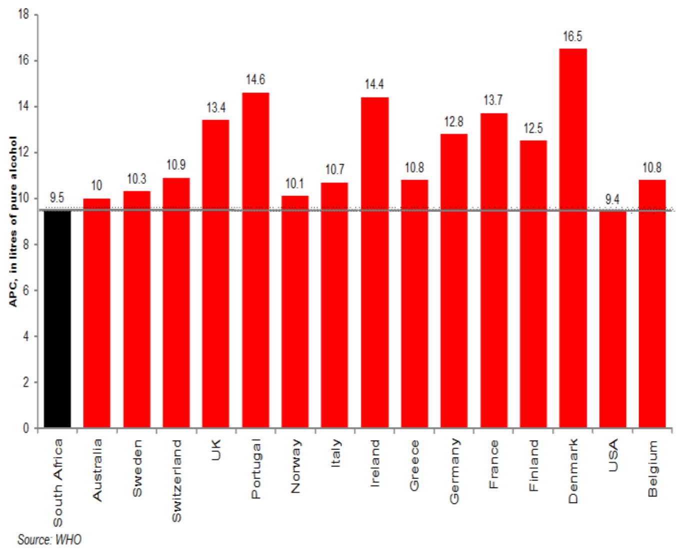


Chart 27: Adult per capita consumption for *BRICS* countries (average 2003-2005)

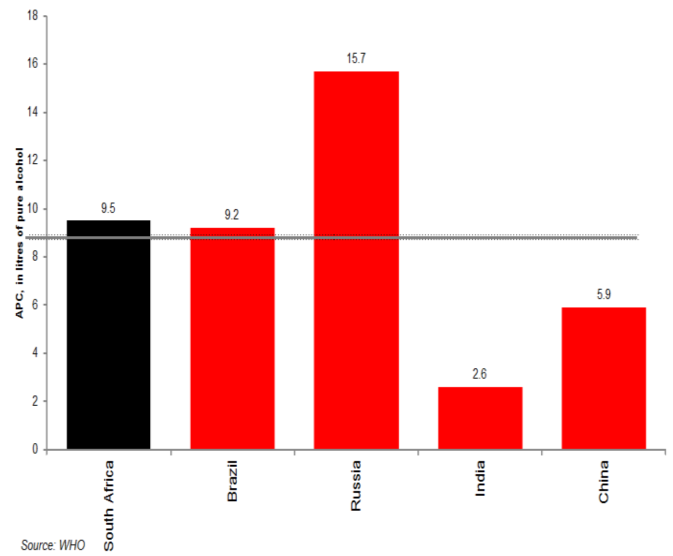
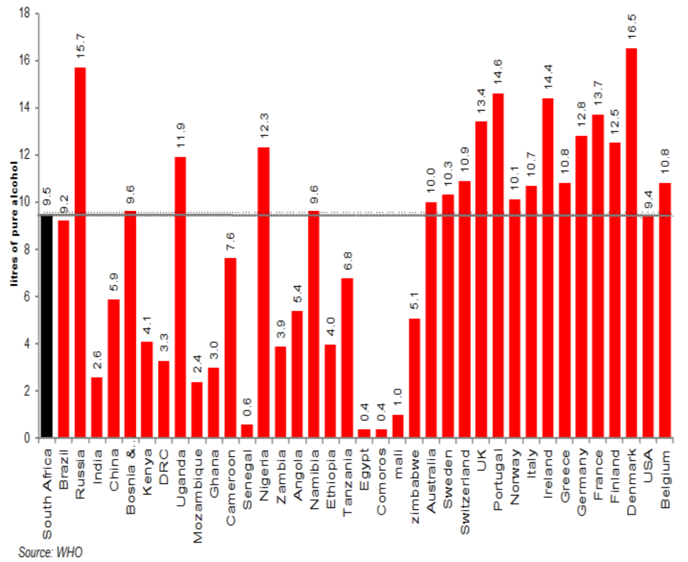
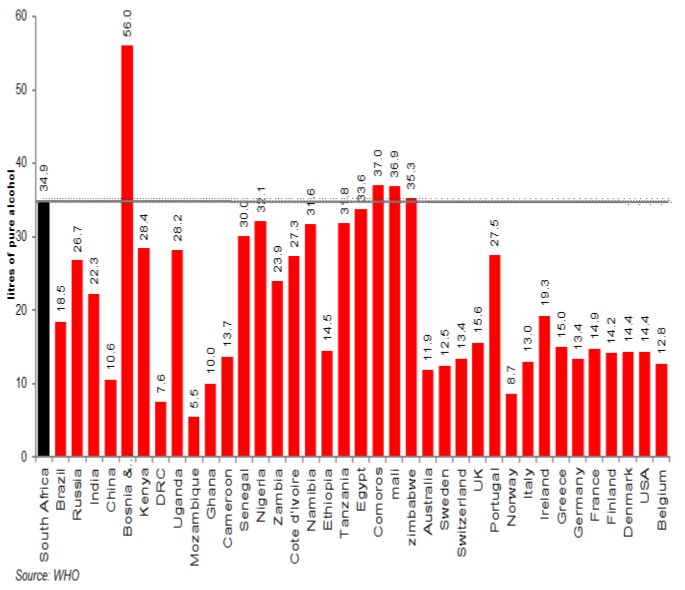


Chart 28: Adult per capita consumption (APC) in SA vs. *rest of world* (average 2003-2005)



Drinking among drinkers

Chart 29: "Drinking among drinkers" ration in SA vs. rest of world (average 2003-2005)



If one analyses the litres of pure alcohol (recorded and unrecorded) consumed by the adult (15+ years) drinking population, then South Africa has the 5th highest ratio in the world (after Bosnia & Herzogovinia, Mali, Comoros and Zimbabwe). The ratio shows that among the drinking population, the average amount consumed per drinker is 34.9 litres per annum.

This indicates that despite South Africa's high abstention rate of 73% (see Table 10), the amount that drinkers drink in South Africa is exorbitantly high. South Africa's situation is typical of countries where per drinker consumption is particularly high, but with a moderate or even low APC, combined with high abstention rates. In such countries, the relatively smaller percentage of the population that drinks is consuming alcohol at high levels.

Unrecorded alcohol consumption

The consumption of unrecorded alcohol (see Box 4) is a significant issue in South Africa (as it is all over the world), and poses a difficult dimension for measuring the true nature of global alcohol consumption. This sector of consumption accounts for 26½% of total adult consumption in South Africa, compared to 29% worldwide.

Unrecorded liquor is usually cheaper than mass or factory produced products; it is often brewed in rural areas and is consumed mostly by poorer segments of society.

The vast majority of the beverage alcohol consumed worldwide is not advertised - especially true in developing countries and in economies in transition - where many beverages are home-brewed or produced illicitly.

The price differential between commercially produced, branded products and home-brewed beverages is often prohibitive. In addition, import tariffs and excise taxes can at times increase the price of a product to several times its original value. The price of branded products also reflects higher costs of production. Such costs are clearly not associated with illicit and home-produced alcohol, thus making them overwhelmingly the beverages of choice. It should be noted, however, that many home-produced and illicit products, particularly in developing countries, use low-quality raw materials and may be contaminated, thus carrying health risks not associated with branded products. The majority of young people in developing countries, when they do drink, consume alcohol which is not commercially marketed or advertised.

The majority of liquor drunk in South Africa is recorded (processed), thus creating the need for close collaboration between industry and government in any policy decisions.

Box 4: Unrecorded alcohol – WHO definition

Unrecorded alcohol refers to alcohol that is not taxed and is outside the usual system of government control, because it is produced, distributed and sold outside formal channels. Unrecorded alcohol in a country includes consumption of homemade or informally produced alcohol (legal or illegal), smuggled alcohol, alcohol intended for industrial or medical uses, alcohol obtained through cross-border shopping, as well as consumption of alcohol by tourists. Homemade or informally produced alcoholic beverages are mostly fermented beverages made from sorghum, millet, maize, rice, wheat or fruits. In this report, unrecorded alcohol consumption in 2005 is calculated per adult (+15 years), and is based on litres of pure alcohol over a calendar year.

As can be seen from Table 1, the percentage share of unrecorded alcohol consumption generally increases in regions with less total consumption. This means that the lower the alcohol consumption in countries, the higher the proportion of alcohol being homemade or illegally produced. For example, overall alcohol consumption is lowest in the Eastern Mediterranean (EMR) and South-East Asia (SEAR) regions, where consumption of homemade or illegally produced beverages is very high at 56.2% and 69.0%, respectively, of APC.

In South Africa, with a relatively high APC, the proportion of unrecorded alcohol is lower than most other regions (except Americas and Europe).

Table 9: Proportion of unrecorded APC of total APC, 2005

	Total APC	Unrecorded APC	Unrecorded APC as % of total APC (%)
South Africa	***9.5***	***2.5***	***26.3%***
Africa	6.2	1.9	31.4
Americas	8.7	2.0	23.1
Eastern Mediterranean	0.7	0.4	56.2
European region	12.2	2.7	21.9
South East Asia	2.2	1.5	69.0
Western Pacific	6.2	1.6	26.2
World	**6.1**	**1.8**	**28.7**

Source: WHO

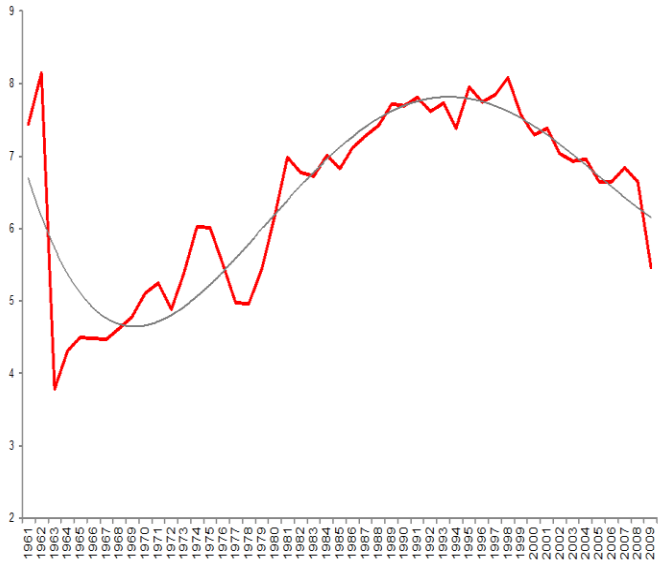
Changes in alcohol consumption patterns over time

Trends in adult per capita consumption since 1990

South Africa's recorded per capita consumption showed an increasing trend until the mid-1990s, but over at least the last decade, per capita demand for liquor has been shrinking– this is mainly due to the fact that South Africa is a saturated market.

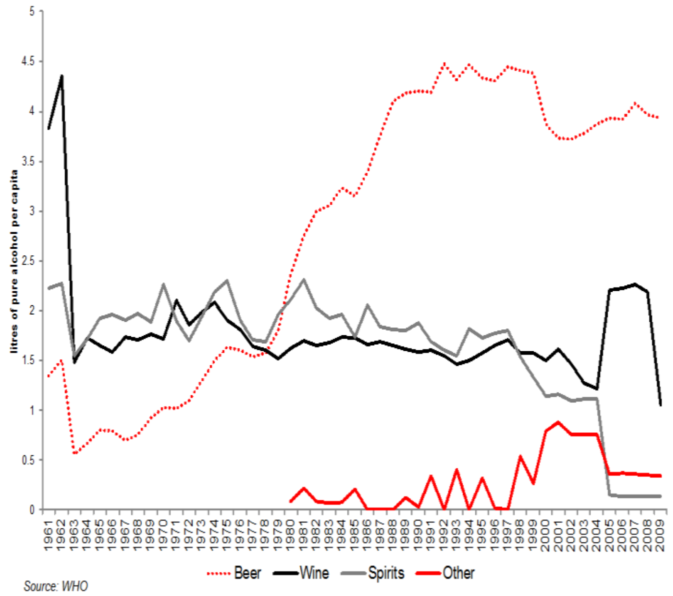
Although some subcategories such as whiskey and fortified wine have experienced limited growth, the picture of declining demand is consistent across all major categories.).

Chart 30: Recorded *total* adult per capita consumption, in litres of pure alcohol



Source: WHO

Chart 31: Recorded adult per capita consumption, by type of liquor, in litres of pure alcohol



Source: WHO

Patterns of drinking

Abstention

Prevalence of abstention is an indicator that is equally relevant to the description of levels and patterns of alcohol consumption. Within the context of alcohol epidemiology there are several different types of abstention, each of which has a different effect on alcohol trends. The past-year abstention rate (the percentage of those in the population aged 15 years and older, who did not drink any alcohol in the past 12 months) is an important characteristic of a pattern of drinking in a population and provides key information for the interpretation of adult per capita consumption figures.

In South Africa, 65% of the population has never consumed alcohol – this is among the highest rates in the world (see Chart 32). In addition, 7.7% have not consumed alcohol during the past year. In conclusion, almost three quarters of the population have abstained from drinking alcohol in the past 12 months.

It must also be noted that, of the 35% of the population that do consume alcohol, only a small percentage consume branded products; the largest percentage consume home-brews or illegal alcohol. In South Africa, there are around 50,000-60,000 licenced/legal outlets for alcohol sales and distribution; in contrast, there are an estimated 120,000 unlicensed outlets. It is generally accepted that the alcohol abuse problem lies within this unlicensed sector, which is not regulated at all by government.

Table 10 highlights South Africa's high (past year) abstention rate of 72.9%, which exceeds the global average, as well as the average of all other regions, with the exception of Eastern Mediterranean and South East Asia.

Table 10: Prevalence of alcohol abstention, 2004 (surveys 1993-2009)

	A: Lifetime abstainers* (%)	B: Former drinkers* (%)	Past year abstainers* (A + B) (%)	*Former drinkers among past year abstainers (%)*
South Africa	***65.2***	***7.7***	***72.9***	***10.6***
Africa	57.3	13.5	70.8	*19.1*
Americas	21.5	20.2	41.7	*48.4*
Eastern Mediterranean	87.8	8.7	96.5	*9.0*
European region	18.9	12.3	31.2	*39.4*
South East Asia	80.4	8.9	89.3	*10.0*
Western Pacific	29.2	14.5	43.7	*33.1*
World	**45.0**	**13.1**	**58.2**	***22.6***

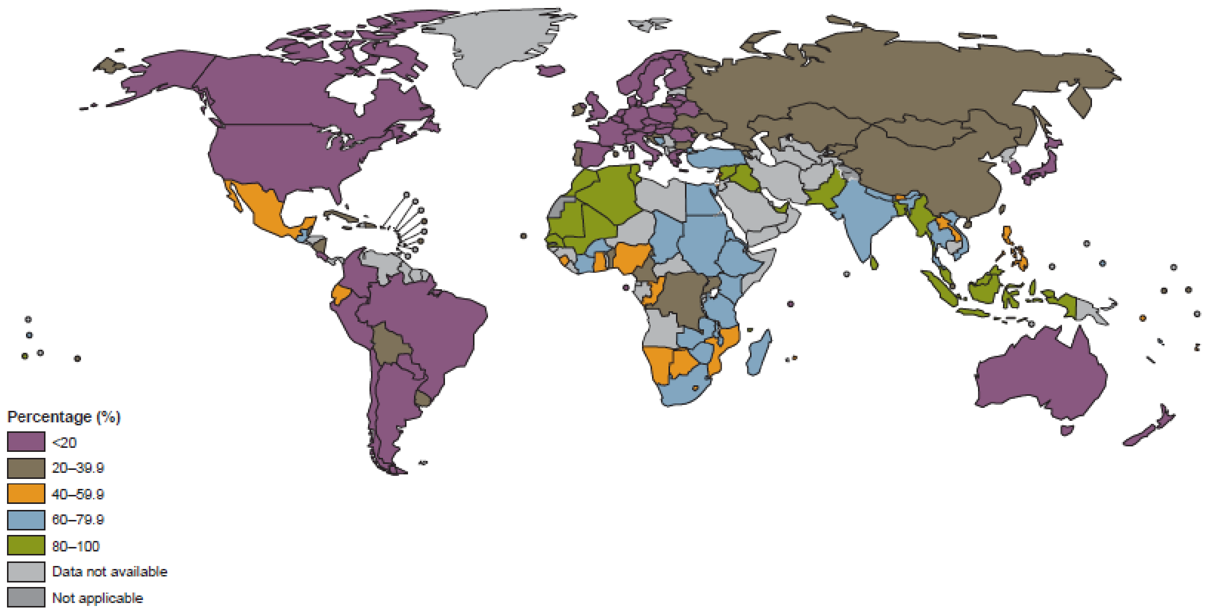
Source: WHO

* ***Lifetime abstainers:*** *percentage of those in the population aged 15 years +, who have never consumed alcohol.*

* ***Former drinkers:*** *percentage of those in the population aged 15 years +, who have previously consumed alcohol, but who have not done so in the previous 12-month period.*

* ***Past year abstainers:*** *percentage of those in the population aged 15 years +, who did not drink any alcohol in the past 12 months*

Chart 32: Global lifetime prevalence of abstention (%), 2004



ª Best estimates for abstention rates in 2004 based on surveys carried out within the time period 1993–2009.

Patterns of drinking score

Measuring drinking patterns to accurately account for the impact of alcohol consumption is more complex than simply ascertaining the amount of alcohol consumed. In the 2000 *Comparative Risk Assessment in the Global Burden of Disease Study*, a composite measure of drinking patterns – the patterns of drinking score – was developed (see Box 5). The score reflects *how* people drink instead of *how much* they drink and it is strongly associated with the alcohol-attributable burden of disease of a country.

Box 5: Patterns of drinking score (PDS) – WHO definition

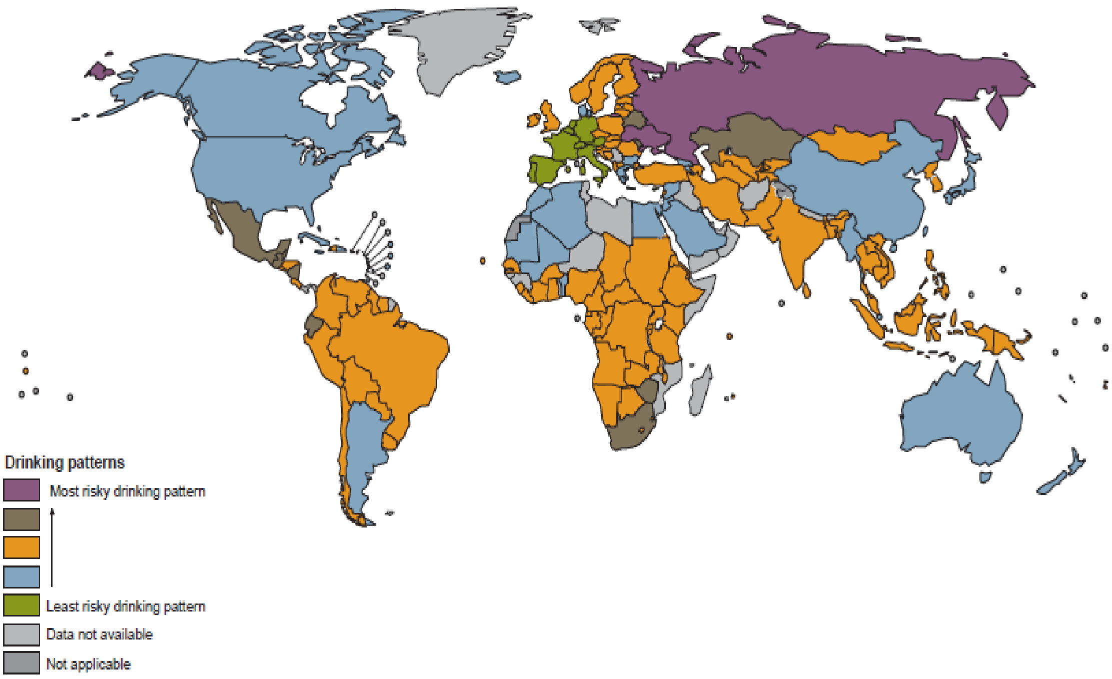
Patterns of drinking score. Strongly associated with the alcohol-attributable burden of disease of a country, PDS is measured on a scale from 1 (least risky pattern of drinking) to 5 (most risky pattern of drinking). The higher the score, the greater the alcohol-attributable burden of disease. Notably, different drinking patterns give rise to very different health outcomes in population groups with the same level of consumption.

Estimating PDS: the PDS is based on an array of drinking attributes, which are weighted differentially in order to provide the PDS on a **scale from 1 to 5**: the usual quantity of alcohol consumed per occasion; festive drinking; proportion of drinking events, when drinkers get drunk; proportion of drinkers who drink daily or nearly daily; drinking with meals; drinking in public places.

High patterns of drinking scores, or the most risky patterns of drinking, prevail in Kazakhstan, Mexico, the Russian Federation, South Africa and Ukraine. South Africa has a pattern of drinking score of 4 –among the highest in the world, which indicates a high alcohol-attributable burden of disease.

There are only a few countries in the world with the lowest patterns of drinking scores, or the least risky patterns of drinking. These countries in southern and western Europe have high adult per capita consumption. South America (with the exception of wine producing Argentina), and many countries in Africa and South-East Asia, take an intermediate position.

Chart 33: Global patterns of drinking score, 2005



Heavy episodic drinking

Heavy episodic drinking (HED) is another measurable pattern of alcohol consumption risk. In this report, it is defined as drinking at least 60 grams or more of pure alcohol on at least one occasion in the past seven days. HED is one of the most important indicators for acute consequences of alcohol use, such as injuries.

Heavy episodic drinking is quite high in many countries with middle to high per capita consumption, such as in Brazil and South Africa (Chart 34).

In South Africa, a very high percentage of drinkers, 45.4%, have weekly heavy episodic drinking occasions (Table 7), compared to a global average of only 11.5% (see Table 11).

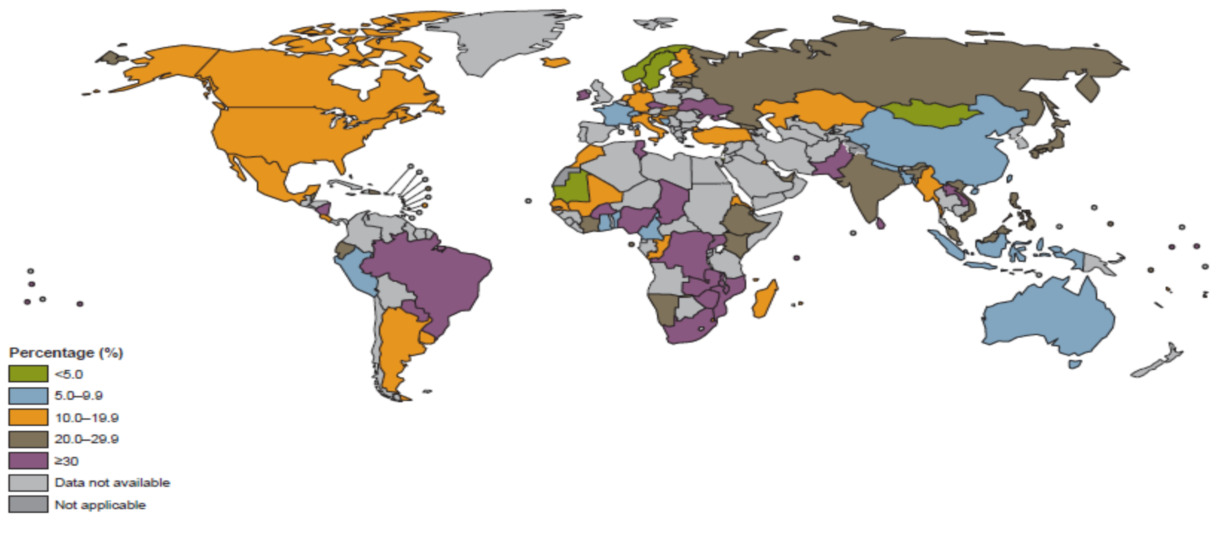
It is important to note that alcohol dependence in itself accounts for a relatively small amount of harm at the population level, as it affects relatively few people. By far the biggest impact comes from binge drinking, which affects a much bigger demographic. For example, a recent review of drinking practices in 20 African countries reported that whereas 23% of South Africans had drunk alcohol in the previous week, nearly half of these drinkers (48%) had binged (that is, drinking five or more units on one or more occasions) and 29% could be categorised as heavy drinkers (that is, drinking 15 or more units of alcohol during the previous week). It is also notable that in South Africa rates of heavy drinking are up to five times higher on weekends than on weekdays.

Table 11: Prevalence of weekly heavy episodic drinking among drinkers in past 12 months, 2005

	Women (%)	Men (%)	Total (%)
South Africa	**41.2**	**48.1**	**45.4**
Africa	16.2	30.5	25.1
Americas	4.5	17.9	12.0
Eastern Mediterranean	17.9	24.9	24.7
European region	4.6	16.8	11.0
South East Asia	12.9	23.0	21.7
Western Pacific	1.3	11.6	8.0
World	**4.2**	**16.1**	**11.5**

Source: WHO

Chart 34: Prevalence of weekly heavy episodic drinking among male drinkers in past 12 months



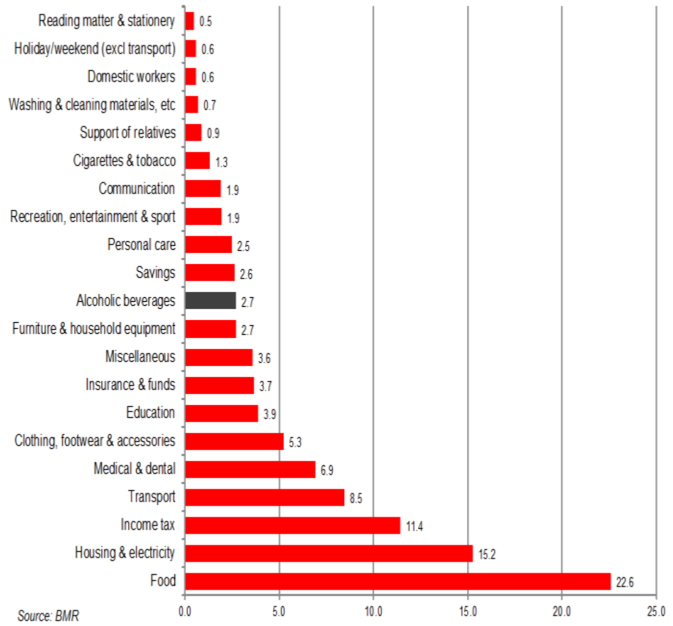
[a] Best estimates for 2004 based on surveys carried out within the time period 1997–2009.

Demographic patterns of liquor demand

Examination of the alcohol patterns by various demographic indicators provides useful insight into consumer behaviour, which can also be used to inform the targeting of anti-abuse initiatives. A brief review of liquor demand patterns, as per the Bureau for Market Research (BMR) of Unisa's *Income and Expenditure of Households in South Africa, 2011 (Report 429)*, and the *2010/11 Income & expenditure of households* conducted by Statistics South Africa (Stats SA), is therefore provided below.

Expenditure on alcoholic beverages

Chart 35: Percentage distribution of household expenditure by expenditure group



Source: BMR

Chart 35 represents household expenditure disaggregated by the main expenditure groups. In total, household expenditure is estimated at R1 984 billion for 2011. The biggest expenditure component was food, which comprised more than 22% of total household expenditure, while expenditure on alcoholic beverages amounted to 2.7% of total expenditure in 2011 (or equivalent to R56.6 billion).

Expenditure on alcoholic beverages recorded 7.4% y/y growth (nominal prices) in 2011 – see Table 12.

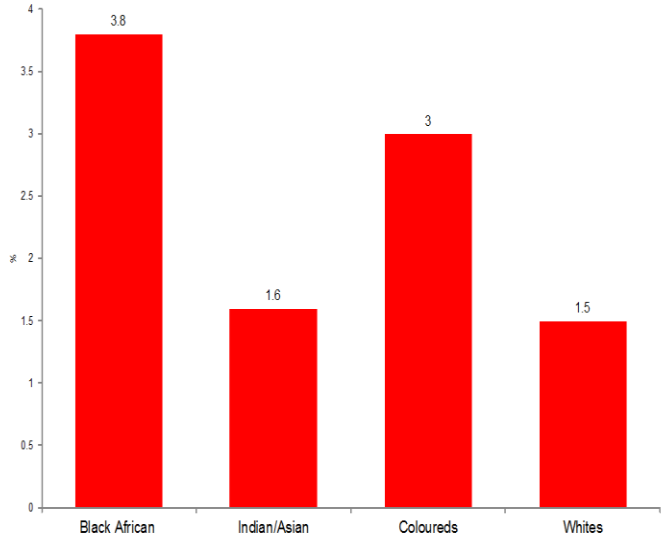
Table 12: Distribution of household expenditure, 2010 and 2011 (current prices)

	2010	2011	*Growth y/y*	*% share in expenditure*
Alcoholic beverages	**49 933**	**53 632**	***7.4***	***2.7***
Cigarettes & tobacco	24 850	26 439	*6.4*	*1.3*
Clothing, footwear & accessories	94 775	104 347	*10.1*	*5.3*
Communication	35 976	37 559	*4.4*	*1.9*
Domestic workers	11 023	11 817	*7.2*	*0.6*
Education	69 041	76 842	*11.3*	*3.9*
Food	410 734	448 111	*9.1*	*22.6*
Furniture & household equipment	49 749	54 028	*8.6*	*2.7*
Holiday/weekend (excl transport)	10 487	11 672	*11.3*	*0.6*
Housing & electricity	273 459	302 445	*10.6*	*15.2*
Income tax	198 829	226 268	*13.8*	*11.4*
Insurance & funds	68 861	72 756	*5.7*	*3.7*
Medical & dental	120 925	137 613	*13.8*	*6.9*
Miscellaneous	64 056	71 294	*11.3*	*3.6*
Personal care	47 035	49 864	*6*	*2.5*
Reading matter & stationery	8 187	9 257	*13.1*	*0.5*
Recreation, entertainment & sport	39 344	38 321	*-2.6*	*1.9*
Savings	49 643	52 378	*5.5*	*2.6*
Support of relatives	16 792	17 846	*6.3*	*0.9*
Transport	144 107	167 885	*16.5*	*8.5*
Washing & cleaning materials, etc.	13 007	13 943	*7.2*	*0.7*
Total	**1 800 813**	**1 984 315**	***10.2***	*100.0*

Source: BMR, Unisa

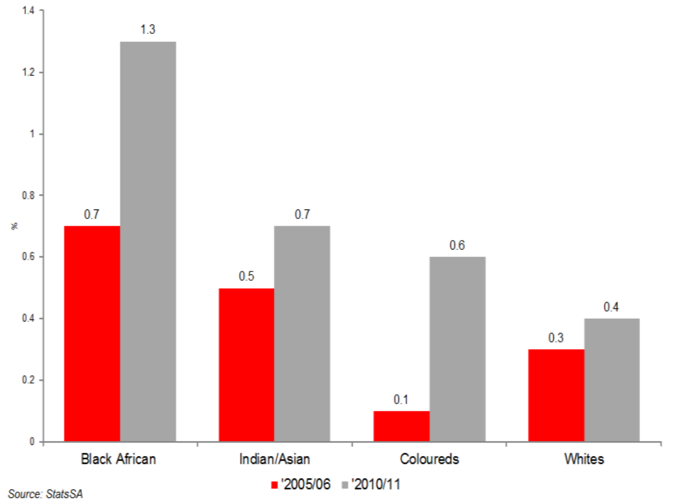
Expenditure on alcoholic beverages by race group[4]

Chart 36: Percentage distribution of household expenditure on alcoholic beverages by race group, 2011



Source: BMR

Chart 37: Percentage distribution of household expenditure on alcoholic beverages by race group, 2005/06 vs. 2010/11



Source: StatsSA

Chart 36 shows that African households spend 3.8% of their total expenditure on alcoholic beverages, compared to 3.0% by Coloured households and 1.5% by White households.

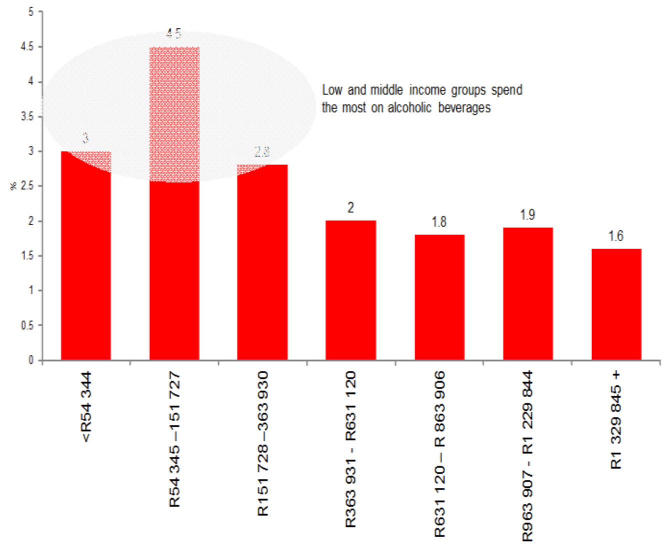
According to BMR, in 2011 expenditure on alcoholic beverages by African households amounted to R34.7 billion, compared to R12.9 billion per annum by White households.

Chart 37 shows that the Black African and Coloured population groups have shown the biggest increase (from 2005 to 2011) in the proportion of total expenditure spent on liquor.

Expenditure on alcoholic beverages by income group

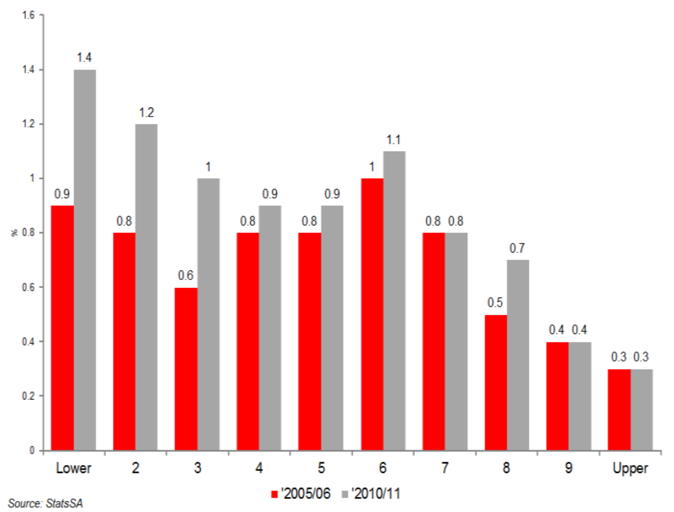
Income plays a very strong role in driving the quantity of liquor purchased.

Chart 38: Percentage distribution of household expenditure by income group, 2011



Source: BMR

Chart 39: Percentage distribution of household expenditure on alcoholic beverages by income decile, 2005/06 vs. 2010/11



Source: StatsSA

[4] *The proportions in the StatsSA data are different from that in the BMR data due to different methodologies*

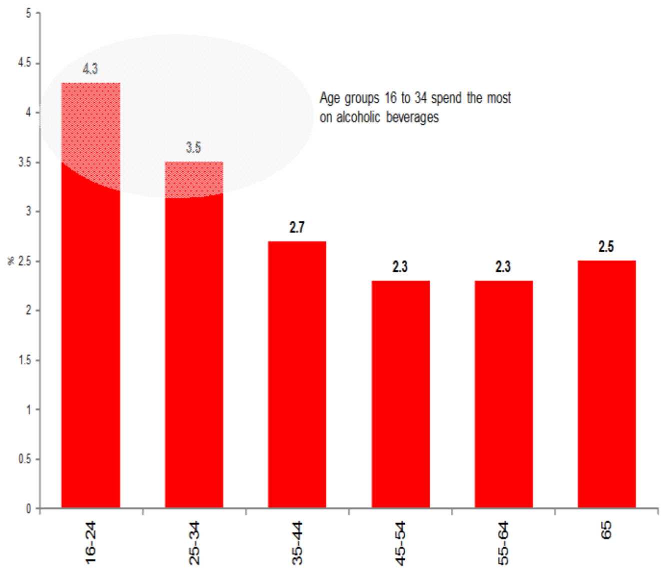
Chart 38 shows the proportion of total household expenditure that is spent on liquor. Liquor makes up a much larger proportion (almost double) of the shopping bag for poor and middle class households (around 3% to 4.5%) than for wealthy households (around 1½% to 2%).

The type of basket of liquor goods that poor and wealthy households purchase is very different. For the lower income groups, beer is two-thirds to three-quarters of the liquor consumption basket. The wealthiest consumers, however, spend more or less equally on wine, beer and spirits.

Chart 37 shows that the lower income groups have shown the biggest increase (from 2005 to 2011) in the proportion of total expenditure spent on liquor, while the proportion for higher income groups has virtually remained unchanged.

Alcohol consumption among young people

Chart 40: Percentage distribution of household expenditure by age group, 2011



Source: BMR

Chart 40 shows that the age group 16-24 spends the most on alcohol, followed by the age group 25-34, which spends 3.5% of their total expenditure on alcoholic beverages – all the other age groups spend around 2½% of their total expenditure on liquor.

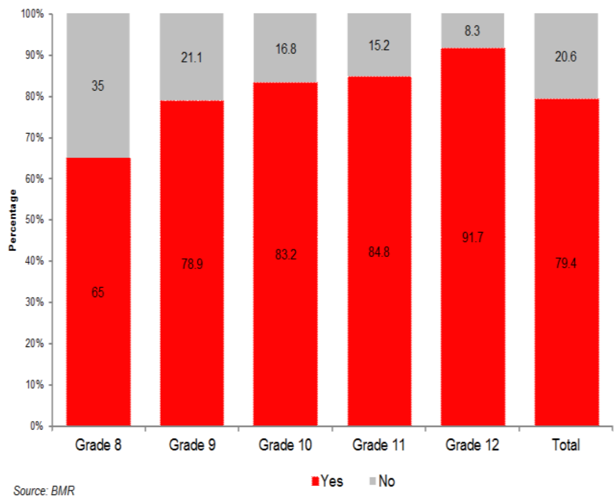
Overall, hazardous and harmful drinking patterns, such as drinking to intoxication and binge drinking, seem to be on the rise among adolescents and young adults (WHO, 2007; McAllister, 2003; Lancet, 2008).

According to a recent Bureau for Market Research (BMR), Unisa, study *Drug Use and Alcohol Consumption among Secondary School Learners in Gauteng, 2012*, research findings show that drug and alcohol abuse among young people is a reality with concerning consequences. Not only do young people find themselves in an environment in which drugs and alcohol are readily accessible, but very often these substances are used by their peers, to whom they relate and with whom they interact. Hence, their receptiveness to drug and alcohol use increases.

The majority of learners agreed that alcohol consumption among the youth in South Africa is becoming more socially acceptable and tolerated. Many learners, who consume alcohol, have been drunk or engaged in 'binge drinking' with disturbing consequences which impact on education either directly or indirectly. Reported consequences include; drunkenness, violence, motor car accidents, irresponsible sexual behaviour and criminal activities. Learners generally consume alcohol at social events over weekends and mainly do so to be socially acceptable.

Some of the most important report findings regarding alcohol consumption by learners in Gauteng are:

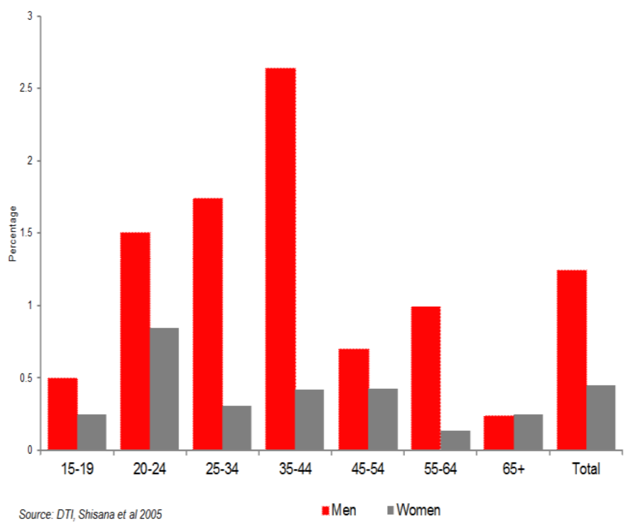
Chart 41: BMR survey 2012: *Do you personally consume alcohol*?



Source: BMR

- Two thirds of the learners (66%) agreed that alcohol consumption among the youth is becoming more socially acceptable and tolerated.
- 87.5% have friends who consume alcohol and almost eight in ten learners (79.4%) consume alcohol themselves – see Chart 41.
- The average age for starting to consume alcohol is around 13-14 years for both genders.
- Approximately seven in 10 learners (66.6%) have been drunk. This occurs mainly in grades 10 to 12.
- Almost half of the learners (44.8%) who consume alcohol themselves have engaged in 'binge drinking' (had five or more drinks in a few hours on one or more occasions, within a month).
- Learners generally consume alcohol on Saturdays at parties and other special occasions.
- Money received from parents (pocket money or lunch money) is used to buy alcohol. Average per month is R328.
- Learners indicated that alcohol is mainly used to be socially acceptable or escape problems.
- 26.4% of learners reported that their parents regularly consume alcohol.
- 63.7% of learners confirmed that their parents do not know that they consume alcohol. Most are in grades 8 and 9.
- More than half the learners (56.4%) do not find drinking among young people acceptable.
- The major consequences related to alcohol abuse include drunkenness, violence, motor car accidents, irresponsible sexual behaviour and criminal activities.
- 84.2% of learners are aware of health risks associated with alcohol. Most of these learners are in grades 11 and 12.

Chart 42: Probable alcohol dependence



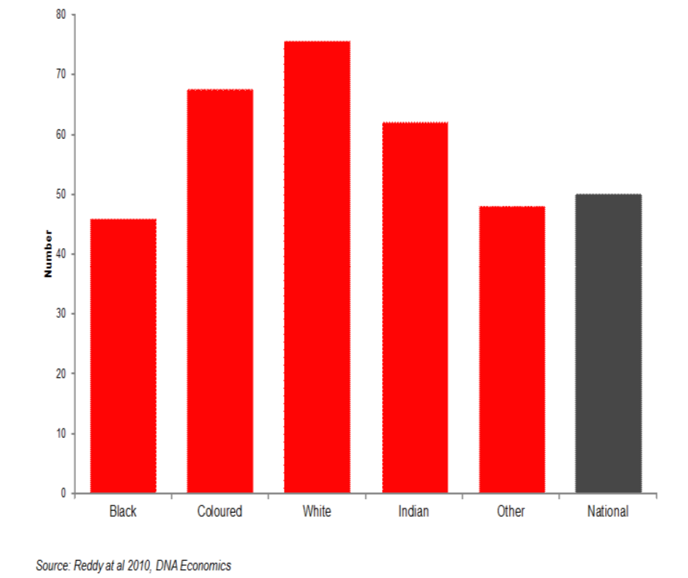
Source: DTI, Shisana et al 2005

As a proportion of those who are current drinkers, the highest levels of probable alcohol dependence are in women age 20 to 24 (6.2% prevalence), and men age 35 to 44 (5.2% prevalence). At all ages, however, the probability of alcohol dependence is higher in men than in women.

An in-depth analysis of youth drinking behaviour on a national level is available from the *2008 Youth Risk Behaviour Survey* (YRBS) conducted by the Medical Research Council, which surveyed Grade 8, 9, 10 and 11 learners in all nine provinces.

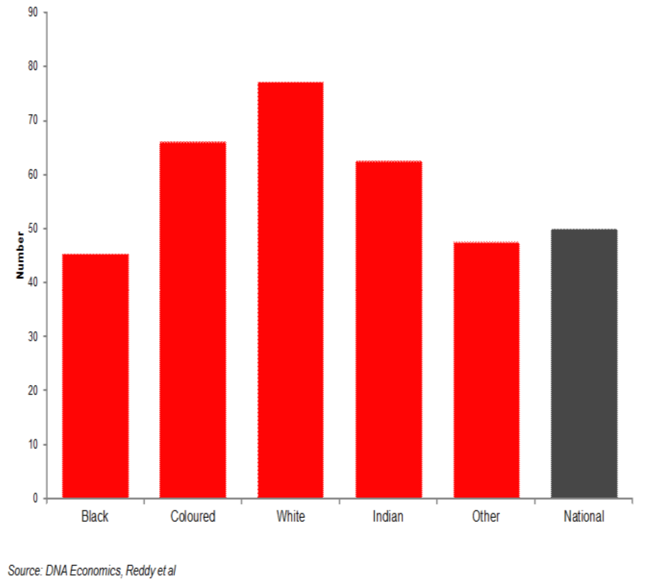
On a national level, learners reported alcohol consumption was 50% for ever having drunk alcohol (almost on par with 49.1% in 2002), 35% for having drunk alcohol in the past month (up from 32% in 2002), and 29% for having engaged in binge drinking in the past month (up from 23% in 2002).

Chart 43: Total youth who have ever consumed an alcoholic beverage, by race



Source: Reddy at al 2010, DNA Economics

Chart 44: Total youth who binge-drink, by race



Source: DNA Economics, Reddy et al

SYNOPSIS OF KEY POINTS

- South African **adult per capita alcohol consumption** (APC) in 2005 equalled 9.5 litres of pure alcohol. Of this consumption, 26.3% was homemade and illegally produced alcohol. APC in South Africa is *above* the world average of 6.13, and the regional average for Africa of 6.2, but *below* the European regions' APC of 12.2.
- South Africa's recorded per capita consumption showed an increasing trend until the mid-1990s, but over at least the last decade **per capita demand for liquor has been shrinking**– this is mainly due to the fact that South Africa is a saturated market.
- South Africa is considered to be a medium consumption country in terms of per capita adult alcohol consumption. However, findings from national surveys show that those who do drink appear to do so at binging levels.
- The majority of liquor drunk in South Africa is recorded (processed), thus creating the need for close collaboration between industry and government in any policy decisions.
- In South Africa, 65% of the population has never consumed alcohol – this is among the highest **abstention rates** in the world. In addition, 7.7% have not consumed alcohol during the past year. In conclusion, almost three-quarters of the population have abstained from drinking alcohol in the past 12 months.
- It must also be noted that, of the 35% of the population that do consume alcohol, only a small percentage consume branded products; the largest percentage consume home-brews or illegal alcohol. In South Africa, there are around 50,000-60,000 licenced/legal outlets for alcohol sales and distribution; in contrast, there are an estimated 120,000 unlicensed outlets. It is generally accepted that the alcohol abuse problem lies within this unlicensed sector, which is not regulated at all by government. The amount of taxes lost through this illegal sector is enormous, and estimated to be in the region of R16 billion (e.g. the government loses around R12 billion in taxes p.a. through illegally smuggled cigarettes).

- If one analyses the litres of pure **alcohol consumed by the adult drinking population**, then South Africa has the 5th highest ratio in the world. Despite South Africa's high abstention rate, the amount that drinkers drink is exorbitantly high. South Africa's situation is typical of countries where per drinker consumption is particularly high, but with a moderate or low APC.
- South Africa has a very high "**pattern of drinking score**" – among the highest in the world - which indicates a very risky pattern of drinking and a high alcohol-attributable burden of disease.
- The biggest harm caused by drinking is from **binge drinking** (heavy episode drinking). In South Africa, a very high percentage of drinkers, 45.4%, have weekly heavy episodic drinking occasions, compared to a global average of only 11.5%.
- **Expenditure on alcoholic beverages** by households amounted to 2.7% of total expenditure in 2011. Liquor makes up a much larger proportion (almost double) of the shopping bag for poor and middle class households (around 3% to 4.5%) than for wealthy households (around 1½% to 2%).
- Consistent with global findings, alcohol use is taking on a youthful face, as indicated by an increasing trend in lifetime prevalence of alcohol use among youth aged 13-19 years in South Africa. Hazardous and harmful drinking patterns, such as drinking to intoxication and binge drinking, seem to be on the rise among **young adults**. Learners reported alcohol consumption was 50% for ever having drunk alcohol (almost on par with 49.1% in 2002), 35% for having drunk alcohol in the past month (up from 32% in 2002), and 29% for having engaged in binge drinking in the past month (up from 23% in 2002).

In conclusion, the main problem areas that exist around alcohol consumption in South Africa are:

- the small population that drinks, does so excessively – i.e. **heavy episode drinking**
- **high levels of youth drinking**
- **illegal alcohol sector**

CHAPTER 3

The cost of harmful alcohol use in South Africa[5]

and policy measures to curb harmful use

Background – impact of alcohol on health

The harmful use of alcohol causes an enormous economic, social and emotional cost to the economy and has a serious effect on public health; it is considered to be one of the main risk factors for poor health in South Africa. The concept of the *harmful use* of alcohol is broad and encompasses the drinking that causes detrimental health and social consequences for the drinker, the people around the drinker and society at large, as well as the patterns of drinking that are associated with increased risk of adverse health outcomes.

It should be stressed, however, that the major cost is caused by a relatively small percentage of the population, who drink to excess on occasions and/or on a regular basis. More than one quarter (26%) of all alcohol consumed in South Africa is unrecorded (produced, distributed and sold outside formal channels) and, therefore, beyond the confines of any controls or intervention policies, such as increased taxes. It is generally accepted that the root cause to the problem of alcohol abuse lies within that 26%.

There are nevertheless sound economic, social, moral and political imperatives to attempt to reduce this abuse and therefore the effects of this abuse.

The harmful use of alcohol is one of South Africa's leading health risks as alcohol is the drug most commonly used by South Africans of all ages. Alcohol dependence and alcohol abuse or harmful use causes substantial morbidity and mortality. It results in approximately 4-6% of total deaths each year and is a causal factor in more than 60 major types of diseases and injuries. Major diseases linked to alcohol are: neuropsychiatric diseases, gastrointestinal diseases (such as liver cirrhosis and pancreatitis), cancer, intentional injuries (through violence and suicide), unintentional injuries (such as road traffic accidents and drowning), cardiovascular diseases, foetal alcohol syndrome and pre-term complications and diabetes mellitus.

In addition, new evidence points to a causal link between alcohol and infectious diseases - alcohol consumption weakens the immune system, thus enabling infections by pathogens, which cause pneumonia and tuberculosis. This effect is markedly more pronounced with heavy drinking. A strong association also exists between alcohol consumption and HIV infection and sexually transmitted diseases.

In South Africa harmful alcohol use is of particular concern, with implications for violence, transport-related accidents and fatalities, homicide, suicide and unintentional deaths. Alcohol use among South African men – mainly binge drinking is reported to be among the highest globally. Coupled with inordinate levels of alcohol-related harm, this has important implications for control and preventive policies in South Africa and calls into question the effectiveness of existing policies.

This chapter will analyse the burden of disease attributable to the harmful use of alcohol in South Africa, as well as an estimate of the resultant cost of this burden. In addition, this chapter gives an overview of the principal policies to

[5] *Main source for this chapter: World Health Organization's (WHO) "Global status report on alcohol and health, 2011".*

address the harmful use of alcohol, with specific reference to the restrictions on alcohol advertising and marketing. South Africa's proposed legislation in this regard, as well as a synopsis of other restriction globally, is also outlined.

Burden of disease[6] attributable to alcohol

The relationship between alcohol consumption and health outcomes is complex, often resulting from a series of factors, many of which are related to levels and patterns of alcohol consumption, but also to other factors, such as drinking culture, alcohol regulation or the lack of it, and alcoholic beverage quality. The **quality** of alcoholic beverages has a major impact on health and mortality, for instance, when homemade or illegally produced alcoholic beverages are contaminated with methanol or lead.

Alcohol-attributable mortality

Alcohol contributes to traumatic outcomes that kill or disable people at a relatively young age, resulting in the loss of many years of life to death and disability. Alcohol plays a major role in fatal traffic and other accidents as well homicides, interpersonal injury and suicide. In 2004, 3.8% of all deaths in South Africa were attributable to alcohol. The harmful use of alcohol is the leading risk factor for death in men aged 15–59. This is mainly because of injuries, including violence and conflict, and higher levels of heart disease.

If we take into consideration the beneficial impact of low risk alcohol use on morbidity and mortality in some diseases and in some population groups, the total number of deaths attributable to alcohol consumption was estimated to 21,900 in 2004. This accounts for more deaths than that caused by HIV/AIDS or tuberculosis.

Table 1 gives an overview of non-natural deaths associated with alcohol consumption.

Table 13: Positive Blood Alcohol Concentrations (BAC) cases according to alleged manner of non-natural death (%)

Alleged manner of non-natural death	NIMSS 2002	NIMSS 2008
Homicide violence	53	61
Suicide	38	41
Transport	52	56
Non-transport	48	44
Undetermined	41	44

Source: NIMSS

Data from the National Injury Mortality Surveillance System (NIMSS) in 2008 indicate that 34% (10,613 out of 31,177) of fatally injured deaths in South Africa involved persons with blood alcohol concentrations (BACs) greater than or equal to 0.05g/100 ml.

Levels of BAC positivity were high for homicides (61% positive) and transport related deaths (56% positive). The majority of transport related deaths that involve positive BAC's in South Africa are of pedestrians (63%), followed by unspecified (58%), driver of a motor vehicle (58%) and passenger (45%) of deaths. This means that by far the largest number of transport related deaths in South Africa is of intoxicated pedestrians.

[6] *Burden of disease is defined as the gap between current health status and an ideal situation in which everyone lives to old age free of disease and disability. Premature death, disability risks that contribute to illness and injury are the cause of this health gap. Disability-adjusted life years (DALYs) represent a measure of overall disease burden.*

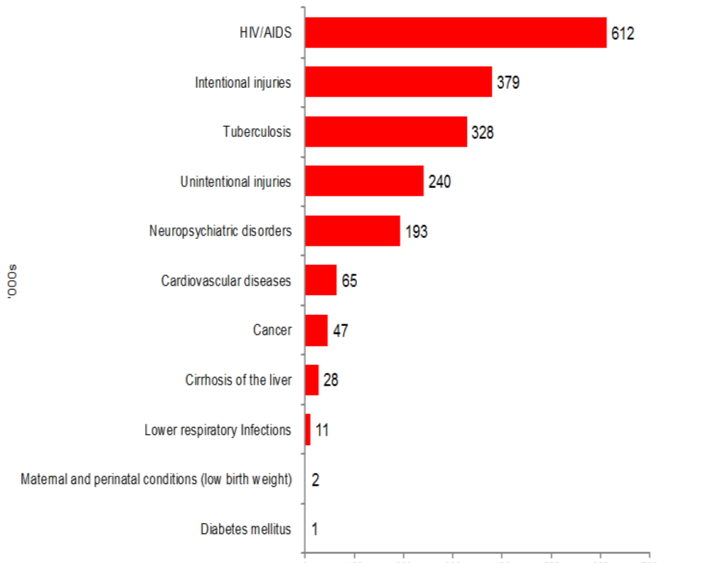
Alcohol-attributable burden of disease and injury

Disability-adjusted life years[7] (DALYs) represent a measure of overall disease burden. In 2004 (Rehm et al. 2009), 9.2% of the burden of disease and injury in South Africa was attributable to alcohol, i.e. 1,9 million DALY's out of a total 20,6 million DALYs (up from 7.0% in 2000).

It is the third highest risk for disease and disability, after unsafe sex and interpersonal violence, in South Africa.

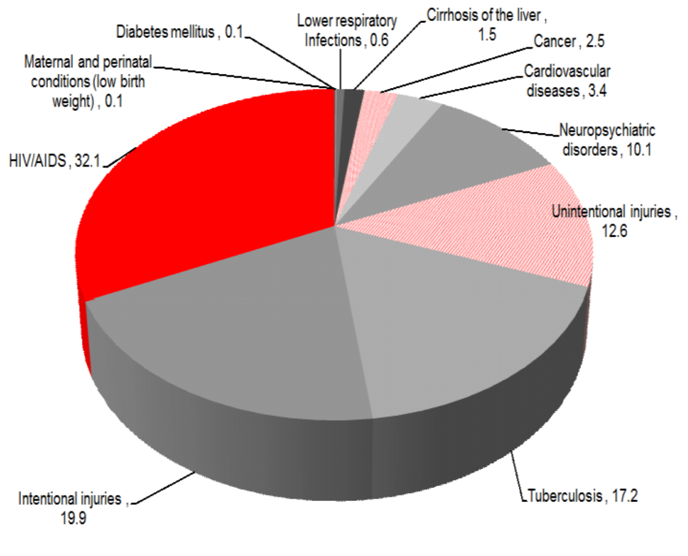
In South Africa alcohol-attributable infectious disease burden is very pronounced, due to the fact that both TB and HIV/AIDS are highly prevalent.

Chart 45: DALY's, by condition, attributable to alcohol ('000s), South Africa, 2004



Source: J Rehm et al, 2004

Chart 46: % Share of various conditions in total DALY's attributable to alcohol, South Africa, 2004



Source: "Alcohol, Social Development and infectious disease", Rehm et al

Harm to society

Besides the numerous chronic and acute health effects, alcohol consumption is also associated with widespread psychosocial consequences, including violence, child neglect and abuse, absenteeism in the workplace, and many other impacts. Considering the significance of alcohol consumption compared to other health risks, the harmful use of alcohol is not given proper attention in public policy, particularly since other lesser health risks have higher priority.

The impact of alcohol consumption reaches deep into society. Alcohol consumption causes harm far beyond the physical and psychological health of the drinker. It also causes harm to the well-being and health of others. Diseases and injuries, for instance, have social implications, including medical costs that are borne by governments, negative effects on productivity, and financial and psychological burdens on families.

Cost of alcohol harm

A substantial body of research have examined the economic costs of alcohol consumption for society as a whole, including the costs to governments and citizens and, to a certain extent, to drinkers themselves. These studies typically

7 *Disability-adjusted life years are a time-based measure of health status. DALYs are years of life lost due to premature mortality combined with years of life lost due to time lived in less than full health to create a single indicator that assesses the overall burden of disease for a given population.*

do not try to disentangle who within society is paying the costs, although some separate out costs that are paid by various levels of government.

In a recent analysis collating cost studies from four high-income countries and two middle-income countries, the total costs attributable to alcohol ranged from 1.3% to 3.3% of GDP (Rehm et al., 2009). These costs are not only substantial when compared to GDP, but also in relation to other risk factors.

Box 6: Debate around the calculation of the cost of alcohol harm

This whole area of enquiry is complex and difficult. There are uncertainties and disagreements about what should be included as a cost and how costs are to be measured. There are a number of different methodologies that can be employed in estimating social costs, and these can have different implications for policy. For example, it is easy to misunderstand all social cost estimates as representing the amount of money that would be saved if there were no alcohol problems. In reality, not all costs are avoidable, and the avoidance or suppression of one activity might result in the adoption of alternative activities which generate costs of their own.

A basic question is, costs to whom? In relation to public policy, the costs falling exclusively on the alcohol consumers themselves are normally deemed irrelevant, the only ones that matter being the external costs i.e. those which are transferred to third parties, - other individuals and businesses and the public purse. This is because (in a free market and non-paternalistic society) it is only the external costs that are seen as justifying government intervention as a means of correcting market failure. For example, it is the external costs of alcohol that provide the social welfare justification for alcohol excise duties, for without this special tax, the consumer would escape making any direct contribution to the costs that alcohol consumption imposes on society arising from the need to provide policing and health services that would otherwise be unnecessary, costs not otherwise covered by the price of the product charged across the counter to the individual consumer.

The social costs of alcohol also need to be considered in relation to the economic benefits of alcohol consumption such as the provision of employment and tax revenues. These benefits may be more straightforward to calculate than some of the costs. However, in relation to the ultimate questions to which answers are often sought concerning whether in net terms society is better or worse off economically because of alcohol consumption, there is room for debate about both sides of the equation. If some of the costs can be challenged on the grounds, for example, that if people were not drinking, or not drinking too much, they would be doing something else that could be equally harmful, by the same token, if people were not spending money on alcohol they would be spending it on other goods or services that would also provide employment and tax revenues.

Source: Institute for Alcohol Studies Factsheet

According to a study by DNA Economics (commissioned by the Department of Trade and Industry), *Baseline study of the liquor industry - 2011*, the costs of alcohol abuse in South Africa are substantial. As shown in the table below, the total tangible and intangible costs are enormous, and represent around 10-12% of 2009 GDP.

However, if only tangible, financial costs are included, alcohol abuse is still found to cost **R37.9 billion, or 1.6% of 2009 GDP**.

However, it is impossible to pinpoint the causes for this cost of alcohol abuse as a “wide spectrum of environmental influences” leads to harmful drinking patterns (i.e. one cannot state that alcohol advertising, per se, causes harm of R37.9 billion to the economy.

Table 14: An estimate of alcohol attributable costs in South Africa, 2009[8]

Cost category	R Millions	
Tangible costs		
Healthcare	9 330	
Other healthcare costs	2 333	
Treatment research and prevention	18	
Social and welfare costs	397	
Crime response	9 680	
Crime consequence – transfers	4 500	
Crime anticipation	3 750	
Road traffic accidents - damage to motor vehicles	7 912	
Total tangible costs	**37 920**	
Intangible costs		
	Low	**High**
Premature mortality and morbidity - reduction in earnings	8 245	9 769
Premature mortality and morbidity – VSL	183 527	216 450
Absenteeism	141	448
Non-financial welfare costs	16 100	
Total intangible costs	**208 013**	**242 767**
Insufficient data to estimate cost		
Hangovers and drunkenness at work	Uncertain	
Unemployment and early retirement	Uncertain	
Other labour costs	Uncertain	
Miscellaneous other social and welfare costs	Uncertain	

Source: DNA Economics

When contrasted to the value added by industry, it can be seen that the tangible costs of alcohol abuse are equivalent to around 40% of the economy-wide value added by the liquor industry to GDP of R94.2 billion.

However, the basis on which the economic contribution analysis was conducted is different to the basis on which the cost of abuse analysis was conducted, and it would be inappropriate to net these figures off against one another.

According to DNA Economics it is nevertheless appropriate to conclude that much more can be done to mitigate the costs of alcohol abuse, and that such action would have a direct impact on economic growth. In other words, no matter how much value alcohol currently adds to the domestic economy, much could be done to improve its contribution simply

[8] *This analysis builds on previous estimates of the social and economic cost of liquor in South Africa. Two estimates in particular are frequently utilised to describe the social and health costs of alcohol misuse in South Africa. Based on the work of Single et al. (1998), which showed that the annual economic costs associated with alcohol misuse could be in the region of 0.5% to 1.9% of gross domestic product, Parry, Myers and Thiede (2003) suggested that a conservative estimate of 1% of GDP equated to R8.7 billion in 2003.*

More recently, the Soul City Development Institute commissioned a primary research study of local costing data in which Budlender (2010) estimated that a total of R17 billion per year was allocated by national and provincial government for alcohol attributable expenditures, which considering that alcohol sales accounted for R16-billion in tax and excise revenue, represented an annual loss to the fiscus of R1 billion per year.

However, both studies recognise their own limitations. Parry et al. (2003) questioned whether findings from high-income countries can be applied to South Africa, but provide the estimates in the absence of any other suitable cost-to-economy studies. Budlender (2010) cautions that many of the listed government expenditures occur within general allocations, and that the proportions targeted at alcohol specifically have been based on assumptions with potentially wide margins of error. Budlender also omits several costs and line items, for example, the tuberculosis sub-program from the social development costs and also the cost of harmful use of alcohol on local government. Budlender also tends to err on the side of lower rather than higher costs, so that the study is likely to underestimate the true cost of alcohol abuse to government.

by mitigating the effect of alcohol abuse. The estimates by DNA Economics also include the intangible, non-financial costs of the trauma associated with alcohol-related illness, injury and violence. By doing so, they go some way towards indicating how much value South Africans place on any intervention that would help to mitigate this trauma.

Proposed policies by the World Health Organisation (WHO) to curb the harmful use of alcohol[9]

Death and injury through the harmful use of alcohol, as well as the resultant economic and social cost of this harmful use, can be reduced through prevention and treatment policies – if it is enforced properly.

As early as 1979, the World Health Assembly (WHA) called on WHO Member States to develop "intensive preventive programmes" and "appropriate legislation and other measures enabling effective action to be taken" to reduce the harmful use of alcohol. In 1983, the World Health Assembly recommended that Member States "formulate comprehensive national alcohol policies, with preventive measures as a priority". In 2005, the World Health Assembly again called on Member States to "develop, implement and evaluate effective strategies and programmes for reducing the negative health and social consequences of harmful use of alcohol". The WHO reported to the World Health Assembly on ten 'best practices' identified by the research (WHA54/18):

…minimum legal age to buy alcohol, government monopoly of retail sales, restrictions on hours or days of sale, restrictions on the density of sales outlets, taxes on alcohol, sobriety checks, lowered limits for blood alcohol concentration, administrative suspension of licences for driving under the influence of alcohol, graduated licensing for novice drivers (i.e. issuing licences with initial limitations on driving privileges, such as a zero limit for blood alcohol concentration), and brief interventions for hazardous drinkers. Prevention strategies, such as education and persuasion, although perhaps the most widely applied, are not necessarily effective. Recent evidence suggests that population-based policy measures such as taxation are the most cost-effective public health response to the alcohol-related disease burden in countries with moderate and high levels of alcohol consumption, whereas measures targeted at high-risk or harmful drinkers, such as brief interventions, appear to be more effective where the rates of hazardous consumption of alcohol are lower.

In 2010, the World Health Assembly endorsed a **global strategy on the harmful use of alcohol** (see Box 7).

Box 7: The Global Strategy to Reduce the Harmful Use of Alcohol

The Global Strategy to Reduce the Harmful Use of Alcohol was endorsed by the Sixty-third World Health Assembly in May 2010. The consensus reached on the global strategy and its endorsement by the WHA is the outcome of close collaboration between WHO Member States and the WHO Secretariat. The process that led to the development of the global strategy included consultations with other stakeholders, such as civil society groups and economic operators.

The global strategy builds on several WHO global and regional strategic initiatives and represents the commitment by WHO Member States to sustained action at all levels. The strategy contains a set of principles that should guide the development and implementation of policies at all levels; it sets priority areas for global action, recommends target areas for national action and gives a strong mandate to WHO to strengthen action at all levels.

The Global Strategy to Reduce the Harmful Use of Alcohol includes ten recommended **target areas** for national action:

[9] ***Main sources for this section***:

"Global Status Report on Alcohol and Health", World Health Organization (2011);

"Addressing the Harmful Use of Alcohol, A guide to developing effective alcohol legislation", World Health Organization (2011);

"Global Strategy to Reduce the Harmful Use of Alcohol", World Health Organization (2010)

1. leadership, **awareness** and commitment - leadership is exemplified by the existence of national policies as well as awareness campaigns.
2. **health services'** response
3. **community** action
4. **drink–driving policies** and countermeasures - these include blood alcohol concentration (BAC) laws and random breath-testing.
5. **availability** of alcohol - these include age limits for the purchase and consumption of alcohol, monopoly or licensing systems for alcohol distribution, bans on the sale of alcohol at petrol stations, and limits on the hours and days that it can be sold.
6. **marketing of alcoholic beverages** - these policies include how much marketing is permitted, the existence of self-regulatory systems within the alcohol industry, bans on product placements and sports sponsorships, and limits on retail sales below cost.
7. **pricing policies** - these focus on alcohol tax revenues as a percentage of total government revenues, and the existence of dedicated alcohol taxes.
8. reducing the negative **consequences of intoxication**
9. reducing the public health impact of **unrecorded alcohol**
10. **monitoring** and surveillance.

Not all the policy options and interventions will be applicable or relevant for all Member States and some may be beyond available resources. As such, the measures should be implemented at the discretion of each Member State depending on national, religious and cultural contexts, national public health priorities, and available resources, and in accordance with constitutional principles and international legal obligations. The implementation of the global strategy will require active collaboration with Member States. The WHO Secretariat will report back to the WHA in 2013 on progress in implementing the strategy.

In 2010, the WHO has identified the policy measures (within the ten recommended target areas as mentioned in Box 7) that they view as the most effective. These are:

1. To reduce affordability through price;
2. To reduce availability of alcohol by restricting and/or regulating the sale of alcohol to the public;
3. To reduce alcohol consumption by children and young people by setting the minimum age for sale and purchase;
4. To deter drinking and driving;
5. To monitor and enforce legislation; and
6. To **reduce exposure to alcohol marketing**.

In light of the WHO global strategy, many countries are developing national alcohol policies and action plans, and considering legislation to give effect to these policies - South Africa has been one of the countries actively supporting the WHO's strategy.

An overview of the effectiveness of the various policies will be summarised in Chapter 5.

South Africa's response to the WHO's proposed policy measures

The publication of the WHO's reports, *"Global Strategy to Reduce the Harmful Use of Alcohol",* and the "*"The Global Status Report on Alcohol and Health*" galvanised governments worldwide to adopt the proposed WHO policy measures, including South Africa, who is highly supportive of the WHO strategy; Professor Melvyn Freeman (Department of Health) co-chairs the Global Network to support the global implementation of the strategy.

The unprecedented tightening of legislation governing liquor consumption in South Africa is a reflection of increased international activity to tackle the problems of abuse, as well as the fact that liquor has become a domestic political issue. The cost of the harmful use of alcohol is also of great concern to the government and one of the major motivating factors for pursuing this type of legislation.

The specific policy measure used to shape to pattern of alcohol consumption - namely reducing exposure to alcohol marketing - has caused a significant amount of debate worldwide, and specifically in South Africa, where a draft bill, the *Control of Marketing of Alcoholic Beverages Bill*, was leaked into the public domain.

Based on this draft bill, it is clear that the Department of Health is showing strong indications that it is their intention to introduce a **total** ban of the advertising, promotion and sponsorship of alcohol products. The draft bill has been criticised by the alcohol, sports and media industries, but it also elicited criticism from other government departments, which said the Cabinet would need to consider the economic effect of such measures before approval.

At present, advertising is permitted on television, radio, in the cinema, in print and outdoors. This is, however, subject to the code of the Industry Association for Responsible Alcohol Use (ARA), an association of most of the major alcohol producers in South Africa. The code, for example, specifies that advertisements may not be transmitted in the commercial breaks immediately before, during or immediately after children's programs – see Box 8.

The ARA set up a self-regulatory code in 1989 which regulates advertising, packaging and promotional activity. Since 1989, the code has been amended twice. In addressing advertising issues, the code prohibits a range of activities, including appeal to young people, inclusion of youth under-25 drinking alcohol, special promotion of higher alcohol content beverages and promotion of aggressive or anti-social behaviour. The packaging requirements include using packaging of the "highest practical quality and attractiveness," and not promoting the alcohol strength of the beverage as the principal subject of the label. In 1996, the Advertising Standards Authority of South Africa accepted the advertising clauses of the code, in *toto*, as their own code, thus making the ARA code applicable to non-members of the ARA as well. With the addition of the packaging and promotional clauses, the ARA code in fact is more stringent than the Code of the Standards Authority of South Africa. An external ombudsman settles code disputes within the ARA. Generally, it is believed that these guidelines and codes are being followed.

Box 8: Summary of the ARA Code of Commercial Communication of Alcoholic Beverages

Basic Rules

1. Commercial communication must:
   - be legal, decent, honest and truthful and conform to accepted principles of fair competition and good business practice
   - be prepared with a due sense of social responsibility
   - demonstrate sensitivity in regard to issues of culture, gender, race and religion
   - not be unethical or otherwise impugn human dignity or integrity
   - not employ themes, images, symbols or figures which are likely to be considered offensive, derogatory or demeaning
   - comply with all regulatory requirements
2. Commercial communication may not feature or encourage irresponsible, risky or excessive drinking.
3. Commercial communication may not present abstinence or moderate consumption in a negative light.
4. Commercial communication may not be directed at persons under the age of 18 years, and no one depicted in the act of drinking in commercial communication may be younger than 25. Persons under the age of 18 may be depicted where it would be usual for them to appear, e.g. in family scenes or in background crowds, but it may not, in any way, be suggested that they have or are about to consume alcohol beverages.
5. Commercial communication may not employ images or icons that have unique appeal to children.

6. Commercial communication may not imply that alcohol beverage consumption is essential to business and/or social success or acceptance or that refusal to consume is a sign of weakness.
7. Commercial communication may not be suggestive of sexual indulgence or permissiveness, portray nudity or present an improper portrayal of near nudity, present any situation derogatory to the virtue of either sex or claim or suggest that alcohol beverages can contribute directly to sexual success or seduction.
8. Commercial communication may not induce people in an improper manner to prefer a drink because of its higher alcohol content or intoxicating effect. Factual information on alcohol strength may be included for the guidance of consumers.
9. Commercial communication may not claim that alcohol beverages have curative qualities, or offer it as a performance enhancer, stimulant, sedative or tranquilliser.
10. Commercial communication may not depict or include pregnant women.
11. Commercial communication may not suggest the consumption of alcohol beverages under circumstances that are generally regarded as irresponsible, inadvisable, improper or illegal, e.g. preceding or during any operation requiring sobriety, skill or precision.
12. Commercial communication may not suggest any association with aggressive, violent or anti-social imagery or behaviour, illicit drugs or drug culture.

Additional Media Rules

Regardless of any regulations which may already be applied by media owners, ARA members subscribe to the following:

1. Advertisements may not be transmitted in the commercial breaks immediately before, during or immediately after children's programmes on television or radio.
2. Advertisements will not be placed in any medium aimed specifically at children.

Television: In addition to 1 and 2 above, the following rules apply to advertisements in the television medium.

a) Programmes with a verifiable 30% or more viewership of persons under the age of 18 may not contain alcohol beverage advertisements. (the so-called 70/30 rule)
b) Alcohol beverage advertisements may not be flighted between 14h00 and 17h00 on Monday to Friday.
c) Alcohol beverage advertisements may not be flighted before 12h00 on Saturday and Sunday.
d) In the case of sporting events where the main sponsor is an alcohol beverage company, the 70/30 rule outlined above will still apply for the flighting of alcohol beverage advertisements.
e) All alcohol beverage advertisements on television will contain the statement: "Not for sale to persons under the age of 18".

Radio: In addition to 1 and 2 above, the following rules apply to advertisements in the radio medium.

a) As the current measurement of listenership only profiles an audience of 16 years and above, the ARA will assume that such a profile serves as a proxy for those under 16 years of age.
b) For alcohol beverage advertisements on radio, the 70/30 rule will apply.
c) No alcohol beverage advertisements will be broadcast between 06h00 and 09h00 and between 14h00 and 17h00 Mondays to Fridays and between 08h00 and 12h00 on weekends.
d) In addition to the rules above, airings must take into account the programme's appeal to youth based on verifiable profile data, the programme presenter's profile and the profile of the audience call-ins.
e) All advertisements on radio will contain the statement: "Not for sale to persons under the age of 18".

Cinema: In addition to 1 and 2 above, the following rules apply to advertisements in the cinema medium.

a) The 70/30 rule will apply and the ARA members will ensure that compliance with this rule is achieved through contractual arrangements between members and cinema owners.
b) Cinema advertisement selling companies will be required to submit film titles to the ARA with a qualitative assessment of the audience profile in terms of the 70/30 rule.
c) All alcohol beverage advertisements in the cinema will contain the statement: "Not for sale to persons under the age of 18".

Print: In addition to 1 and 2 above, the following rules apply to advertisements in the print medium.

a) The 70/30 rule will apply.
b) The proxy for the age profile will be the same as used for the radio medium.
c) All advertisements in print will contain the statement: "Not for sale to persons under the age of 18".

Outdoor: As viewership age profiles are not available for this medium, the following rules will apply to achieve the objectives of the ARA commercial communication rules.

a) No billboards advertising an alcohol beverage brand or product will be placed within 200 meters of schools, community centres and churches.

b) In the case of building wraps and billboards larger than Super 96 size, no alcohol beverage advertisement will be placed within 500 meters of schools, community centres and churches.

c) All alcohol beverage advertisements in outdoor media will contain one of the statements (on an equivalent basis): "Not for sale to persons under the age of 18" or "Be Responsible. Don't Drink and Drive".

Source: ARA

However, it is clear that the government would prefer to move away from self-regulation of alcoholic advertising to statutory regulation, and the initial draft law, developed by the Department of Health, which was leaked to the media, proposed the total prohibition of the promotion and advertising of alcohol products. This initial draft bill seeked to:

- totally prohibit the advertising of alcoholic products (alcoholic beverages with an alcohol content of more than 1%);
- permit only notices, which must be limited to "describing the price, brand name, type, strength, origin and composition of the product", to be displayed inside licensed and registered premises. Notices must be accompanied by a health warning and must not be visible from the outside;
- prohibit the display of names and logos of alcoholic beverages on delivery vehicles;
- prohibit the linking of sports sponsorship to alcoholic brand names; and
- prohibit the promotion of alcoholic beverages through donations and discounts at events.

The bill provides for limitation of alcohol advertising to permit notices that will be narrowed to "describing the price, brand name, type, strength, origin and composition of the product," all of which will be displayed inside licensed and registered premises. The notices will also be accompanied by a health warning and must not be visible from the outside. It will also prohibit the display of names and logos of alcoholic beverages on delivery vehicles, the linking of sports sponsorship to alcoholic brand names and the promotion of alcoholic beverages through donations and discounts at events.

The table below presents a summary of the type of advertising that will be banned under the draft bill:

Table 15: Summary of the proposals as set out in the draft Control of Marketing of Alcoholic Beverages Bill

Prohibited	'Grey Area'	Allowed
Draft legislation generally prohibits all organised activity intended for marketing purposes with some exceptions noted in the Draft Bill.	Price discounts are not well defined - unsure how this will be implemented and monitored.	Places of tastings (e.g. wine estates) promoting their products at the place of tasting
All above-the-line advertising media will be prohibited: Radio, TV, Print, Bill Boards, digital media	Gifting is not well defined in terms of product packaging (i.e. without value-add items).	Commercial communication of the brand owner to the retail in terms of product price, content and origin as well as brand name
Sponsorships for marketing purposes of a brand are prohibited. Includes sponsorship of any type of activity or sport	In-store point of sale item – unsure how this can still be used for marketing of the brand	Marketing via product packaging
All below-the-line marketing communications & activities to consumers for example – consumer relationship marketing (CRM), brand ambassadors, social media where brand owner 'pushes communication' to consumer		Commercial communication of the brand owner to employees, business, shareholders, and other stakeholders which is not intended for marketing purposes of the brand (e.g. Business Annual Reports, etc.)
Distribution of free liquor product for marketing purposes of the brand including also 'deep discounts'		
Gifting by providing value added items to the liquor product (i.e. 2 Litre Coke with bottle of Rum)		
Competitions in-store that motivates consumer to purchase liquor product with chance to win a prize		

Source: Control of Marketing of Alcoholic Beverages Bill, Minister for Health

The leaked draft bill has sparked policy debates on the **effectiveness** of an alcohol advertising ban as a deterrent to alcohol *abuse, as well as* the degree to which the marketing of beverage alcohol should be regulated.

In order to establish the effectiveness of this policy measure, the positive correlation between restrictions or a ban on alcohol advertising and lower consumption should be proven beyond doubt – this issue will be analysed in Chapter 5, while the economic impact of such a ban will be quantified in Chapter 7.

Overview of global bans on alcoholic beverage advertising

The vast majority of countries worldwide have some form of alcohol advertising policies. Countries use a wide range of policies to control alcohol advertising and marketing - some countries have national laws restricting alcohol advertising, but the most common is self-regulation (i.e. not regulated by legislation) or co-regulation (combine partial bans in legislation with voluntary); in both cases, the primary responsibility for regulating alcohol marketing lies with the alcoholic beverage industry itself. While some nations are calling for outright ban on alcohol advertising, others advocate regulation of the content of the ad materials. According to the WHO, nine countries have a complete ban on alcohol: Afghanistan, Brunei Darussalam, Iran, Maldives, Mauritania, Pakistan, Saudi Arabia, Somalia and Sudan. In addition, the following countries have comprehensive bans on alcoholic advertising: Russia, Norway, Ukraine, Belarus and Iceland.

Precedents in Canada, Denmark, and New Zealand found no evidence of reducing alcohol abuse - which resulted in bans on alcohol advertising being lifted.

The banning of alcohol advertisements has been explored and implemented globally due to the fact that the abuse of alcohol and costs thereof has been of significant concern to many countries' governments. The impact of the ban of alcohol advertisements is not fully understood and, as seen from various country experiences, it is unique to each country and cannot be generalised too easily.

The table below gives an overview of alcohol advertising policy regulation in various countries.

Table 16: Policies on alcohol advertising restrictions in selected countries

Country	Restrictions on advertising				Restrictions on sponsorship of:		Comments
	TV	Radio	Print	Billboard	Sports events	Youth events	
Brazil	Partial	Partial	No*	No	No	No	• **Definition of alcohol >0.5% vol.** • **Combination of self-regulation & statutory regulation** • Print requires "of age" readership requirements • Increasing pressure on responsible drinking culture • In Sao Paulo, all billboards are banned. • The legislative bill limits alcohol advertising (> 13% ABV) on television and radio between 6 a.m. and 9 p.m. • Prohibits the use of images of children, teenagers, talking animals, animated graphics, and/or cartoons, and women in bikinis who are not in the immediate vicinity of a beach/pool when advertising alcohol brands. • It is prohibited to use women under 26 years in advertising campaigns/associate alcoholic drinks with athletes. • Manufacturers must include warnings about the risks of driving after drinking alcohol in their advertising campaigns.
France	Ban	Partial	Partial	No	Partial	Ban	• **Definition of alcohol >1.2% vol.** • **Statutory regulation** • Since 1993, the advertising of alcoholic drinks has been strictly regulated by the *Loi Évin* Law. This policy bans the advertising of all alcoholic beverages containing over 1.2% alcohol by volume on television or in cinemas, and prohibits sponsorship of sports or cultural events by alcohol companies. There is no longer alcohol signage on sports fields captured by televised sports coverage. • In 2008, this legislation was extended to apply to alcohol advertising on the Internet and in newspaper and magazine editorials. • The law states that alcohol advertising is authorized only in print media for adults (and not for young people), on radio and on billboards (under precise conditions) or signage and related to places of manufacture or sale and trade communications, and for special events or places, such as wine fairs and wine museums. • *Loi Évin* also prohibits the targeting of young people and controls the content of alcohol advertisements. Messages and images should only refer to the characteristics of the products such as degree, origin, composition, means of production, patterns of consumption and a health warning, *"Alcohol abuse is dangerous to health"*, must be included in each advertisement. This content is less attractive to young people than image advertising based on attractive young adult lifestyles, humour or music. This law has resulted in the language of advertising losing most of its seductive character. There has been a complete disappearance of the drinker and drinking environments from the images, in favour of highlighting of the product itself. • Restricts the content of permitted advertisements to factual information on the quality and origins of the alcohol product advertised; by restricting the content of ads, French alcohol is no longer linked to the young adult lifestyles, humorous situations or masculine imagery that make alcohol ads attractive to young.

	TV	Radio	Print	Billboard	Sports events	Youth events	Comments
China	Partial	Partial	Partial	No	No	No	• **Definition of alcohol >2% vol.** • **Self-regulation** • China believes that alcohol is part of culture and tradition. At present, many alcohol advertisements in various types of media continue promoting alcohol culture. Government sees alcohol as a good source of tax revenue. • There is no ban on advertising media, however, there are restrictions on how messaging and communication can be structured and targeted; the following are prohibited: encourage people to drinking alcohol or propagandise the drinking alcohol immoderately; action of drinking alcohol; visualization of a young person; actions that have potential risk, such as driving a car etc. • Print: Alcoholic drink advertisements should not appear on the front page or the cover of a magazine/newspaper, and no more than two such advertisements should appear in any one issue. • Radio channels are prohibited from broadcasting more than 2 advertisements for alcoholic drinks in a period of one hour. • TV: Allowed with timing & programming restrictions, no more than two advertisements for alcoholic drinks allowed on any TV channel between 19h00-21h00, and, in other periods, no more than 10 such advertisements are allowed. TV channels are prohibited from showing more than 2 advertisements for alcohol within period of one hour.
Germany	Volunt	Volunt	Volunt	Volunt	Volunt	Volunt	• **Definition of alcohol >2.25% vol.** • **Self-regulation** • One of most liberal countries regarding restrictions – all media allowed. • By voluntary agreement most spirits are not advertised on TV. • Alcohol advertising regulation continues to be relatively relaxed compared to many other markets. While products such as beer can basically be promoted across all media, including print and TV, the industry has to commit to voluntary self-censorship and adhere to a strict code of conduct, regulated by the Deutscher Werberat advertising association. • The code of conduct stipulates that it is not permitted to encourage abusive consumption of alcohol, or to show minors, competitive athletes, drivers of motor vehicles or members of the medical profession consuming alcohol.
UK	Volunt	Volunt	Volunt	Volunt	No	Volunt	• **Definition of alcohol >0.5% vol.** • **Self-regulation** • Relaxed controls. The system of co-regulation of alcohol marketing in the UK covers broadcast advertising, including TV, radio and teleshopping, but not sponsorship. • Radio Code and a TV Code administered by the ASA; both contain specific rules governing alcohol advertising. • Television advertising for alcohol is also subject to a pre-clearance system. • Advertisements for alcoholic drinks should not be targeted at people under 18 years of age and should not imply, condone or encourage immoderate, irresponsible or anti-social drinking. • Despite high levels of media coverage and concern about underage drinking, little legislative action has been taken to address segmented marketing to the under 21s. • Government is advocating for total ban on alcohol advertising and sponsorships

	TV	Radio	Print	Billboard	Sports events	Youth events	Comments
USA	Volunt	Volunt	Volunt	Partial	No	Volunt	• **Definition of alcohol >0.5% vol.** • **Combination of self-regulation & statutory regulation** • Spirits advertising has self-regulatory bodies that create standards for the ethical advertising of alcohol. • Highly regulated: in print, radio and TV, 70% of readership/viewership must be of drinking age • The special concern is where advertising is placed: ○ Alcohol advertisements can only be placed in media where 70% of audience is over legal drinking age. ○ Due to limited TV exposure, spirits are heavily advertised in print, despite heavy monitoring by special interest groups. ○ Advertising cannot promote brands based on alcohol content or its effects. ○ Advertising must not encourage irresponsible drinking. ○ Different jurisdictions regulate outdoor advertising to different degrees. Vermont, Hawaii, Maine, and Alaska prohibit all billboards. • Sponsorships have a high likelihood of being banned due to public viewing times & difficulties in controlling underage viewership
Sweden	Ban	Ban	Ban	Partial	No	No	• **Definition of alcohol >2.25%/3.5%** • **Statutory regulation** • No broadcast advertising is allowed by law; print media advertising only permitted for products below 15% ABV; newspapers allow advertisements for wine and spirits, based on provisions of EU directive, despite protests from Swedish government.
Russia	Ban	Ban	Ban	Ban	Ban	Ban	• **Definition of alcohol >1.5% vol.** • **Statutory regulation** • In 2012 Russian Parliament adopted a bill that imposes a complete ban on advertising alcohol in printed editions and the Internet. There will be no billboards or cross street banners advertising alcohol. The new law will shut off the last channel for advertising alcohol, newspapers, magazines and Internet. Advertisement for any kind of alcohol, strong or low-alcohol drinks must disappear from traditional periodic editions and all the web resources.
Mexico	Partial	No	No	No	Partial	Partial	• **Definition of alcohol >2.0% vol.** • **Statutory regulation** • TV & Radio Ads only allowed after 10pm, beer is exempt.
India	Ban	Ban	Ban	Ban	Ban	Ban	• **Statutory regulation** • Out-right ban on alcohol advertising enforced by the central government
New Zealand	Partial	No	No	No	No	No	• **Definition of alcohol >1.15% vol.** • **Self-regulation** • Certain self-regulatory restrictions apply such as: ○ Liquor advertisements shall be directed to adult audiences. ○ Liquor advertisements shall not be directed at minors nor have strong appeal to minors in particular. ○ Liquor advertisements shall not be shown on television between 6.00 am and 8.30 pm

Source: Global Status Report: Alcohol Policy, WHO, 2004; Alcohol Advertising Regulations: A global Perspective, Distell; Self-Regulation of beverage Alcohol Advertising, ICAP, 2001

SYNOPSIS OF KEY POINTS

- The harmful use of alcohol causes an enormous economic, social and emotional cost to the economy and has a serious effect on public health; it is considered to be one of the main risk factors for poor health in South Africa.
- In South Africa harmful alcohol use is of particular concern, with implications for violence, transport-related accidents and fatalities, homicide, suicide and unintentional deaths. Alcohol use among South African men – mainly binge drinking is reported to be among the highest globally. Coupled with inordinate levels of alcohol-related harm, this has important implications for control and preventive policies in South Africa and calls into question the effectiveness of existing policies.
- The major cost is caused by a relatively small percentage of the population, who drink to excess on occasions and/or on a regular basis. There are nevertheless sound economic, social, moral and political imperatives to attempt to reduce this abuse and therefore the effects of this abuse.
- South Africa has one of the highest social-abuse ratios, because South African drinkers have high ratios of harmful episodic drinking.
- More than one quarter (26%) of all alcohol consumed in South Africa is unrecorded (produced, distributed and sold outside formal channels) and, therefore, beyond the confines of any controls or intervention policies, such as increased taxes. It is generally accepted that the root cause to the problem of alcohol abuse lies within that 26%.
- Globally, studies have indicated that total costs attributable to alcohol ranged from 1.3% to 3.3% of GDP. The costs of alcohol abuse in South Africa are substantial, with total tangible and intangible costs representing around 10-12% of 2009 GDP. However, if only tangible, financial costs are included, alcohol abuse is still found to cost **R37.9bn, or 1.6% of 2009 GDP**.
- The publication of the WHO's reports, *"Global Strategy to Reduce the Harmful Use of Alcohol",* and the "'*The Global Status Report on Alcohol and Health*" galvanised governments worldwide to adopt the proposed WHO policy measures, including South Africa, who is highly supportive of the WHO strategy.
- The specific policy measure used to shape to pattern of alcohol consumption - namely reducing exposure to alcohol marketing - has caused a significant amount of debate worldwide, and specifically in South Africa, where a draft bill, the *Control of Marketing of Alcoholic Beverages Bill*, was leaked into the public domain.
- Based on this draft bill, it is clear that the Department of Health is showing strong indications that it is their intention to introduce a **total** ban of the promotion and advertising of alcohol products. It is clear that the government would prefer to move away from self-regulation of alcoholic advertising to statutory regulation, and the draft law proposes the total prohibition of the promotion and advertising of alcohol products.
- The leaked draft bill has sparked policy debates on the **effectiveness** of an alcohol advertising ban as a deterrent to alcohol *abuse, as well as* the degree to which the marketing of beverage alcohol should be regulated. In order to establish the effectiveness of this policy measure, the positive correlation between restrictions or a ban on alcohol advertising and lower consumption should be proven beyond any doubt.

CHAPTER 4

Overview of alcohol beverages[10] advertising expenditure in South Africa

Introduction

The success of an alcoholic beverage is closely related to its brand, as brand recognition is one of the top drivers of sale volumes. The more a specific brand sells, the more valuable the brand becomes and vice versa. In a competitive industry where there are many substitutes, brand identity can therefore differentiate a product from its competitors. As alcoholic beverages are viewed more as branded goods than commodities, marketing strategies are therefore important for players to build brand equity along with competitive pricing.

The market for alcoholic beverages has been a mature market for a long time in almost all countries of the world, including South Africa, but with the exception of the rest of Africa. A mature market is one which has reached a certain state of stability marked by the absence of significant growth. Demand for alcohol in these mature markets is stable, with no signs of major evolution (as is reflected in the decline in recorded adult per capita consumption in South Africa). This will be analysed in further detail in Section 5.

The main purposes of advertising are to increase brand awareness and encourage consumers to buy a product, and to encourage the repeat purchase of the product as opposed to a competitor's liquor product. However, the purpose of advertising is not necessarily to increase total consumption – an increase in consumption will depend on the maturity of the market. If a market is mature, advertising will have little impact on the total market size. In a mature market, the purpose of marketing is more to differentiate among individual branded products. Advertising plays two important roles in this brand awareness. The first role is to reinforce and confirm the correctness of choice amongst existing users so that they will come back and make a repeat purchase. The second is to draw attention to their product and any new products on the market. In summary, businesses in a mature market advertise to increase their market share and in the process enhance their brand and/or company name. It is therefore a competitive strategy to increase sales of their products, to draw attention, increase allegiance to their brand, and ensure they both encourage new buyers to their product and ensure repeat business.

Every year companies spend hundreds of millions of Rands on advertising in an effort to differentiate themselves, their products and/or their services in the minds of the target audience in order to persuade potential customers to choose their brands over that of their competitors. The South African liquor industry is no different and is characterised by intense product rivalry and substantial expenditure on advertising.

According to the latest AdDynamix data an estimated R1.73 billion in 2011 and R1.8 billion was spent on liquor advertising in 2012 alone. What is significant about these amounts is that it only represents above-the-line (ATL) advertising expenditure, meaning mass-media space that is bought by the advertiser. Below-the-line (BTL)

---

10 ***Alcoholic beverages in this section includes the following categories:*** *Advertisement of sponsorships, Alcoholic Fruit Beverages, Aperitif, Beer Draught, Beer Import, Beer Light, Beer Sorghum, Beer Standard, Bourbon, Brandy, Cane, Corporate, Cider And Afb, Coop, Cream Liqueur, Estate, Flavoured Wines, Gin, Liqueurs, Port Sherry Muscadel Jerepigo, Private Cellar, Ready To Drink, Rum, Sambuca, Schnapps, Sparkling Wines, Spiced Spirits, Spirits, Tequila, Vermouth, Vodka, Whisky, Wine*

advertising, which includes amongst others, consumer and sales promotions (Marie, 2010), are excluded from these amounts.

If below-the-line advertising and sponsorships are included this figure is likely to amount to R4.4 billion (2011 prices).

In essence, companies that operate in the alcoholic beverage market have to determine whether their extensive expenditure on advertising is justified, i.e. whether advertising is contributing toward their market share gains. Conversely, in their efforts to address the issues related to alcohol abuse in South Africa, policy makers need to know whether branded alcohol advertising affects total alcohol consumption.

It must be noted that the vast majority of the beverage alcohol consumed worldwide, and in South Africa, is *not* advertised. This is especially true in developing countries and in economies in transition, where many beverages are home-brewed or produced illicitly. In emerging market countries, such as South Africa, commercially produced and advertised beverage types are generally inaccessible to the majority of the population, especially to young people. The price differential between commercially produced, branded products and home-brewed beverages is often prohibitive. In addition, import tariffs and excise taxes increase the price of alcoholic beverages to several times its original value. The price of branded products also reflects higher costs of production. Such costs are clearly not associated with illicit and home-produced alcohol, thus making them overwhelmingly the beverages of choice. It should be noted, however, that many home-produced and illicit products use low-quality raw materials and may be contaminated, thus carrying health risks not associated with branded products. The majority of the drinking population (including young people) in South Africa, consume alcohol which is not commercially marketed or advertised.

This chapter gives a qualitative overview of the trends in above-the-line alcohol advertising expenditure in South Africa, as well as quantifying the potential amount in advertising expenditure (ATL and BTL) that could be lost if the proposed *initial* draft bill, the *Control of Marketing of Alcoholic Beverages Bill*, is promulgated in its current format. It also gives an overview of the size and contribution of the advertising industry in South Africa, as well as its relative size and forward and backward linkages to other industries in the economy.

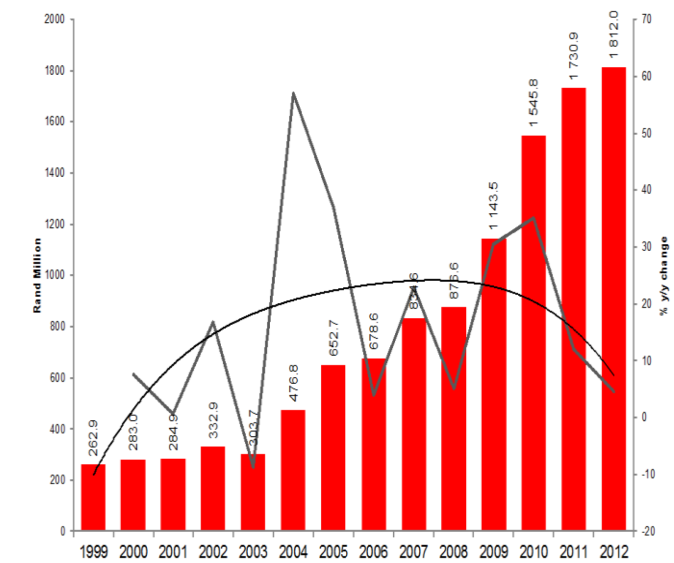
Total "above-the-line" alcohol advertising expenditure in South Africa

According to ACNielsen's Adex figures[11], ATL advertising expenditure on alcoholic beverages has climbed sharply over the past five years, from R834.6 million in 2007 to R1.73 billion in 2011 and **R1.8 billion in 2012** – see Chart 47.

The average nominal growth rate in total ATL advertising expenditure on alcoholic beverages has been 17.3% over the past thirteen years (2000-2012). Due to the hosting of the Fifa Soccer World Cup, the growth rate surged to 35.2% in 2010, but tapered off sharply to 12.0% and 4.7%, respectively, in 2011 and 2012 – see Chart 47.

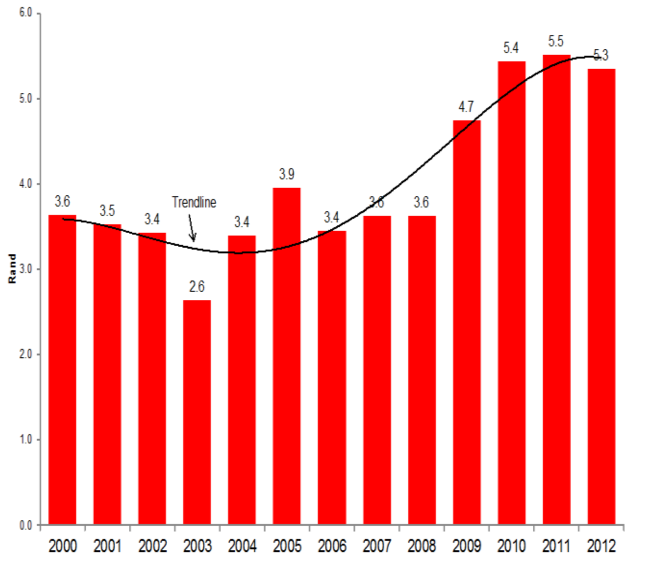
[11] *Nielson report on 553 alcoholic advertisers in 2011 of which 301 did spend money on advertising in that year.*

Chart 47: Alcoholic beverages - total above-the-line advertising expenditure



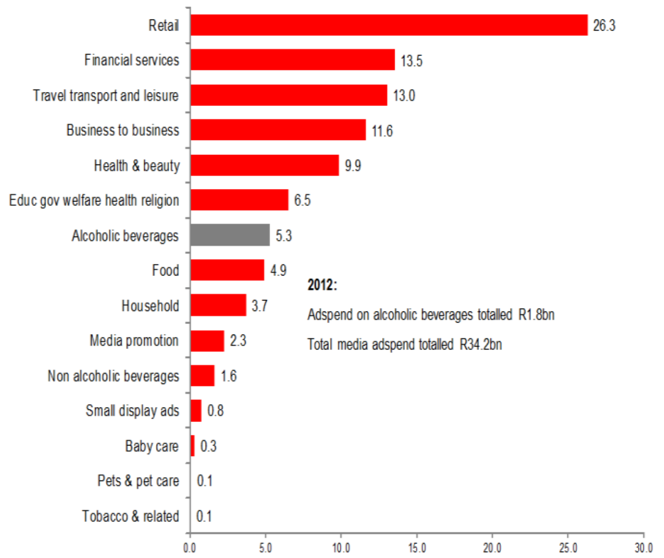
Source: Addynamix, AC Nielsen

Chart 48: Share of alcohol adspend in total ATL adspend



Source: Addynamix, AC Nielsen

Chart 49: Share of various primary categories in total media ATL adspend - 2012



Source: Addynamix, AC Nielsen

Total media advertising expenditure totalled R34.2 billion in 2012. As a share of *total* media advertising expenditure, alcohol beverages adspend increased from 3.6% in 2000 to 5.3% in 2012; however, since 2010 it has virtually remained at the 5½% level – see Chart 48.

Among all the categories, alcoholic beverages had the 7th largest share in total adspend in 2012 – see Chart 48.

Since 2009, beer manufacturers have been spending the majority on advertising (totalling R792.5 million in 2012, or 43.7% of total alcoholic beverages adspend), followed by spirits (R559.5 million, or 31% of the total), ciders, AFBs and RTDs (R223.3 million or 12% of the total), and wine manufacturers (R123.6 million, or 7% of total).

The share of beer adspend in total alcoholic beverages adspend has been increasing at an accelerating rate since 2009, while that of wine and spirits has either levelled off or decreased in the last few years (see charts below).

Chart 50: Beer, wine, spirits and RTDs beverages Total advertising expenditure

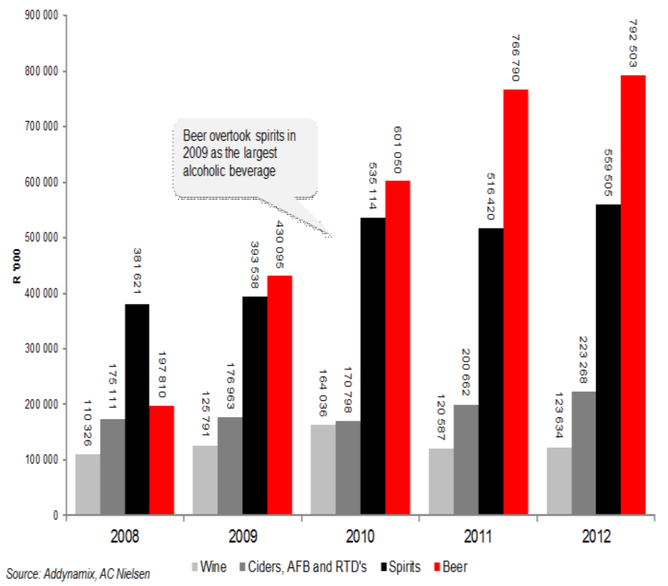
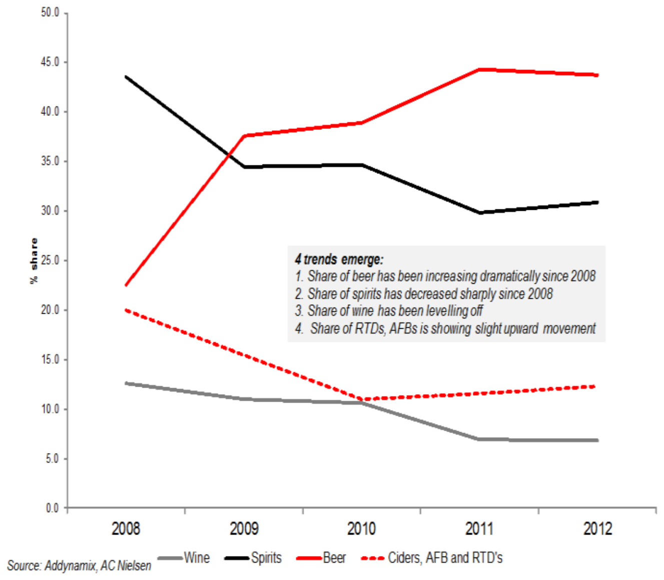


Chart 51: Share of types of beverages in total alcoholic beverages advertising expenditure



Advertising expenditure on wine is the least of all the various types of alcoholic beverages. According to the Wine Industry Development Association (WIDA), marketing activity in the wine industry is not well developed. However, wine tourism has proved to be an effective direct marketing activity. Wine tourism consists of visits to wineries, vineyards and restaurants that offer unique vintages, wine tastings, educational wine tours, wine festivals and other special events. Even though South Africa is located far from most foreign wine lovers, wine tourism in the country, especially in the Western Cape, has been rated the best developed in the world by International Wine Review. It has been estimated that local wine tourism generates an annual income of more than R5 billion.

Another popular marketing tool is the organising of wine, beer and spirits festivals which introduce consumers to new beverages. At the annual FNB Whisky Live Festival more than 180 brands were featured in 2011. Competitions and awards are marketing tools employed by the wine industry while wine producer dinners are a growing trend in the restaurant industry. For smaller producers with small marketing budgets, Wines of South Africa (WOSA) undertakes cooperative marketing, which is especially beneficial when attempting to enter new international markets such as the USA.

Wine companies cannot afford the expensive costs of developing adverts and flighting them on above-the-line advertising outlets (e.g. TV and cinema). There are very few wine brands that are advertise frequently on television in South Africa. On the whole their budgets are more limited to in-store marketing using merchandising, gondola ends, tastings in store, with much lower unit costs to reach their consumers. This marketing is done alongside festivals and wine tours.

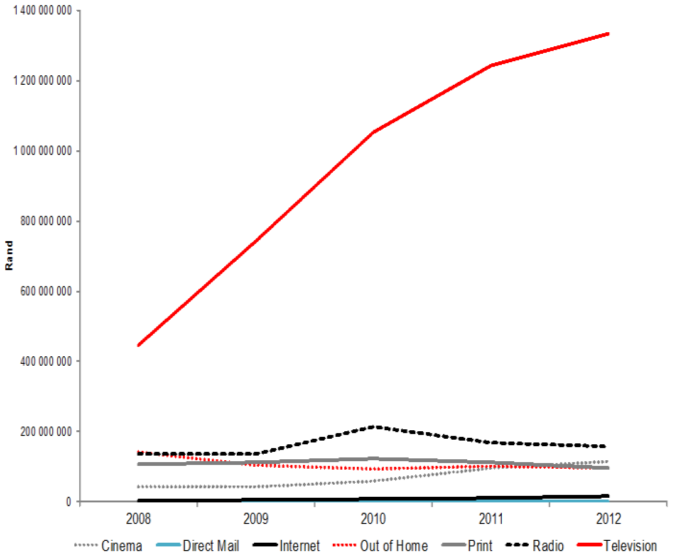
If ATL advertising is banned, the larger liquor companies will crowd out the in-store space (by sheer virtue of the spending power) which the smaller wine companies have in liquor stores which is critical for them as a marketing channel.

By media type

As the chart below, **TV dominates overall alcoholic beverages adspend**, accounting for R1.3 billion (or 73.5%) of the total in 2012. This was followed by radio with R157 million (8.7% of the total) and by cinema with R115 million (6.3% of the total).

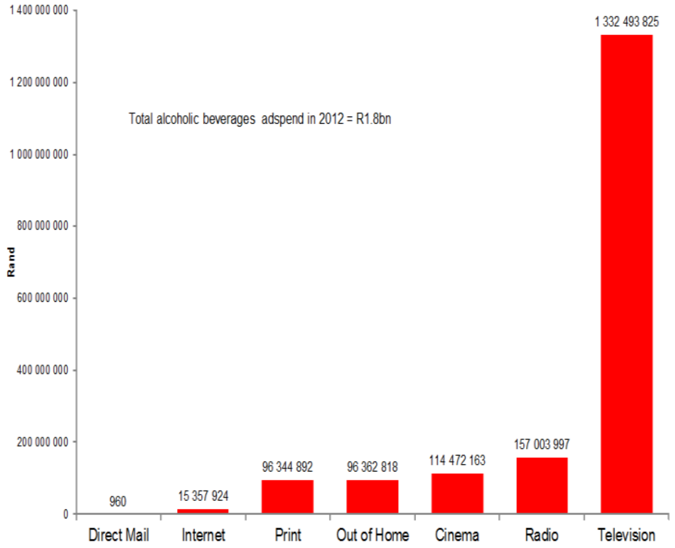
Combined, TV, radio and cinema accounted for 88.5% of total alcoholic beverages adspend in 2012.

Chart 52: Levels of alcoholic beverages ATL advertising expenditure (by media type)



Source: Addynamix, AC Nielsen

Chart 53: Alcoholic beverages ATL advertising expenditure by medium - 2012



Source: Addynamix, AC Nielsen

Since 2007, television's share in total alcoholic beverages adspend has risen exponentially, while that of radio and print has fallen back. Cinema and out-of-home alcoholic beverages adspend has also gained some momentum since 2009/10.

In 2013, this pattern is likely to be repeated, with TV exceeding print (by a wider margin), and in addition, cinema adspend will start creeping up on outdoor (see graph right). Radio's share is likely to shrink somewhat again in 2013, while out-of-home's share is expected to continue expanding.

Box 9: Increasing internet / social media spend

The use of social media such as Facebook, Twitter, Blogging, FourSquare, Twideo, YouTube and Google Maps Latitude is also revolutionising the way liquor products are marketed. One advantage of social media is that the lead times in publishing reviews are much shorter and has given a new dimension to word-of-mouth advertising. Because of regulations that restrict advertising in traditional media, global brands have become innovative in the use of social media. Brewers and distillers offer apps to add value to their consumers and build brand loyalty. For example, Budweiser offers an app that discounts the cost of their beer on very hot days. If restricted advertising is legislated in South Africa, a similar strategy could be used.

Currently, players in the industry make use of Facebook and Twitter to connect with consumers. The concept of back publishing where producers attach a printed booklet on a bottle could be a way to promote brands to consumers. SMS-based competitions are another way of increasing brand awareness while engaging consumers actively in a brand. QR codes are a fairly recent technology in South Africa. Consumers with a smartphone can scan the code with their mobile device to obtain additional information about the brand. One website wine.co.za offers the use of QR codes to local wine estates to attach to their bottles.

Chart 54: Composition of total alcoholic beverages ATL adspend 2012

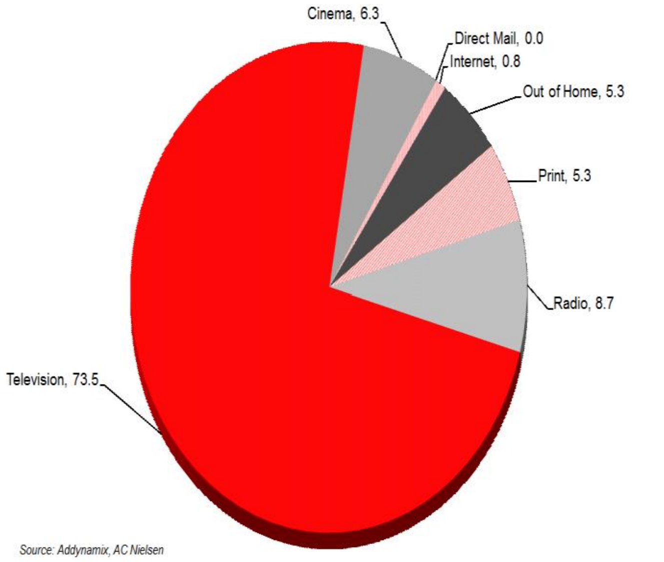


Chart 55: Share of various media types in total alcoholic beverages ATL advertising expenditure

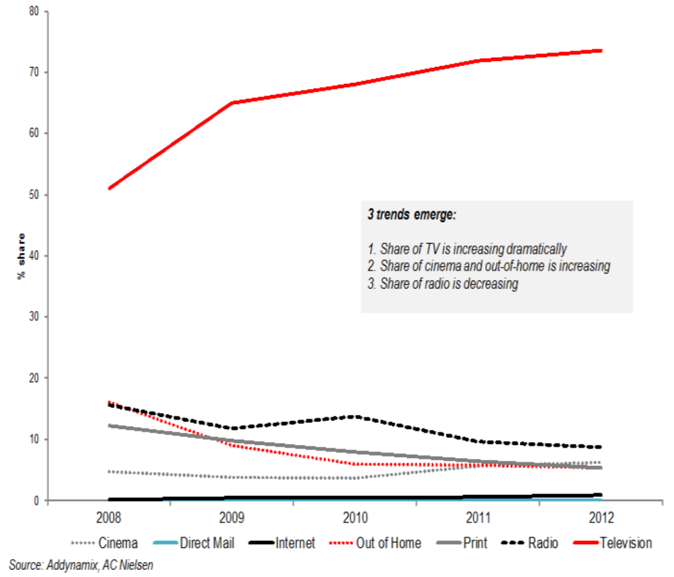


Table 17: Share of various media types in total alcoholic beverages ATL adspend (2008-2012)

Media type	2008	2009	2010	2011	*2012*	*Avg 2008-2012*
Cinema	4.8	3.8	3.7	5.6	6.3	*4.5*
Direct Mail	0.1	0.0	0.0	0.0	0.0	*0.0*
Internet	0.2	0.5	0.4	0.6	0.8	*0.4*
Out of Home	16.0	9.1	6.0	5.8	5.3	*9.2*
Print	12.3	9.8	8.0	6.4	5.3	*9.1*
Radio	15.6	11.8	13.8	9.7	8.7	*12.7*
Television	51.0	65.0	68.1	71.9	73.5	*64.0*
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	***100.0***

Source: ACNielsen Addynamix

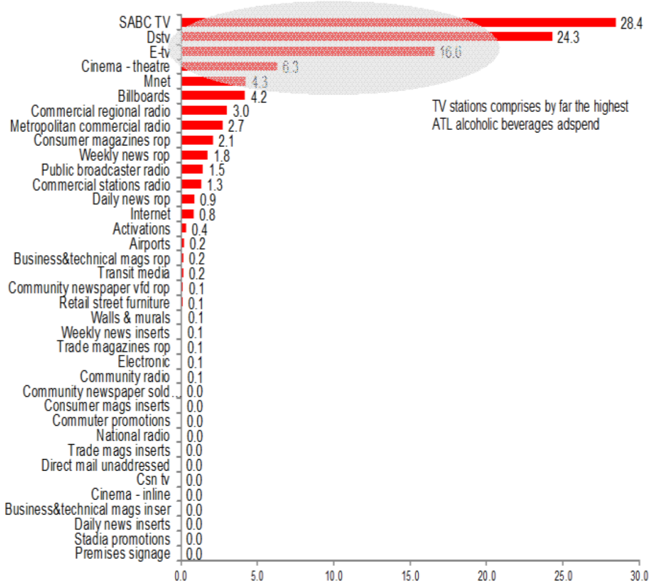
Table 18 shows the detailed breakdown per sub-category of Table 17.

Table 18: Alcohol ATL adspend (by major media types and sub-category)

	2008	2009	2010	2011	2012	Share of subcategory in total
	Expenditure (Rand)					%
Activations	0	0	0	9 987 249	6 580 912	0.4
Airports	9 085 638	6 525 683	8 194 935	10 962 528	3 991 998	0.2
Billboards	121 983 044	89 844 858	78 342 760	75 019 392	76 260 168	**4.2**
Commuter Promotions	0	11 022	0	646 102	645 574	0.0
Premises Signage	0	1 630	0	0	0	0.0
Retail Street Furniture	1 558 966	1 152 807	1 043 478	1 678 076	2 536 821	0.1
Transit Media	0	0	2 291 960	942 459	3 070 599	0.2
Walls & Murals	8 025 310	5 957 700	2 496 560	879 000	2 014 896	0.1
Stadia Promotions	0	0	0	12 500	0	0.0
Electronic	3 596	0	26 250	69 200	1 261 850	0.1
Out Of Home Total	**140 656 554**	**103 493 700**	**92 395 943**	**100 196 506**	**96 362 818**	
Community Newspaper Sold Rop	1 248 520	1 473 006	1 518 941	1 441 446	759 720	0.0
Community Newspaper VFD Rop	342 795	817 591	878 687	2 085 119	2 635 526	0.1
Daily News Inserts	6 524	314 810	82 656	373 175	0	0.0
Daily News Rop	17 377 802	18 011 049	20 833 539	22 276 831	15 998 415	0.9
Weekly News Inserts	1 161 164	1 233 551	621 532	815 252	1 488 674	0.1
Weekly News Rop	19 433 028	28 974 767	35 310 464	35 007 562	32 043 424	1.8
Newspaper Subtotal	*39 569 833*	*50 824 774*	*59 245 819*	*61 999 385*	*52 925 759*	
Consumer Magazines Rop	59 243 369	54 559 073	57 282 841	43 340 749	38 138 365	2.1
Consumer Mags Inserts	928 912	125 980	987 890	655 160	656 320	0.0
Business&Technical Mags Inserts	0	0	130 029	0	0	0.0
Business&Technical Mags Rop	6 800 181	4 499 977	4 055 210	3 662 955	3 195 765	0.2
Trade Magazines Rop	1 171 372	1 619 725	1 985 972	1 666 327	1 421 313	0.1
Trade Magazines Inserts	0	0	0	0	7 370	0.0
Magazine Subtotal	*68 143 834*	*60 804 755*	*64 441 942*	*49 325 191*	*43 419 133*	
Print Total	**107 713 667**	**111 629 529**	**123 687 761**	**111 324 576**	**96 344 892**	
Cinema - Inline	947 733	902 994	1 864 000	853 000	0	0.0
Cinema - Theatre	41 185 759	42 974 890	55 657 145	96 590 896	114 472 163	**6.3**
Cinema Total	**42 133 492**	**43 877 884**	**57 521 145**	**97 443 896**	**114 472 163**	
Commercial Regional	47 450 933	46 422 469	66 437 348	59 564 230	55 197 973	**3.0**
Commercial Stations	27 014 570	34 923 466	37 315 011	28 701 559	24 152 442	1.3
Community Radio	148 427	72 018	367 652	1 006 843	1 228 052	0.1
National Radio	588 750	463 868	29 772	69 318	202 335	0.0
Metropolitan Commercial	31 573 614	25 597 279	53 830 376	44 637 241	49 758 728	2.7
Public Broadcaster	29 773 163	27 539 646	54 663 915	34 135 764	26 464 467	1.5
Radio Total	**136 549 457**	**135 018 746**	**212 644 074**	**168 114 955**	**157 003 997**	
Mnet	54 069 882	83 028 978	109 795 554	101 508 984	77 200 471	4.3
Dstv	73 313 406	176 270 955	283 395 133	324 333 792	440 016 680	**24.3**
etv	94 334 433	155 368 564	257 208 311	311 650 084	300 130 599	**16.6**
Csn TV	2 095 905	4 554 455	4 680 233	744 680	0	0.0
SABC TV	223 040 427	324 026 947	397 651 666	505 657 146	515 146 075	**28.4**
TV Total	**446 854 053**	**743 249 899**	**1 052 730 897**	**1 243 894 686**	**1 332 493 825**	
Direct Mail Unaddressed	946 053	263 915	25 888	3 840	960	0.0
Internet	1 707 807	5 986 635	6 825 810	9 900 954	15 357 924	0.8
Grand Total	**876 561 083**	**1 143 520 308**	**1 545 831 518**	**1 730 879 413**	**1 812 036 579**	**100%**

Source: ACNielsen Addynamix

Chart 56: Share of subcategories of media types in ATL advertising expenditure on alcoholic beverages – 2012



Source: Addynamix, AC Nielsen

SABC TV has by far the largest share in ATL alcoholic adspend (R515.2 million, or 28.4% of the total - – see Chart 56). If a total ban is imposed on alcoholic beverages adspend (as per the draft bill), the SABC TV will stand to lose advertising income of over R500 million p.a. (If one adds the potential loss of R26.5 million from radio adspend income, then the loss to the SABC as a whole increases to R541.7 million).

As 75% of the SABC's income is generated from advertisers and sponsors, the planned alcohol adspend ban will have a huge detrimental impact on their cash flow, and (according to the SABC) ultimately affect the ability to meet its mandate as the public service broadcaster.

DStv will have the second largest loss in adspend income of around R440 million (2012 prices), followed by etv with a loss of R300 million. Cinema stands to lose potentially R114.5 million, while OOH companies stand to lose R76.3 million in billboard income. Commercial regional radio stations could face a potential loss of R55.2 million, with metropolitan commercial radio stations stand to lose R44.6 million.

However, some of these losses could be compensated for with the replacement of advertising income from other types of products. The table below shows the media sub-category that will face the biggest loss in case of a complete ban on alcoholic beverages advertising.

Table 19: Potential loss per media category and sub-category due to complete ban on alcohol beverages advertising expenditure (2012 Rand)

Media type	Sub category with biggest loss from alcoholic adspend ban		*Total potential loss due to alcoholic adspend ban per major media type*
Cinema			*Total cinema = R114.5m*
Out of Home	Billboards Airports	R76.3 million R4.0 million	*Total OOH =R96.4m*
Print: newspapers	Weekly newspapers ROP Daily newspapers ROP	R32.0 million R16.0 million	*Total newspapers=R52.9m*
Print: magazines	Consumer magazines ROP Business & technical magazines	R38.1 million R3.2 million	*Total magazines=R43.4m*
Radio	Commercial regional stations Metropolitan commercial Public broadcaster Commercial stations	R55.2 million R49.8 million R26.5 million R24.1 million	*Total radio = R157.0m*
Television	SABC DStv Mnet etv	R515.2 million R440.0 million R77.2 million R300.1 million	*Total TV = R1.3bn*
Internet			*Total Internet = R15.4m*
TOTAL LOSS FROM ALCOHOLIC BEVERAGES ATL ADSPEND			*Total media = R1.8bn*

Source: ACNielsen Addynamix

By advertiser

SABMiller, Distell and Brandhouse were the biggest above-the-line advertisers in 2012, with expenditure of R752.1 million, R422.6 million and R337.8 million, respectively.

These three companies represented R1.15 billion of total adspend on alcoholic beverages in 2012, or 83.5% of the total.

Table 20: Top 25* alcoholic beverages advertisers

	2008	2009	2010	2011	2012
			Expenditure (Rand)		
SAB Miller	228 430 413	345 630 101	542 257 708	811 199 643	752 110 748
Distell	220 241 949	300 802 326	332 489 642	374 310 835	422 617 669
Brandhouse	237 966 691	337 268 412	431 512 193	321 258 894	337 842 105
Pernod Ricard	66 192 092	69 522 143	92 739 958	82 953 933	111 020 623
The Really Great Brand Company	37 498 040	24 599 088	82 490 977	74 785 824	70 802 055
Douglas Green Bellingham	14 317 471	10 247 165	9 298 531	10 614 082	34 106 687
E Snell & Company	11 006 723	7 391 426	8 683 561	13 334 915	21 685 539
Boschendal Wine Estate	1 645 813	1 940 996	1 236 466	1 102 914	8 577 249
Bavaria Brau Pty Ltd	3 773 620	3 791 795	0	29 189	7 031 200
KWV	6 046 749	2 575 760	3 806 393	4 180 879	5 285 111
Namaqua Wines	1 964 131	5 338 584	5 438 056	4 301 644	5 212 483
United National Breweries	662 160	473 290	1 123	0	3 093 553
Remy Cointreau Corporate	0	172 682	755 854	1 669 824	2 468 115
Henry Taylor Ries	11 684 439	7 578 556	6 154 040	3 962 039	2 291 163
The James Sedgwick Distillery	0	0	0	0	2 103 144
Orange River Wine Cellars	144 549	525 930	1 687 030	1 581 801	1 827 204
Carvo	0	0	0	1 116 274	1 737 880
Bacardi Limited	7 369	474 998	687 023	1 065 552	1 442 581
Spier Wines	4 846 855	1 086 023	2 112 653	1 132 331	1 337 357
Kiss Beverages	0	0	0	121 617	1 284 447
Van Loveren Wines SA	438 400	4 659 873	3 482 581	1 614 510	939 338
Altromak Limited	0	0	0	0	696 386
Macduff Distillery	0	0	0	0	675 800
ABV Brands	0	0	0	167 762	642 260
TNB Distillers	0	0	652 980	389 982	540 544

Source: ACNielsen Addynamix

* *Ranked according to advertising expenditure in 2012*

By media owner

Media owners SABC, Multichoice Africa, etv, Times Media Ltd, Media 24 and Radmark were the biggest recipients of ATL advertising income from alcoholic beverages in 2012 – see table below. Based purely on the amount of advertising expenditure that would be lost, these media owners would probably be mostly affected by the total ban on alcohol advertising.

Table 21: Top 25* media owners ranked by alcoholic beverages advertising income (Rand)

	2008	2009	2010	2011	2012
SABC	313 605 236	416 568 648	554 687 090	617 853 454	619 927 493
Multichoice Africa	130 184 433	270 603 932	421 135 378	458 446 933	547 450 251
ETV	93 629 193	148 619 020	233 943 853	279 790 607	269 897 499
Cinema	42 133 492	43 877 884	57 521 145	97 443 896	114 472 163
Unknown media class	143 310 414	109 744 250	99 247 641	110 101 300	111 723 049
Times media limited	32 313 400	29 329 627	31 560 003	28 807 663	28 821 975
Media24	11 242 726	21 768 951	29 430 033	26 700 703	22 364 166
Radmark	12 744 019	18 183 857	21 544 646	20 281 290	16 448 977
YFM	9 786 310	7 626 616	13 151 437	11 530 699	15 145 616
United Stations	10 270 944	6 504 818	6 011 990	9 003 464	12 603 342
Primedia	12 877 638	10 089 736	14 537 065	14 096 351	6 822 292
Media24 - lifestyle	12 277 744	10 613 358	12 350 881	7 199 082	6 283 378
Independent	6 383 657	8 315 243	5 317 265	9 156 078	5 244 112
Media24 - weeklies	2 488 238	1 913 974	2 724 144	4 623 700	4 657 912
Conde Nast Independent Magazine	6 777 256	6 490 181	6 909 234	3 845 385	4 202 810
Converge	4 623 575	3 649 434	3 604 503	3 388 013	3 291 572
Media24 - Womens	5 298 237	5 720 233	5 176 991	5 086 068	3 274 811
Ramsay Media	7 055 882	6 420 208	6 534 708	4 545 820	3 181 006
Caxton	2 695 050	2 829 984	3 034 901	3 252 704	3 124 611
Associated Magazines	5 496 214	4 124 450	3 104 547	2 412 848	2 095 101
Ndalo Media	418 000	380 000	1 704 250	1 419 300	1 903 133
Media Connection	148 427	72 018	367 652	1 006 843	1 228 052
New Media Publishing	682 500	1 323 250	1 401 237	1 238 670	1 176 065
Cape Media	814 600	733 408	743 380	1 341 210	1 133 510
Media24 - developing	1 387 090	664 125	1 651 650	583 635	1 008 777

Source: ACNielsen Addynamix

* *Ranked according to advertising expenditure in 2012*

Estimating total ("above and below-the-line") alcohol advertising expenditure in South Africa

As mentioned earlier, "above-the-line" alcoholic beverages advertising expenditure, as measured by ACNielsen, is R1.73 billion in nominal terms for the 2011 – this includes advertising by manufacturers (local and international) and retailers. However, this excludes "below-the-line activities[12]" such as including in store promotions, competition for shelf space and product visibility, and also excludes sponsorships, competitions and promotions.

In order to estimate **total advertising expenditure (above and below-the-line and sponsorships),** information from the annual financial statistic data from StatsSA, BMi Adult SportTrack, Econex and Quantec Research was used.

Local alcoholic beverage manufacturers

According to StatsSA, total advertising expenditure (i.e. ATL and BTL) by manufacturers of spirits, wine, beer, soft drinks and mineral waters totalled R3.39 billion in 2011 (this includes distilling, rectifying and blending of spirits, ethyl alcohol production from fermented materials, manufacturing of wine, beer and other malt liquors and malt, as well as the manufacturing of soft drinks and the manufacturing of mineral waters).

However, this beverages expenditure also includes non-alcoholic beverages like soft drinks and mineral waters that must be excluded. Using 2010 data from StatsSA it is estimated that the advertising expenditure on 'distilling, rectifying and blending of spirits, ethyl alcohol production from fermented materials; manufacturing of wine' (SIC 3051) is 43.7% of the total beverages market and advertising expenditure of 'manufacturing of beer and other malt liquors and malt' and 'manufacturing of soft drinks and production of mineral waters' is 56.0%.

This will imply that the estimated expenditure on advertising by SIC 3051 (distilling, rectifying and blending of spirits, ethyl alcohol production from fermented materials; manufacturing of wine) in 2011 was **R1.47 billion** (41.9% of R3.39 billion).

Using data from an Econex and Quantec study[13], it is estimated that the 2010 total beverage market share of SAB was 56.3%, with the SAB beer division accounting for close to 70% of the SAB beverage market share.

Using these splits of the SAB beer and soft drink divisions, it can be estimated that advertising spend by manufacturers of beer and other malt liquors and malt was **R1.33 billion.**

Total estimated advertising **spend by local alcoholic beverage manufacturers is therefore R2.81 billion in 2011** in nominal terms (R1.47 billion + R1.33 billion).

International alcoholic beverage manufacturers[14]

The data mentioned above from StatsSA only provide advertising spend by local alcoholic beverage manufacturers. As such, the potential advertising expenditure by international advertisers needs to be estimated.

The total Nielson above-the-line advertising expenditure for 2011 of R1.73 billion can be split into advertising expenditure by domestic alcoholic beverage companies that is estimated at R1.2 billion (or 71%) and R503 million (or

[12] ***BTL advertising includes**: Promotions in-store & on-consumption outlets; Product tastings & information sharing on product intrinsic to consumer (i.e. product history, tasting notes, production method, etc.); Merchandising in-store; Point of sale advertising in-store; Social media campaigns (Note: list is illustrative, not exhaustive).*

[13] *"Working for South Africa, The Contribution of SAB to the South African economy", 2010, Quantec Research and Econex*

[14] *Figures do not necessarily add up given rounding*

29%) by international manufacturers that sell their brands in South Africa (given the ACNielsen share of adspend by domestic and foreign alcoholic beverages consumption companies in South Africa).

Using a ratio based on this split between alcoholic beverage advertising expenditure by domestic and international companies, the R2.81 billion (estimated in the previous section) can be adjusted to a total of R3.96 billion; this figure also incorporates the international manufacturing brands.

Estimated advertising **spend by international alcoholic beverage manufacturers therefore totals R1.15 billion in 2011** in nominal terms (R502 million above-the-line + R648 million below-the-line).

Wholesale and retail industry

Specific alcoholic beverage advertising expenditure figures for the wholesale and retail industries are not available, especially given that advertising for alcoholic beverages is only a portion of their total advertising expenditure. The total advertising expenditure by wholesale and retail industries (according to StatsSA), include:

- wholesale of food, beverages and tobacco industry[15], R1.6 billion in 2011 or 0.9% of their total expenditure;
- retail sales in non-specialised stores with food, beverages and tobacco predominating[16], R382 million in 2011 (or 0.2%of total expenditure).
- other retail sales in non-specialised stores[17] was R78 million (0.2% of turnover) and
- retail trade in food, beverages and tobacco in specialised stores[18] was R214 million (or 0.4% of total turnover).

This provides a total advertising spend of R2.31 billion in 2011 in the wholesale and retail trade sectors, whose sales include, amongst other, alcoholic beverages. Given this expenditure, an estimate must be made on what percentage can potentially be allocated to alcoholic beverage advertising expenditure. According to the 2010/11 Income and Expenditure survey (IES) data from StatsSA, household expenditure on alcoholic beverages is 0.6% of total consumption expenditure and it is 4.3% of total 'food, alcoholic and non-alcoholic beverages' expenditure.

Applying the 4.3% as a proxy, it is estimated that **wholesalers and retailers spend R99 million on alcoholic beverages adspend** (out of a total of R2.31 billion spend)**.**

Total

According to BMi Adult SportTrack, the total sponsorship is around R4.3 billion in direct spend in 2011 and sponsors spent an additional estimated R2.5 billion by leveraging their rights. In total this amount to just under R7 billion that was invested in local sponsorship in 2011. Alcohol brands account on average for between 5-10% of the overall sponsorship. Using a conservative 7.5% as midway between the 5% and 10%, provides an estimated total of R322.5 million in 2011.

---

[15] *(SIC 6122)*

[16] *(SIC 6211)*

[17] *(SIC6219)*

[18] *(SIC 6220)*

A summary of the estimated total advertising expenditure (above and below-the-line and sponsorships) in 2011 is presented in the table below:

Table 22: Estimate of total above *and* below-the-line and sponsorships advertising expenditure on alcoholic beverages, 2011

	Rand billion
Local manufacturers	R2.81 billion
International manufacturers	R1.15 billion
Wholesale and retail traders	R0.099 billion
Sponsorships	R0.323 billion
Total	**R4.386 billion**

Source: StatsSA, Econometrix, BMi SportsTrack

Figures do not necessarily add up given rounding

Quantifying potential loss in ATL and BTL advertising of alcoholic beverages due to ban

Impact of a ban on ATL adspend

Given the potential impact of the proposed alcohol advertising ban, it can be argued that the "above-the-line" and sponsorship advertising expenditure on alcohol beverages will be reduced to zero, but "below-the-line" activities are likely to increase since the commercial imperative for liquor companies to continue building the equity of their brands will still remain.

According to ACNielsen above-the-line figures, the potential loss of advertising in 2011 (and 2012) will be as follows:

Table 23: Estimate of potential loss due to total above-the-line advertising expenditure on alcoholic beverages

	2011 (Rand)	2012 (Rand)
Cinema	97 443 896	114 472 163
Direct Mail	3 840	960
Internet	9 900 954	15 357 924
Out of Home	100 196 506	96 362 818
Print	111 324 576	96 344 892
Radio	168 114 955	157 003 997
Television	1 243 894 686	1 332 493 825
Grand Total	**1 730 879 413**	**1 812 036 579**

Source: ACNielsen

The above-the-line media categories that will be most affected by the ban on alcohol advertising is television (SABC, Mnet & DStv having the majority shares in alcohol adspend), and to some extent, radio, cinema, print, and out-of-home (billboards and airport adspend having the majority shares).

If the ban were to be imposed, the **total loss of above-the-line advertising expenditure for the media would be R1.73 billion (2011 prices)**, and R1.812 billion (2012 prices)

Impact of a ban on ATL *and* BTL adspend

A ban on alcoholic beverage advertising will not result in a zero rand advertising expenditure (as above-the-line and sponsorships will be zero, but below-the-line advertising will increase). However, it is very difficult to estimate potential advertising expenditure after a total advertising ban. There are also no international studies for the countries that implemented an advertising ban, in order to quantify the impact on advertising, and to compare the advertising expenditure shares before and after a ban.

As a result, the economic impact study in this report will take into consideration a *total* loss of ATL and BTL advertising, i.e. an expenditure loss of R4.386 billion (as calculated in Table 22), even though this is the most pessimistic scenario.

This figure will be used in an economic impact model to estimate the total potential impact on the economy (see Chapter 7).

The next section gives an overview of the size and contribution of the advertising industry in South Africa, as well as its relative size and forward and backward linkages to other industries in the economy.

The size and contribution of the advertising industry[19], and its forward and backward linkages

The estimated advertising expenditure by the alcoholic beverage industry expenditure can either be spent:

- directly by companies (internal spend by manufacturing, distributing importers, retail or wholesale companies), or
- indirectly through the advertising industry.

Advertising expenditure linkages *within* the alcoholic beverage manufacturing industry are difficult to estimate using StatsSA data, and as a result the structure of the advertising sector (or 'other business services' - where more detail data is not available – see footnote), will be used for the economic impact modelling.

Advertising services (**advertising agency activities**) include the creating and placing of advertisements in periodicals and newspapers and on radio and television for clients. This includes:

- The writing of advertising copies, commercial art work and signwriting;
- Outdoor advertising, e.g. billboards, panels, window-dressing, showroom design, car and bus carding, etc;
- Media representation, (i.e. the sale of time and space for various media soliciting advertising);
- Aerial advertising;
- The distribution or delivery of advertising material or samples and
- The renting of space for advertising.

The following **downstream activities**[20] will also be impacted directly as a result of a ban of alcoholic beverages advertising. These are:

- Printing of advertising material[21];
- Marketing research[22];

---

[19] The advertising industry is classified according to the standard industrial classification (SIC) codes 8831 as part of 'other business services' (SIC 83 to 88).

'Other business services' contributed R188.4 billion or 3.8% to total output at basic prices in 2011 and R83.1 billion or 3.5% to total gross value added (GVA) in South Africa (for the same period).

20 These are excluded from 'advertising' (SIC 8831)

21 Classified under SIC 3251, printing

- The manufacture of advertising displays, number plates and signs[23];
- Public relations activities[24];
- Direct mailing activities[25]; and
- The production of commercial messages for radio, television and film[26], with special focus on 'radio and television activities' and 'sporting activities'[27].

In 2011 turnover in the advertising industry totalled R17.3 billion (or 3.2% to the total turnover in the 'other business services' sector in 2011) – see Table 24.

The turnover in the advertising industry accounted for an estimated 41.1% of the advertising spend in the economy in 2011[28].

Table 24: Income breakdown of the advertising industry (2010 and 2011)

	2010		2011	
	R million	***% of total income***	**R million**	***% of total income***
Turnover	**13 280**	***91.5%***	**17 266**	***96.7%***
Dividends	221	*1.5%*	24	*0.1%*
Government subsidies and incentives	12	*0.1%*	11	*0.1%*
Capital transfers received from government	0	*0.0%*	0	*0.0%*
Interest	144	*1.0%*	138	*0.8%*
Profit on financial and other assets: disposal of assets, realisation for cash and revaluation of assets	484	*3.3%*	42	*0.2%*
Profit on financial & other liabilities: redemption, liquidation and revaluation	9	*0.1%*	0	*0.0%*
Profit on foreign exchange as result of variations in foreign exchange rates or transactions	4	*0.0%*	48	*0.3%*
Provisions	2	*0.0%*	1	*0.0%*
Royalties, franchise fees, copyright, trade names & trade and patent rights	38	*0.3%*	0	*0.0%*
Other	314	*2.2%*	329	*1.8%*
Total income items	**14 508**	***100%***	**17 859**	***100%***

Source: StatsSA

Table 25 shows that the advertising industry made a profit of R538 million in 2011 (compared to R698 million in 2010).

The advertising industry's **direct economic contribution** in 2011 was as follows:

---

22 Classified under SIC 8813, also part of 'other business services'

23 Classified under SIC 39294

24 Classified under SIC 8814, business and management consultancy activities, also part of 'other business services'

25 Classified under SIC subgroup 88993, stenographic, duplicating, addressing, mailing list and similar activities, also part of 'other business services'

[26] Classified under SIC 961, motion picture, radio and television and other entertainment activities

27 SIC 9613 and SIC9641

28 Excluding agriculture and government

* total labour expenses of the advertising sector was R3.6 billion (or 21% of sector turnover)
* government taxes amounted to R468 million
* dividends to shareholders totalled R278 million
* **added an estimated R5.1 billion to the GVA (GDP) of the economy in 2011** (or 6.1% to the GVA of ‘other business services’)

Table 25: Expenditure and profits of the advertising industry in 2010 and 2011

	2010		2011	
	R million	% of total expenditure	R million	% of total expenditure
Purchases	6 898	52.3%	7 391	44.9%
Advertising	156	1.2%	94	0.6%
Amortisation	20	0.2%	33	0.2%
Bank charges	15	0.1%	17	0.1%
Bursaries	0.0	0.0%	0.0	0.0%
Computer expenses		0.0%	61	0.4%
Containers and packaging materials	0.0	0.0%	3.0	0.0%
Depreciation provided for during the financial year	159	1.2%	201	1.2%
Employment costs	**2 856**	**21.7%**	**3 628**	**22.0%**
Excise and customs duty	0.0	0.0%	0.0	0.0%
Information technology security		0.0%	5.0	0.0%
Insurance premiums	43	0.3%	65	0.4%
Interest	84	0.6%	181	1.1%
Losses on foreign exchange as a result of variation in foreign exchange rates or transactions	27	0.2%	70	0.4%
Losses on financial and other liabilities: redemption, liquidation or revaluation	5.0	0.0%	1.0	0.0%
Losses on financial and other assets: disposal of assets, realisation for cash and revaluation of assets	57	0.4%	28	0.2%
Mineral rights leases	0.0	0.0%	0.0	0.0%
Motor vehicle running expenditure	44	0.3%	49	0.3%
Operational leasing and hire of plant, machinery, equipment and vehicles	57	0.4%	99	0.6%
Paper, printing and stationery	32	0.2%	49	0.3%
Postal and courier service	14	0.1%	52	0.3%
Property taxes	2.0	0.0%	2.0	0.0%
Provisions	40	0.3%	16	0.1%
Railage and transport-out	29	0.2%	3.0	0.0%
Rental of land, buildings and other structures	470	3.6%	497	3.0%
Repair and maintenance	38	0.3%	52	0.3%
Royalties, franchise fees, copyright, trade names and patent rights	24	0.2%	19	0.1%
Security services	9	0.1%	17	0.1%
Staff training	19	0.1%	18	0.1%
Subcontractors	1012	7.7%	821	5.0%
Telecommunications	264	2.0%	118	0.7%
Travelling, accommodation and entertainment	128	1.0%	129	0.8%
Other	679	5.2%	2 759	16.7%
Total expenditure	**13 181**	**100%**	**16 478**	**100%**
Net profit before providing for company tax and dividends	1 341	10.2%	1 284	7.8%
Company tax paid or provided for during the financial year	**279**	**2.1%**	**468**	**2.8%**
Dividends paid or provided for during the financial year	**364**	**2.8%**	**278**	**1.7%**
Net profit after providing for company tax and dividends	**698**	**5.3%**	**538**	**3.3%**
Contribution to GVA	**4,344**		**5,102**	

Source: StatsSA

Table 26 provides a detail structure of the usage (dependence) from other sectors in the economy (supply and use from other sectors) in 2011. The beverages and tobacco sector purchased, for example, goods worth R6.5 billion from agriculture, while the printing and publishing sector purchased goods worth R6.95 billion from the paper products sector. The table also shows the total gross value added for each of these sectors. The total GVA of the 'beverages and tobacco' sector is for example R24 billion.

Table 26: Use structure of selected industries in the economy that could be impacted by the advertising ban (2011 prices of total use of products)*

Use of products	Beverages and tobacco	Publishing, printing, recorded media	Other business activities (advertising industry included)	Recreational, cultural and sporting activities
Agriculture, forestry and fishing	6 587.90	99.90	48.90	35.90
Mining and quarrying	123.9	169.3	0	175.4
Food and beverages	16439.9	0	896.8	173.6
Textiles, clothing and leather goods	216.5	329.2	30	272.6
Wood and paper; publishing and printing	3 758.20	8 626.50	8 218.50	875.30
Petroleum products, chemicals, rubber and plastic	4 123.80	2 515.50	2 563.60	1 085.50
Other non-metal mineral products	2 091.50	17.70	246.60	111.00
Metals. Metal products, machinery and equipment	0	75.5	146.9	7.7
Electrical machinery and apparatus	0	0.2	1881.4	109.9
Radio, TV, instruments, watches & clocks	-	269.2	-	838.7
Transport equipment	35.9	306.1	2708	310.5
Furniture, tobacco, and other manufacturing	1.4	85.8	1218.9	156
Electricity, gas and water	1297.3	209.2	4582	279.2
Construction (contractors)	398.8	1562.9	5765	120.8
Wholesale and retail trade, catering and accommodation	651.8	382.8	17907.2	167
Transport, storage and communication	2189.6	2141.7	19772.2	1884
Financial intermediation	531.6	662.7	10 492.50	151.6
Community, social and other personal services	8269.5	5684.1	37125.8	11654.8
Total Industry	**46 717.7**	**23 172.0**	**118 809.0**	**18 662.8**

* *For detailed table refer to Appendix B*

Total gross value added / GDP	**24 085.1**	**11 300.0**	**96 606.0**	**6 826.1**
Compensation of employees	10 401.9	10 527.1	59 530.0	3 438.6
Taxes less subsidies	359.9	175.5	656.2	343.2
Taxes on products				
Subsidies on products				
Other taxes less subsidies	359.9	175.5	656.2	343.2
GOS / mixed income	13 323.3	597.4	36 419.8	3 044.3
Total output at basic prices	**70 802.8**	**34 472.0**	**215 415.0**	**25 488.9**

SYNOPSIS OF KEY POINTS

- The purpose of advertising is not necessarily to increase total consumption, but to increase brand awareness of companies and encourage consumers to buy their product. Advertising plays two important roles in this brand awareness: to reinforce and confirm the correctness of choice amongst existing users so that they will come back and make a repeat purchase, and to draw attention to their product and any new products.

- ATL advertising expenditure on alcoholic beverages has climbed sharply over the past five years to R1.8 billion in 2012. As a share of total media advertising expenditure, alcohol beverages adspend has virtually remained at the 5½% level since 2010.

- Beer manufacturers have been spending the majority on advertising, followed by spirits, ciders, AFBs and RTDs and wine manufacturers. The share of beer adspend in total alcoholic beverages adspend has been increasing at an accelerating rate since 2009, while that of wine and spirits has either levelled off or decreased in the last few years.

- TV dominates overall alcoholic beverages adspend (73.5% of the total in 2012), followed by radio (8.7%) and cinema (6.3%).

- SABC TV has by far the largest share in ATL alcoholic adspend (28.4%). If a total ban is imposed on alcoholic beverages adspend (as per the draft bill), the SABC will stand to lose advertising income of over R500 million p.a. (If one adds the potential loss of R26.5 million from radio adspend income, then the loss to the SABC increases to R541.7 million).

- DStv will have the second largest loss in adspend income of around R440 million (2012 prices), followed by etv with a loss of R300 million. Cinema stands to lose potentially R114.5 million, while OOH companies stand to lose R76.3 million in billboard income. Commercial regional radio stations could face a potential loss of R55.2 million, while metropolitan commercial radio stations stand to lose R44.6 million. However, some of these losses could be compensated for with the replacement of advertising income from other types of products.

- Media owners SABC, Multichoice Africa, etv, Times Media Ltd, Media 24 and Radmark were the biggest recipients of ATL advertising income from alcoholic beverages in 2012 and would therefore probably be mostly affected by the total ban on alcohol advertising.

- A ban on alcoholic beverage advertising will not result in a zero rand advertising expenditure (as above-the-line and sponsorships will be zero, but below-the-line advertising is likely to increase); however, as no data is available on how advertising expenditure patterns may change, it is therefore assumed that both ATL and BTL adspend wil be zero (in the case of a total ban), resulting in the following losses:

  - Advertising expenditure by **local manufacturers** is estimated to decrease by R2.81 billion (expressed in 2011 prices).
  - Advertising expenditure by **international manufacturers** is estimated to decrease by R1.15 billion (2011 prices).
  - Advertising expenditure by **wholesalers and retailers** is estimated to decrease by R99 million (2011 prices).
  - Advertising expenditure on **sponsorships** is estimated to decrease to zero, resulting in an estimated loss of R322.5 million.
  - Given the above estimations, **total estimated advertising expenditure on alcoholic beverages that could be lost as a result of a ban on alcoholic beverage advertising, amounts to R4.386 billion (2011 prices)**. This figure will be used in an economic impact model to estimate the total potential impact on the economy

- If the draft bill is to be promulgated, the following advertising services will be affected: writing of advertising copies, commercial art work and signwriting; outdoor advertising, e.g. billboards, panels, window-dressing, showroom design, car and bus carding, media representation (i.e. the sale of time and space for various media soliciting advertising); aerial advertising; distribution or delivery of advertising material or samples and the renting of space for advertising.

- Downstream industries that will be impacted due to the potential ban are: printing of advertising material; marketing research; the manufacture of advertising displays, number plates and signs; public relations activities; direct mailing activities; and production of commercial messages for radio, television and film, motion picture, radio and television and other entertainment activities), with special focus on 'radio and television activities'.

- In 2011 turnover in the advertising industry totalled R17.3 billion. The advertising industry made a profit of R538 million in 2011.
- The advertising industry's **direct economic contribution** in 2011 was as follows:
  - total labour expenses of the advertising sector was R3.6 billion (or 21% of sector turnover)
  - government taxes amounted to R468 million
  - dividends to shareholders totalled R278 million
  - **added an estimated R5.1 billion to the GVA (GDP) of the economy in 2011** (or 6.1% to the GVA of 'other business services')

CHAPTER 5

The link between alcohol consumption and advertising expenditure,[29] and the effectiveness of policy measures

Background to the debate

In Chapter 1, it was established that the liquor industry makes a valuable contribution to the economy. Research shows that in many countries, the production and sale of alcoholic beverages generates profits for farmers, manufacturers, advertisers and investors. Alcohol provides employment for people in bars and restaurants, brings in foreign currency for exported beverages and generates tax revenues for the government.

However, as was discussed in Chapter 3, the overall social and economic costs of alcohol to society are substantial. Each year, diseases and injuries attributed to alcohol cause major harm, and the consequent monetary costs to the economy are considerable. Efforts by the World Health Assembly (WHA – the decision-making body of the WHO) to reduce the harmful use of alcohol were initiated as early as 1979, and in 2010 that the WHA officially called on WHO Member States to "develop, implement and evaluate effective strategies and programmes for reducing the negative health and social consequences of harmful use of alcohol" (World Health Organization, 2011).

Strategies and measures aimed at mitigating the negative consequences of alcohol use are predominantly formulated on the premise that the **most effective way of reducing alcohol related problems is by reducing alcohol consumption.** The most notable study to support this fact is Gruenewald's (1993) Control of Availability theory[30] in regard to alcoholic beverages, which assumes that the level of alcohol-related problems within a given community or country is positively correlated to its total per capita consumption. Proponents of this theory contend therefore, that the most effective way of reducing such problems is by reducing consumption.

Total per capita alcohol consumption was found by Nelson and Young (2005, 2001) to be a function of price, availability, disposable income, tourism, demographics, unemployment and drinking sentiment.

Some of these functions are controllable by means of regulation and, therefore, are often considered as target areas during alcohol policy formulation. The latest examples of where such functions are targeted are reports by WHO, *"Global Strategy to Reduce the Harmful Use of Alcohol",* and the "*"The Global Status Report on Alcohol and Health*" where a ten-point action plan for governments are proposed to curb the harmful consumption of alcohol. The measures proposed in the plan range from those aimed at educating the public, such as raising the awareness of the magnitude and nature of the health, social and economic problems of alcohol misuse, to more direct measures such

---

29 Main sources used in this chapter: "Advertising effectiveness in the alcoholic beverage industry of South Africa: measuring the influence of branded liquor advertising on consumption levels", 2011, Tiaan van der Spuy; Various articles by the International Center for Alcohol Policies (ICAP); "Global Status Report on Alcohol and Health", World Health Organization (2011); "Addressing the Harmful Use of Alcohol, A guide to developing effective alcohol legislation", World Health Organization (2011); "Global Strategy to Reduce the Harmful Use of Alcohol", World Health Organization (2010);

30 Proponents of an advertising ban also base their argument on the Social Learning Theory – which conceptualises the effect of advertising as a two-step process in which advertising increases consumption, which in turn produces more alcohol abuse.

as drink-driving policies and countermeasures, pricing policies and policies related to the availability of alcoholic beverages. One of the ten measures proposed in the plan is the *restriction of beverage alcohol advertising.*

The appropriateness of alcohol advertising has been publicly debated for some time, with arguments primarily formulated on the grounds of the *social* and *ethical* dimensions of advertising. Central to these debates is the issue of **whether advertising affects total alcohol consumption**. The media's portrayal of goods and services (whether it may be potentially harmful to society or not), through communication mediums such as advertising, generally reflect social conventions about those goods and services. In other words, what the media portrays is a reflection of the culture and traditions of the society in which it appears. It is on the premise of this theory that the alcohol industry claims that the effects of alcohol advertising are limited to brand choice only.

However, research also suggests that, in the long-term, media portrayals probably indirectly contribute to changes in social values and behaviour, implying that it could ultimately alter social conventions. It is on the premise of the latter theory that many health professionals contend that the large expenditures on alcohol advertising may affect social conventions and increase alcohol abuse.

This chapter gives an overview of the evidence whether a link exists between alcoholic beverage advertising and alcohol consumption, as well as the effectiveness of such a policy measure.

Overview of the international studies/evidence of a link between advertising and alcohol consumption[31]

Over the past few decades, there have been a number of empirical studies that have examined the effects of alcohol advertising on total alcohol consumption. These studies have used various methodologies, and rendered differing results. There is little consensus in the research literature on the nature or size of the relationship between beverage alcohol marketing and consumption or indicators of harm.

The balance of the evidence (as set out below) is inconclusive and does not support a direct causal relationship between overall alcohol marketing and drinking levels or harmful drinking patterns (whether chronic or episodic). This applies both to adults and young people (including underage youth).

According to the U.S. National Institute on Alcohol Abuse and Alcoholism (10th Special Report to US Congress on Alcohol and Health), "*When all of the studies are considered, the results of research on the effects of alcohol advertising are mixed and not conclusive*".

Econometric studies

A review[32] of all the econometric studies (Saffer and Dave, 2002) on the subject concluded that, by definition of the advertising variable, these studies can be classified into three categories.

1. The first category includes time series studies that measure advertising with **annual national data**. According to the authors, highly aggregated measures such as annual national data are not ideal as they eliminate the variance in advertising needed to find any correlation with consumption. Furthermore, because alcohol is among the most

---

[31] *Main Source: Advertising effectiveness in the alcoholic beverage industry of South Africa: measuring the influence of branded liquor advertising on consumption levels", 2011, Tiaan van der Spuy ; ICAP; WHO*

[32] *Saffer and Dave (2002)*

heavily advertised consumer goods, it is likely that highly aggregated advertising data are in the range of zero marginal product, meaning that there is not likely to be any effect on consumption for every additional advertising message. As a result, it was **found that empirical studies using annual national alcohol advertising as an independent variable are *not* likely to find any significant relationship between alcohol advertising and consumption.**

2. The second category includes studies which use **cross-sectional data** as the measure of alcohol advertising. The data used in such studies would typically be local level and span periods of a year or less. Econometric studies which use monthly or quarterly local level data would have potentially larger variation in advertising levels and in consumption, therefore, such studies are likely to find a positive relationship between alcohol advertising and consumption. **Subsequently, the two studies of this type listed in Table 27 find evidence that alcohol advertising has a *positive* and significant effect on consumption.**

3. The third category includes studies on the effects of advertising bans on consumption using **interrupted time series data, as well as regression models**. Partial advertising bans are of interest to researchers because, contrary to popular belief, instead of reducing the total level of advertising they reduce the effectiveness of the remaining non-banned media. The reason for this is that a ban on the use of a specific media will result in substitution to the remaining non-banned media, and because each media is subject to diminishing marginal return, the increased use of the non-banned media will result in a lower average return for these media. The implication of this for liquor producers is a decrease in the effectiveness of their advertising expenditure. The three studies using interrupted time series data (listed in Table 27) have **found *no* effect of advertising bans on alcohol consumption**; however, Saffer and Dave have identified problems with using such data which explains these findings.

   The studies using **pooled time series data**, including the latest study by Saffer and Dave, found that **advertising bans could reduce alcohol consumption** between five and eight per cent.

In summary: **econometric studies that examine the relationship between marketing expenditure and consumption have found *no* or only a *modest* correlation.** According to a meta-analysis of 132 international studies, the elasticity of alcohol advertising is very small (0.029), supporting the notion that advertising has a small impact on demand.

The various major studies are summarised in the table below.

Table 27: Prior Empirical Studies on the Correlation between Alcohol Adspend and Consumption

Study	Data	Conclusion
1. Swahn & Ali (2011)	Zambia - Analyses based on Global School Based Student Health Survey (GSHS) conducted in 2004	Direct marketing of alcohol products increases alcohol use and problems among youth
2. Anderon & De Bruijn (2009)	Longitudinal studies with participants 18 years or younger	Exposure to media and commercial communications on alcohol is associated with the likelihood that adolescents will start to drink alcohol
3. Stacy & Zogg (2004)	Adolescents completed questionnaires about alcohol use as part of prospective study	Results show that exposure was associated with an increased risk of subsequent beer consumption
4. Ellickson & Collins (2005)	South Dakota- regression models were used to examine relationship between exposure to alcohol	For seventh grade non-drinkers exposure to beer displays predicted drinking onset by grade 9

Study	Data	Conclusion
	advertising in middle schools	
5. Parry & Burnhams (2012)	Review of various policy documents	Comprehensive review of policies and programmes indicates that making alcohol less available, more expensive and placing a ban on alcohol ads are the most cost-effective ways to reduce harm caused by alcohol.
6. Collins & Ellickson (2007)	South Dakota – in school surveys	Policy makers should consider limiting a variety of marketing practices that could contribute to drinking in early adolescence
7. Anderson & Chisholm (2009)	Review of evidence for cost-effectiveness of policies and programs to reduce harm caused by alcohol	Making alcohol more expensive and less available, and banning alcohol advertising are highly cost effective strategies to reduce harm
8. Saffer (2002)	Theoretical framework for evaluating effects of advertising	Advertising does increase alcohol consumption
9. Saffer (2000)	Pooled time series data from 20 countries over 26 years	Alcohol advertising bans decrease alcohol consumption
10. Koordeman & Anschultz (2011)	Netherlands – 80 men aged 18-29	Exposure to alcohol advertisement condition did not increase alcohol consumption
11. Smith & Foxcroft (n.d)	UK- Seven cohort studies following more than 13 000 young people aged 10-26 years	Data suggests that a relationship exists between amount of exposure to alcohol advertising and amount of alcohol consumed by young people
12. Snyder, Fleming & Slater (2006)	US- Longitudinal panel using telephone surveys	Alcohol advertising contributes to increased drinking in youth
13. Amoateng & Poku (2013)	Kumasi (Ghana) – survey of 220 respondents	Younger age groups more influenced by advertisements which eventually have a positive impact on level of consumption
14. Gunter, Hansen & Touri (2008)	UK – international research, and a survey of young people	Mixed evidence as to whether the overall volume of advertising affects overall volumes of consumption
15. Grenard (2013)	USA - surveyed 3890 students	Exposure to alcohol ads and/or liking those ads in 7th grade were predictive of latent growth factors for alcohol use
16. Ogborne & Smart (2006)	Canada and in the United States	Unlikely that restrictions on advertising will reduce consumption
17. Dring & Hope (2001)	Ireland – 180 youth respondents	Alcohol advertising promotes and reinforces use of alcohol with a range of activities that teenagers aspire to and enjoy
18. Nelson & Douglas (2001)	OECD countries – 1977-95	Advertising bans in OECD countries have not decreased alcohol consumption or abuse
19. Nelson (2006)	17 OECD countries	Results fail to indicate that advertising bans reduce consumption
20. Nelson (2008)	Cross country panel data	Advertising bans do not reduce alcohol consumption
21. Saffer & Dhaval (2003)	US – National longitudinal survey of Youth 1997	A ban on local advertising can reduce adolescent monthly drinking by 4%
22. Ahlstrom & Osterberg (2004)	Examined research from various countries	Drinking behaviour of young adults in any country is related to drinking behaviour of the whole population
23. Blake & Nied (1997)	UK 1952-1991	Small positive effect of advertising
24. Bourgois & Barnes (1979)	Canada 1951-1974	No effect of advertising
25. Calfee & Scheraga (1994)	France Germany, Netherlands Sweden	No effect of advertising
26. Duffy (1987)	UK 1963-1983	No effect of advertising
27. Duffy (1991)	UK 1963-1985 quarterly	No effect of advertising
28. Duffy (1995)	UK 1963-1988 quarterly	No effect of advertising
29. Fisher (1993)	Worldwide	No causal link between alcohol advertising and particular drinking patterns and resulting problems
30. Fisher (1999)	Worldwide	No causal link between alcohol advertising and particular drinking patterns and resulting problems

Study	Data	Conclusion
31. Fisher and Cook 1995	Empirical econometric study that tests worldwide survey	No causal link between alcohol advertising and particular drinking patterns and resulting problems
32. Franke & Wilcox (1987)	US 1964-1984 quarterly	Amount of money spent on alcohol advertising had little relationship with total consumption in the population
33. Grabowski (1976)	US 1956-1972	No effect of advertising
34. McGuiness (1980)	UK 1956-1975	Small positive effect of spirits advertising
35. McGuiness (1983)	UK 1956-1979	Small positive effect of beer advertising
36. Nelson (1999)	US quarterly	No effect of advertising
37. Nelson & Moran (1995)	US 1964-1990	No effect of advertising
38. Nelson and Young 2001	17 OECD countries; 1977-1995	Lack of conclusive evidence that alcohol advertising increases levels of aggregate consumption among adults or young people
39. Selvanathan (1989)	UK 1955-1975	Small positive effect of beer advertising
40. Goel & Morey (1995)	US 1959-1982	Positive effect of advertising
41. Saffer (1997)	US 1986-1989	Positive effect of advertising
42. Makowsky & Whitehead (1991)	Saskatchewan	No effect of advertising
43. Ogborne & Smart (1980)	Manitoba	No effect of advertising
44. Smart & Cutler (1976)	British Columbia	No effect of advertising
45. Ornstein & Hanssens (1985)	US 1974-1978	Positive effect of price advertising
46. Saffer (1991)	OECD 1970-1990	Positive effect of advertising
47. Young (1993)	OECD 1970-1991	Mixed

Source: Econometrix, Van Der Spuy (2011), Saffer & Dave (2002)

Experimental studies

Experimental studies have also attempted to examine the impact of marketing (particularly advertising) on drinking. The **evidence is, once again, mixed**. While some studies report an effect on attitudes and expectancies around drinking, others do not. Such studies have been criticised for their inability to adequately account for the cumulative impact of different factors, including marketing influences, on the shaping of beliefs, attitudes, and consumption patterns.

Longitudinal research

Some longitudinal research shows a **modest relationship** between exposure to marketing and drinking among young people; the strength of the association varies between studies. Some evidence suggests that marketing exposure (e.g. advertising or owning of merchandise) may have a small impact on young people's beliefs about beverage alcohol and their drinking intentions. However, drinking intentions are not always the same as actual drinking behaviour, and factors other than marketing may have influence on drinking choices. Research has shown that people make drinking choices based on what dominant and/or influential people in their social circle do. Wine consumers, in particular, are not widely swayed by advertising. Many who abuse alcohol are also not influenced by the image of the brands as such.

Alcohol advertising and the youth

With the harmful use of alcohol rising amongst the youth, governments worldwide (including South Africa) are correct in having identified the youth as the primary target group for any campaign to curtail alcohol abuse.

As a result, the impact of advertising and marketing alcoholic products to young people has received considerable attention. A substantial body of research has been devoted to the respective roles of family, peers, culture, social forces, media, and other significant factors in determining the decision by young people whether or not to drink.

The research is in fact often contradictory, as many researchers have found that alcohol advertising plays a role, which some consider significant and some consider small, and that there is compelling evidence of an unequivocal correlation between advertising and either drinking patterns among young people, or rates of abuse (Young 1993).

However, there is a substantial body of independent research, which has findings to the contrary and that there are far more important and relevant elements influencing such behaviour. Many researchers found that the most powerful factors in shaping beliefs and attitudes about drinking are parental and peer influence (Adlaf and Kohn 1989; Fisher 1993; Milgram 2001; Smart 1988; Stockdale 2001).

Drinking patterns among young people are much more likely to be influenced by the prevailing culture around alcohol, than by advertising (Houghton and Roche 2001). In addition, according to Discovery Insure, the top three risky driving behaviours young drivers engage in, before an accident, are peer-influenced behaviour, late night driving, and speeding.

Although lobby groups have identified advertising as being one of the major culprits, the majority of global research shows that when it comes to smoking and drinking among youth, they inevitably start because their friends do – see Box 10.

Box 10: Why do young people drink?

Qualitative research in the UK suggests that young people drink for a range of reasons and that drinking performs multiple functions, symbolic as well as practical: it is not simply a question of identifying with or copying ‘adult’ behaviour. Brands of alcohol and drinking styles can function as fashion statements, as well as means of altering consciousness. **Three separate sets of reasons have been identified:**

- Individually-based reasons e.g. changing mood, coping with stress, feeling happy.
- Socially-based reasons – these are more common, and relate to the ways alcohol and drinking are used to facilitate social relations, e.g. developing trust with friends, exploring sexual relationships. Alcohol is seen to serve both relaxing and bonding functions within the peer group, as well as providing an excuse for ‘bad behaviour’.
- Peer influence, which although including unwanted pressure more generally involves a tacit social expectation that certain kinds of events involve drinking.

The **motivations for binge drinking** are primarily:

- Social facilitation: increased enjoyment of social situations; increase in ‘confidence’ in regard to social group scenarios e.g. securing a sexual interaction.
- Individual benefits: escapism; forgetting problems; the ‘buzz’; ‘something to do’.
- Social norms and influences: accepted culture of heavy drinking – behaving ‘normally’; peer influence; gaining ‘respect’ and ‘image’ in social groups.
- Drinking more intensively was also associated with the use of cannabis, parental encouragement to drink, spending more time with friends who drink, school exclusion, and being in trouble with teachers.

Key characteristics and circumstances of the young people who are most at risk of alcohol and drug problems

- Drug use by parents or older siblings
- Early family adversity

- Associating with other risk-taking peers
- Low mental ability or poor academic performance
- Family conflict or poor and inconsistent parenting
- Truancy and other forms of delinquency
- Pre-existing behavioural problems
- Low parental supervision
- Living with a single or step-parent

Source: Institute for Alcohol Studies, Adolescents and Alcohol

It is clear that drinking among young people is one of many risk-taking behaviours and part of a process of experimentation (Costa *et al*. 1999; Plant and Plant 1992). There is also substantial evidence that potentially harmful youthful drinking patterns generally do not continue as responsibilities, such as entering the workforce, marriage or parenthood take over and lifestyles change (Adams *et al.* 1990; Fillmore 1988; Fillmore *et al.* 1991; Jessor 1998; Kandel and Logan 1984; MacMahon et al 1994; Plant 2001).

Data recently released in Australia shows that parents are being blamed for alarming binge drinking rates in teenagers with the National Drug and Alcohol Centre's figures showing almost 40% of underage drinkers are being supplied alcohol by parents. Families are under fire from leading health authorities following the release of the data, which shows amid drinking teenagers, parents were the most common source of alcohol with 37% of 12-17-years-olds indicating their parents gave them their last drink. Worryingly, the percentage of underage drinkers, who admitted that a parent was their last supplier, was higher among 12-15-year-olds (39%) than to 16-17-year-olds (35%).

The alcoholic beverages industry does not condone promotion and advertising of beverage alcohol to those under the legal minimum purchase age. Yet it is acknowledged that young people are inevitably exposed to beverage alcohol advertising, as they are to advertising of any other consumer product. They are aware of it, and are able to identify and distinguish between alcohol brands, just as they are able to discern brands of other consumer goods. However, the evidence does not support the notion that such awareness increases consumption by young people (Fisher 1993, 1999; Grube 1993).

Evidence of alcohol consumption patterns among young people in a number of countries included in the European School Survey Project on Alcohol and Other Drugs (ESPAD) Report (Hibbell *et al*. 2000) is instructive. In some of the countries included in the study, alcohol advertising has been banned; in others, there is reliance on self-regulation by the industry to ensure responsible advertising. The results from the study show that there is no clear relationship between alcohol advertising, its regulation, and either drinking patterns or problems among youth. Instead, the ESPAD Report points to the importance of culture in determining drinking patterns and problems in different societies.

Further study results appear to support these statements, for example:

- Denmark has a ban on all broadcast advertising except on low alcohol-content products, as well as various restrictions on print and outdoor advertising. At the same time, Denmark has one of the highest reported rates of intoxication among young people.
- Ireland, a country that banned all spirits advertising in the broadcast media and imposed restrictions on other beverage types, also had one of the highest reported rates of intoxication among youth.

- Italy, on the other hand, reported one of the lowest rates of intoxication, even though advertising relies heavily on self-regulatory codes.
- Greece, another country with low rates of intoxication among young people, has a combination of voluntary self-regulation and some legislated regulations.

On the other hand:

- Romania, which also shows some of the lowest intoxication rates, has a total ban on all beverage alcohol advertising.
- Recent studies in New Zealand and Australia amongst others have indicated that young people are influenced by advertising.

It should also be noted that the 19- to 29-year old youth market is one the mass media has identified as being the most difficult to engage. Research shows that fewer young people are consuming traditional mass media. Instead they use iPods, iPads, iPhones and talk to each other on Twitter, MXit and Facebook. Social networking is increasingly becoming the primary communication tool of the youth. Young people can obtain information on any product or subject and view advertising at any time on the internet. In addition, alcohol advertising in most countries (including South Africa) is not permitted on TV during children's programming (based on the ARA code – see page 34), and with teenagers and young adults being exposed less and less to mass media advertising, the banning of alcohol advertising is therefore unlikely to have an effect on overall consumption and alcohol abuse among the youth.

In reality, youth viewers are much more likely to see alcohol portrayed during TV programmes than during commercials. For example, an overseas analysis of prime time TV found that alcohol commercials appeared at the rate of 0.2 per hour while drinking portrayals during programmes occurred 25 times more frequently, at five times per hour.

To demonstrate the complete lack of effect advertising has on substance abuse, the Western Cape has an enormous problem with the drug tik among its youth, but yet, never has there ever been an advertisement for tik.

Despite the view from some that advertising starts people drinking at younger ages (as adverts make the product seem attractive and glamorous), in reviewing the body of research, it can be concluded that the main culprits among young alcohol consumers remain peer pressure, parental approval and issues around the family environment.

Panel data

Guis (1996) followed a different research approach and used **panel data** in order to determine the prevailing views regarding the effects of advertising on alcohol consumption and abuse. The author found that there are essentially two opposing views.

1. On the one hand, many health professionals and consumer groups contend that there is substantial evidence to support the theory that alcoholic beverage firms advertise in order to increase the size of the alcoholic beverage market (known as the *market effect*). Increasing the size of the market implies increasing total per capita alcohol consumption (i.e. increasing the consumption of people who would not have purchased the product at all or who purchased less of the product). As such, advertising is viewed as contributing to alcohol consumption and relating problems.

Furthermore, the same respondents contend that advertising promotes and reinforces perceptions of drinking as positive, glamorous and relatively risk-free, making these dangerous and addictive products appealing, particularly to unintended audiences such as adolescents (Babor, 2003). Proof of this can be found in many medical journals that have published recent survey research that identifies advertising as a "cause" of alcohol consumption – particularly among teenagers (O'Guinn et al., 2009).

A research review of all longitudinal studies between 1990 and 2008 assessed the impact of advertising on more than 38,000 young people and found that, out of 13 studies, 12 demonstrated that "exposure to alcohol advertising is associated with higher initiation of drinking, as well as heavier drinking with risks proportional to the amount of advertising seen" (Corrigall, 2011). Interestingly, these findings contradict earlier research (conducted since the 1950's), which found that family, friends, and peers – not advertising – are the primary influence on the use of alcohol products (O'Guinn et al., 2009), which could be a further indication of advertising's societal influence over time. A final point raised by the respondents is that advertising may increase price competition, which makes alcohol beverages more affordable to consumers and therefore, increases their propensity to consume (Gius, 1996).

All of the abovementioned arguments suggest that advertising increases the demand for alcohol and, therefore, alcohol consumption.

2. Conversely, stakeholders in the alcoholic beverage industry are of the opinion that advertising does not increase total consumption or have any significant causal influence on initiating consumption (O'Guinn et al., 2009). They point to a number of academic studies that suggest that the direct short-term sales effect of advertising is quite low (Yeshin, 2006). Consequently, according to industry stakeholders, these studies negate the arguments put forth by health professionals and consumer groups regarding the power of advertising.

   The studies suggest that advertising cannot create primary demand (i.e. demand for an entire product category) in **mature** product categories such as milk, toothpaste, cigarettes and alcohol, and that consumers are not as helpless to defend themselves against advertising as claimed by critics.

Box 11: What is a mature market?

One of the effects of advertising may well be to increase total consumption and even in certain circumstances the per capita consumption of their product, but this will depend on the stage of development of that particular market. If a market is mature, in general it can be anticipated that advertising will have little impact on the total market size and particularly per capita consumption. A mature market is one which has reached a certain state of stability marked by the absence of significant growth.

A product in its growth phase, e.g. the cell phone industry over the past few years (although this industry in certain geographic areas is maturing) is an example where such rules will not apply. A hairdresser is an example of a small business in a mature market. These businesses also market and advertise in their own way. A business in a mature market may offer their customers and potential customers a more sophisticated product, which retains existing customers and encourage new customers to come to them. There is a limited growth opportunity for the total market other than natural population growth and rising standards of living and/or changing tastes or expectations.

Generally, the gain of a customer to one is the loss of a customer to a competitor. This is true in many markets, including the food and beverages market. This explains why these sectors generally offer investors steady, but not spectacular growth. The alcoholic beverage industry is no different. It is a mature market and has been in existence for thousands of years. It can be anticipated then that total advertising expenditure will have little impact on the total market size other than natural growth, but very little or no effect on per capita consumption – this assumption will be further explored in this chapter.

Industry stakeholders do contend, however, that advertising plays its most important role in consumers' choice of brands after they have decided to use a product category. They argue that advertising only results in brand switching within the product category (known as the own effect), i.e. that new sales come from consumers who would have purchased from rival firms, with little or no effect on consumption. They base their argument on research conducted by, amongst others, Lee and Tremblay (1992), Gius (1996), and Nelson (1999), which concluded that advertising has an assessable effect on market share for individual brands as well as a substitution effect between brands.

The producers of alcohol beverage brands (e.g., Heineken or Guinness beer, Jack Daniel's whiskey or Smirnoff vodka, Penfold wine or Mumm champagne) use advertising and promotional activities in a way that is no different from any other branded goods manufacturer. They compete for market share in an exceptionally competitive environment. Competition is not only between brands, but also between categories, so that Heineken lager competes not only against Fosters or Budweiser, but also against Ballantine's scotch or Bacardi rum – or a Penfold shiraz or a Mondavi merlot.

The competition for a bigger share of the market is strong and incessant, with advertising being a part – important but still only a part – of the wider marketing process. In most established, mature markets (where branded products are well known), total consumption is fairly static. Companies attempt to increase their business through better brand marketing, enabling them to gain market share at the expense of the competition by trying to give their brands greater appeal than other branded competitors. In emerging markets, where the situation is less static, companies still mainly compete against each other for market share. There is little commercial advantage to be gained from generic advertising of beverage alcohol.

Individual company strategies involve increasing the share of an existing market for their products. For example, in the USA, beer consumption declined 7.5% from 1990 to 1999. Even within that shrinking market there was intense competition, and the import sector – foreign beers like Beck's, Guinness, Carlsberg and Corona – managed to increase their share of the total market significantly from 4.5% to 9.1%. The share held by foreign beers doubled at the expense of domestic US brands – while total consumption fell.

Since alcohol advertising is expensive, it is therefore specifically and selectively targeted at consumers thought likely to buy a given product. Market research is constantly refining the target audience and tightening strategies for reaching it. Thus, a marketing campaign indiscriminately aimed at the general public is inefficient and not cost effective. Equally, groups who are not already consumers, such as abstainers or young people below the legal purchase age, are not a fertile target for advertising resources. Resources are directed at those already consuming a certain type of product in an effort to persuade them to switch brands.

Furthermore, industry stakeholders contend that advertising serves to differentiate products and/or promote product quality, resulting in higher prices which decreases consumers' propensity to consume alcoholic beverages (Nelson, 2001).

Natural experiments from bans on alcohol adspend vs. consumption – global evidence

Attempts have been made to examine the impact of marketing or advertising restrictions or bans on consumption. The effects of various "natural experiments" have been assessed in different countries:

- The results of a natural experiment in the Canadian province of **Saskatchewan**, where a total ban on alcohol advertising was lifted, show mixed results, reporting increased beer sales, decreased spirits sales, and no effect on wine or on total alcohol sales.
- Following a 14-month ban of all alcohol advertising in **British Columbia**, Canada, in 1971, yearly and monthly analyses showed no substantial effect on sales of beer, wine, or spirits.
- Advertising and effects on consumption were studied in **France, Germany, the Netherlands, Sweden, and the United Kingdom** between 1970 and 1983. Despite significant differences in alcohol advertising policies, alcohol consumption decreased in all five countries.

Supporting the view that there is no relationship between alcohol consumption and advertising, is the conclusion made by the International Centre for Alcohol Policies, in which evidence and research gathered showed that the alcohol consumption has actually decreased in the **Netherlands, Germany and the UK** despite an increase in advertising. This was also the case in New Zealand and the US - while advertising expenditure showed dramatic increase over the past century, the consumption of beer, wine and spirits in the US has remained relatively constant. In fact, per capita consumption levels for 1998 do not differ dramatically from those of 1900 (Nephew *et al.* 2000).

Also supporting this, but from a converse angle, is the **Ireland** case, whereby the country remains the heaviest drinking nation despite the ban on advertising of spirits and strict regulations on other alcoholic beverages. This would then suggest that there is no direct correlation between advertising and consumption/alcohol abuse.

Furthermore, the International Centre for Alcohol Policies noted that advertising has no influence on alcohol abuse and that that was the reason why bans have failed previously and have actually been lifted in countries such as **Canada, Denmark and New Zealand**. Despite the repeal of an advertising ban on all types of beverage alcohol in New Zealand in 1992, there was no resulting increase in the consumption of distilled spirits. The already declining spirits market fell even further during the two years following the introduction of broadcast advertising (Distilled Spirits Association of New Zealand 2001).

Some cases have actually shown that a counter-act occurs when a ban or restrictive legislation is in place and that a good intention is actually causing an opposite, un-intended negative outcome. The case in **Australia, Canada and the UK**, showed that an increase in the minimum legal drinking age actually led to an increase in the illicit trade of alcohol of 16%, 27%, 13% respectively. In **Bulgaria**, in 2004, alcohol bottles were banned from being displayed in commercials. This however, did not reduce consumption, but instead caused advertising agencies to become more creative in an attempt to circumvent the ban and as a result, caused volumes to actually grow by 22% over the period 2004-2011. However, in Canada it was shown that the increase in the price of alcohol has actually led to a decline in accidents caused by an intoxicated driver.

The result of the initial ban in **Russia** did not decrease consumption per capita, but rather there was a pattern which showed that firstly the ban tended to shift brand loyalty and secondly there was migration toward the black market. The case in Russia also found that the lack of limits on imports shifted purchases to lower taxed countries, which resulted in fiscal losses. Alcohol companies also opened possibilities for them to move advertising budgets to the internet, which is harder to regulate and therefore the bans had no real net effect.

Comparing evidence of alcohol consumption trends (sourced from WHO) against the restrictiveness of alcohol advertising in a number of countries is instructive. In some of the countries, alcohol advertising has been banned; in others, there is reliance on self-regulation by the industry to ensure responsible advertising. The results show that **there is no clear relationship between alcohol advertising, its regulation, and either drinking patterns or problems among youth**. One could conclude that, instead, culture is a major influential factor in determining drinking patterns and problems in different societies.

Table 28: Comparison of the restrictiveness of alcohol policies and bans imposed in various countries and five-year change in recorded adult (population above 15 years old) per capita consumption, 2001-2005.

Country	Restrictions on advertising		Self-regulation/legislation	Per capita consumption trend (APC) - WHO
Australia	Voluntary		Self-regulation	Stable
Belarus	Ban (Wine & Spirits)	No (Beer)	Ban	Stable
Bulgaria	No		Statutory legislation	Stable
Cambodia	No		No controls	Increase
Canada	No		Statutory legislation	Stable
China	No		Statutory legislation	Stable
Denmark	Yes (TV & Radio)	Voluntary (Print & OOH)	Combination	Stable (but highest reported rates of intoxication amongst youth)
Estonia	Partial (TV & Radio)	No (Print & OOH)	Statutory legislation	Increase
Finland	Partial (Beer & Wine), Ban on Spirits		Statutory legislation	Increase
France	Ban (TV), Partial (radio & print)		Statutory legislation	Stable
Germany	Voluntary		Self-regulation	Stable
Greece	No		Statutory legislation	Stable (lowest reported rate of intoxication amongst youth)
Ireland	Voluntary		Combination	Stable (but highest reported rates of intoxication amongst youth)
Iceland	Ban (but Print partial)		Statutory legislation	Stable
Italy	Partial (beer & spirits)	Voluntary (wine)	Combination	Stable (low reported rate of intoxication amongst youth)
Kenya	No		Self-regulation	Stable
Malaysia	Ban (TV & radio), Partial (print & OOH)		Combination	Stable
Mongolia	Ban		Statutory legislation	Decrease
New Zealand	Partial (TV)	No (radio, print OOH)	Self-regulation	Stable
Norway	Ban		Statutory legislation	Increase
Republic of Korea	Ban (Spirits: TV & radio)	No	Statutory legislation	Stable
Russia	Ban		Statutory legislation	Stable
Sweden	Ban		Statutory legislation	Stable
Switzerland	Ban (TV & radio), Partial (print & OOH)		Statutory legislation	Stable
Vietnam	Spirits Ban (TV & radio) ; Wine Partial (TV & radio)	No (Print), No (Beer)		Increase
Thailand	No		Statutory legislation	Stable
United Kingdom	Voluntary		Self-regulation	Stable
United States of America	Voluntary		Combination	Stable

Source: WHO, Global Status Report: Alcohol Policy; "Global Status Report on Alcohol and Health", World Health Organization (2011)

The table shows that:

Restrictive bans ➔ increase/stable in APC's:

- Very restrictive bans in France, Iceland, Sweden, Russia, and Switzerland have not resulted in a decline in consumption, but only *stable/no change* in APC's.
- In fact, Finland and Norway, which have very restrictive bans, have shown an *increase* in per capita consumption trends. Vietnam and Estonia with relatively restrictive bans have also shown an increase in per capita consumption trends.

Restrictive bans ➔ decline in APC's:

- The only country with a restrictive ban to have shown a *decline* in per capita consumption was Mongolia.

No Restrictions ➔ increase/stable in APC's:

- The only country with no restrictions to have shown an *increase* in APC is Cambodia.
- Countries with no restrictions that have shown *stable* APC's were: Australia, Bulgaria, Canada, China, Greece, Kenya, Thailand, UK and USA

Many countries have taken a serious look at alcohol policies and they differ across the board with many different circumstances as a result. There is thus no clear cut answer as to which policy would best work to achieve the desired goal of consumption reduction in alcohol.

Conclusion

Much of the confrontational focus in the last three decades regarding reducing alcohol consumption has focused on the marketing of alcohol beverages.

The literature on the influence of advertising on alcohol consumption is lengthy and mostly contradicting. In reviewing the econometric, cross-sectional, regression models, interrupted time series longitudinal research, pooled data and case studies, we have found that **for every study finding a positive correlation between advertising and alcohol consumption, there is another one contradicting the sample, the methodology or the conclusions**.

Critics of alcohol beverage advertising argue that the amount and substance of the alcohol advertising results in increased consumption. From a public policy perspective they argue advertising restrictions or even outright advertising bans will lead to reduced levels of consumption. A good deal of the research that supports their viewpoint uses either cross-sectional data (survey methodology) or controlled experiments to identify advertising as one of the possible factors influencing alcohol consumption. While such cross-sectional studies may be helpful in linking individual-level choice of beverage to advertising and/or media choice, the relationship of advertising to total and brand consumption is not adequately addressed by this type of research.

A time-series analysis, on the other hand, is useful in examining advertising expenditures over time and their relationship to consumption. However, most of the time-series studies have found that there is not a positive link between advertising and aggregate consumption.

The lack of a demonstrable positive relationship between advertising and aggregate consumption is not unique to the alcohol market. The experience of other mature industries with regard to their products is similar in showing that the extent of advertising does not necessarily correlate with the size of a market. The most notable examples shown are for instant coffee and frozen vegetables, where trends in advertising expenditure bear no relation to trends in consumption.

The majority of available studies find that alcoholic beverage advertising does not target adolescents (due to the fact that regulation in the majority of countries, prohibit this). But beyond the question of "target", three groups of scientists have reviewed the evidence on exposure, reviewing a nearly similar series of longitudinal studies assessing whether exposure to alcohol marketing is related to youth alcohol consumption. Their findings are highly contradicting.[33.]

- Anderson et al. reviewed 13 studies (only two of which stem from Europe), and found that "*twelve of the thirteen studies concluded an impact of exposure on subsequent alcohol use, including initiation of drinking and heavier drinking amongst existing drinkers*".
- Smith & Foxcroft reviewed a quasi-similar body of literature and observed that "*the effect of alcohol portrayals and advertising on the drinking behaviour of young people is a matter of much debate*". This review shows a modest relationship between exposure to marketing and drinking among young people: the strength of the association varies between individual studies. Furthermore, the authors highlight that all reviewed studies "*fall short of the current [methodological] recommendations as set out in the STROBE statement*"[34]. Finally, this study concludes with a question: "*Does this systematic review provide evidence that limiting alcohol advertising will have an impact on alcohol consumption amongst young people? Not directly: (...) we cannot rule out that the effects demonstrated in these studies are due to residual confounding*".
- Finally, Nelson reviewed a body of literature almost identical to the one reviewed by Anderson et al. and Smith & Foxcroft. He concludes that a "*brief review demonstrates that the evidence on alcohol advertising and youth is mixed, contradictory and inconclusive*". Although "*studies present a conflicting set of results […they] are cited in an uncritical manner*". In a 2010 comprehensive review of all the literature – not only the longitudinal ones – Nelson finds that there is evidence of a "*selection bias in the interpretation and use of results by researchers and health policy interest groups. […]*".

  Most research claiming to evidence a causal link indeed rely on a "cherry picking" selection of literature – often excluding "neutral" or negative studies – the ones which do not find evidence. A main conclusion of Nelson's meta-analysis is that "*the effect of alcohol marketing on adolescent drinking is modest, but the evidence indicates that it may not exist at all for mass media and other exposures"*.

In summary, there is the **lack of a demonstrable positive relationship between advertising and aggregate consumption of alcoholic beverages** (this is not unique to the alcohol market). The **research and findings of the various studies are contradictory and therefore inconclusive**. It should also be noted that the majority of alcohol consumed worldwide is not advertised, and therefore there is insufficient evidence to support an association between advertising and levels or patterns of drinking, either among adults or young people. Other factors – especially parental and peer influences – appear to be more powerful.

The fact is that there is more than sufficient inconsistency, as well as a strong body of research denying the strength of any link, that it would be an incorrect policy decision to introduce a comprehensive ban on alcohol advertising in

[33] *Main source: Alcohol advertising and consumption, spiritsEUROPE, 2012*

[34] *The STROBE statement is a standard of research aiming at strengthening the reporting of observational studies in epidemiology. It consists of a series of check-lists for each type of research.*

South Africa, as a total ban is likely to have limited impact on total real consumption and probably no impact on per capita consumption[35]. This is supported by the evidence set out later in this report.

An econometric analysis of the link between *South African* alcoholic advertising expenditure and consumption of alcoholic beverages

As discussed previously in this chapter, a body of literature exists with the aim of establishing a relationship between alcoholic adverting (marketing) and alcohol consumption. This is an important discussion given that an existing relationship between alcoholic advertising and alcoholic beverage consumption needs be established before such a policy can be implemented. If such a relationship does not exist, implementing such a policy will have no or very little impact and therefore there is a need to explore other policy interventions that do show to be significant in reducing alcoholic beverage consumption or that can lead to responsible consumption.

An attempt is made in this section to estimate if such a relationship exists between alcoholic advertising on alcohol consumption in South Africa.

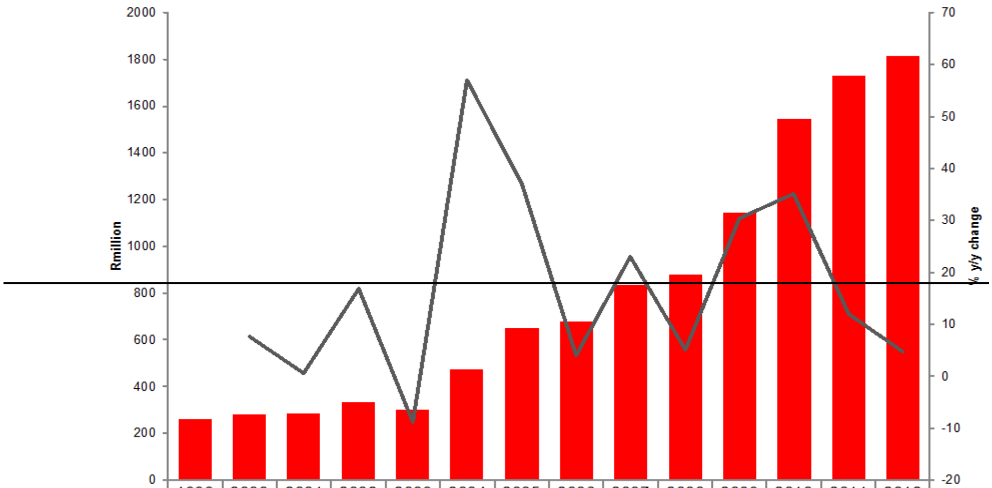
Alcoholic beverages: direct advertising expenditure and consumption data

As reported in Chapter 4, **advertising expenditure** by alcoholic beverage advertisers increased from R262.9 million in 1999 to R1.73 billion in 2011 and R1.8 billion in 2012 (in nominal terms). This figure only includes above the line alcoholic beverages advertising expenditure and exclude for example sponsorships, competitions and promotions.

Chart 57 shows the increase in alcoholic advertising expenditure. The growth rate in ATL adspend has, however, fallen sharply since 2009.

[35] *This is in line with the findings of the Department of Trade and Industry's study into the socio-economic impact of liquor advertising, which found that the "**wide spectrum of environmental influences" leading to harmful drinking patterns** makes it difficult to quantify the extent to which advertising determines consumption. While recognising cultural differences, it nevertheless cites findings in New Zealand and Canada indicating that advertising bans do not cause a drop in consumption and, when advertising is reinstated, no negative results result.*

Chart 57: Alcoholic beverages ATL advertising expenditure (nominal prices)[36]



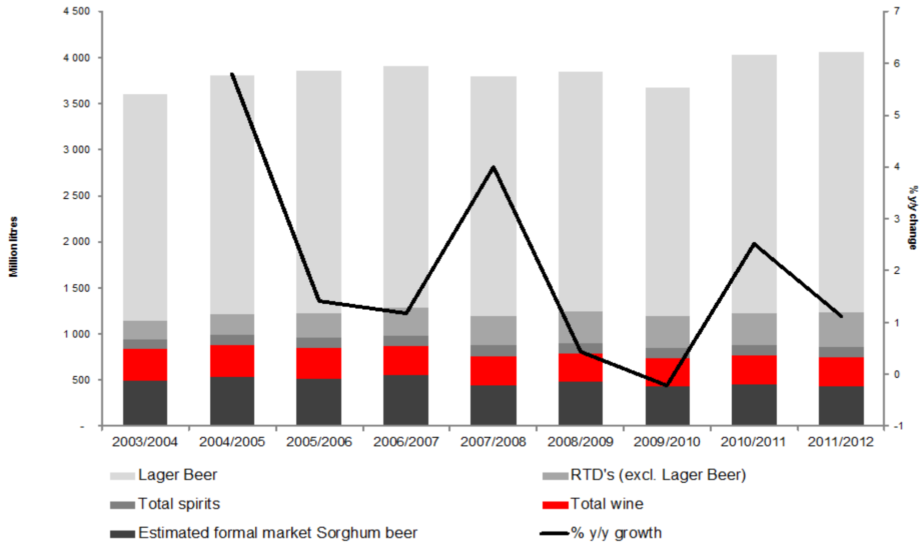
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Rand (million)	262.9	283	284.9	332.9	303.7	476.8	652.7	678.6	834.6	876.6	1144	1546	1731	1812
% y/y growth		7.6	0.7	16.9	-8.8	57.0	36.9	4.0	23.0	5.0	30.5	35.2	12.0	4.7

Source: Addynamix, AC Nielsen

Chart 58 shows the **total litres of alcoholic beverages consumed** in South Africa.

- Lager beer consumption is by far the biggest, although the share decreased from 68.1% in 2003/04 to 66.8% in 2011/12 (79% in 2003/04 to 74.4% in 2011/12 if sorghum beer is excluded), the total number of litres increased from 2.45 billion in 2003/04 to 2.82 billion in 2011/12.
- Ready to drink (Rtd) alcoholic beverages (excluding larger beer) shows the biggest share increase; from 5.7% in 2003/04 to 8.9% in 2011/12 (6.6% in 2003/04 to 9.9% in 2011/12) if Sorghum beer is excluded).
- The share of wine decreased from 9.5% in 2003/04 to 7.6% in 2011/12 (11.0% in 2003/04 to 8.4% in 2011/12 is Sorghum beer is excluded).
- Spirits showed an initial slight increase in its share to 2.9% in 2006/07 (3.4% in 2006/07 if Sorghum is excluded), but its share dropped slightly to 2.7% in 2011/12 (2.97% in 2011/12 if Sorghum is excluded).
- The share of formal market sorghum beer is estimated to decrease from a share of 13.9% in 2003/04 (or 498.5 million litres) to 10.2% in 2011/12 (431.5 million litres).

Chart 58: Total litres of alcoholic beverages consumed in South Africa



Source: Econometrix, SALBA, SARS

Using the advertising expenditure data from ACNielsen, together with consumption of alcoholic beverages, estimations can be made regarding the relationship of advertising expenditure and the consumption of alcoholic beverages.

This relationship between alcoholic beverage consumption and adspend can be expressed and estimated in a number of ways. This includes:

- Advertising expenditure can be expressed in rand or index values in nominal or real terms (where real data is adjusted for the impact of inflation). Index based values improve comparison between variables.
- Advertising expenditure can be expressed in per capita terms to account for the growth in the population.
- Consumption of alcoholic beverages can be expressed in terms of total litres consumed, but that doesn't take into account population and the growth in population.
- The consumption can be expressed in terms of total population, but this may underestimate the per capita consumption given the large share of under 18's in the population, and may further underestimate the consumption and its trends given that a large number of the adult population doesn't drink. There is also underage drinking taking place that will be excluded by this definition.
- The consumption can be expressed as the portion of the population (above 15 years old) that actually consumes alcohol on a 'regular' basis. Data from AMPS are used for the population that reported to consume alcohol in the seven days before the survey was done (see Chart 60).
- The consumption can be expressed in litres of alcoholic beverages consumed (as shown in Chart 58 and Chart 59), or in terms of pure alcohol as is indicated by the data from the WHO. In such a case of pure alcohol, alcoholic beverages with a lower relative percentage alcohol, like beer, will be result in a relative decrease in the total litres consumed, in comparison to the litres of alcoholic beverages (as in Chart 60).

Chart 59 shows the relationship between the consumption of alcoholic beverages and the alcoholic advertising expenditure in real and nominal terms. Consumption of alcoholic beverages (measured in litres) increased with 17.3%

between 2003/04 and 2011/12, while the expenditure of advertising of alcoholic beverages increased with 193.1% (in real terms) (or 353.9% in nominal terms) over the same period. However, this measure does not take into account the increase in population.

Chart 60 expresses the advertising expenditure and alcohol consumption per capita taking into account the growing population. Given the different definitions discussed above, the consumption of alcoholic beverages is expressed as alcoholic beverage consumption per drinking population (given the AMPS data of alcohol consumption 15 years and more) and the consumption of pure alcohol per adult population (data obtained from the WHO). The advertising expenditure per capita is expressed in real and nominal rand terms. Mid-year population estimates by age group and year of the population of 15 years and older from StatsSA is used.

The alcoholic advertising expenditure per capita shows an increase in both real and nominal terms over the period (an increase of 394.7% in nominal terms and 164.3% in real terms over the period 1999/2000 and 20010/11). The index of consumption of pure alcohol per adult population (as expressed by the WHO) decreased with -18.4% between 1999/2000 and 2008/09. The index of consumption of alcohol per drinking population shows an initial increase from 2003/04 to 2005/06, but a decrease of -14.2% from 2005/06 to 2010/11. Visual interpretation of chart 4 already indicates that there is not a positive relationship between per capita advertising expenditure of alcoholic beverages and per capita consumption, but this will also be tested using statistical techniques.

Chart 59: Relationship between alcoholic beverage consumption and its advertising expenditure

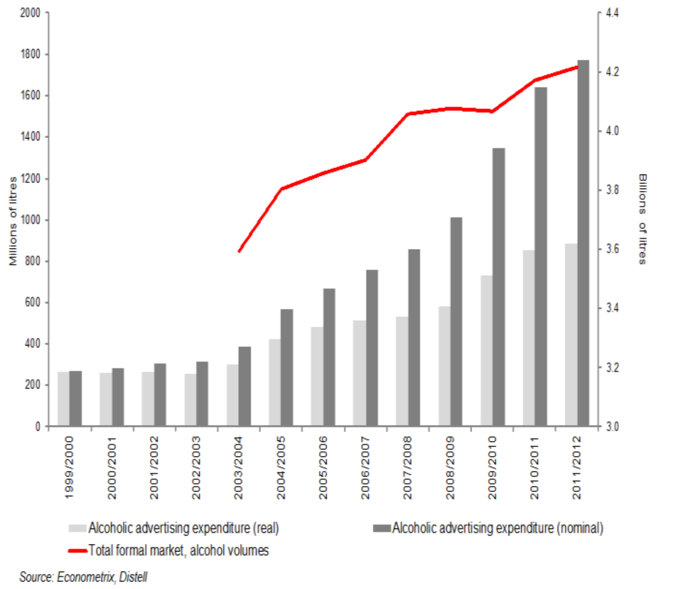


Chart 60: Relationship between alcoholic beverage consumption per capita and advertising expenditure per capita

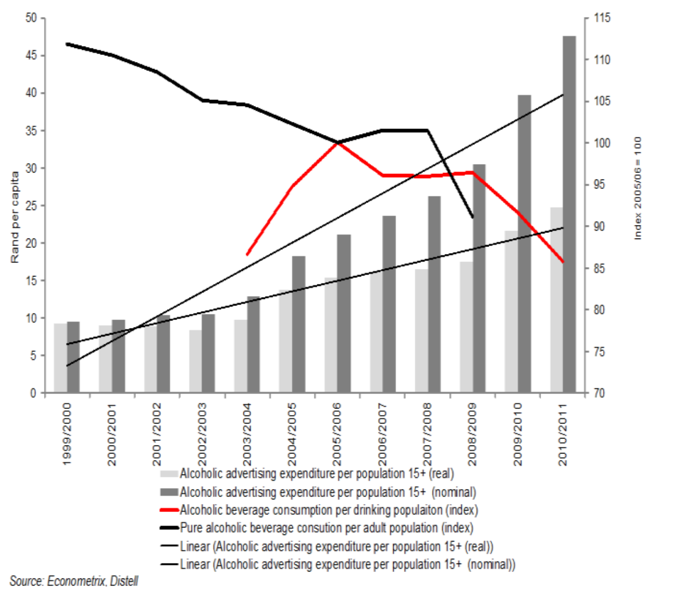


Table 29 shows the per capita advertising expenditure on alcoholic beverages in real and nominal terms (per capita is calculated as the population of 15 years and older) as well as the consumption of alcoholic beverages per drinking population (15 years and older) and consumption of pure alcohol per adult population as shown by the WHO. The tables also shows the ratio of litres of alcoholic beverages sold for every rand spend on alcoholic advertising in real terms – an indication of the effectiveness of alcoholic advertising in increasing consumption of alcohol.

The per capita advertising expenditure (on alcoholic beverages) in nominal terms increased from R9.6 in 1999/2000 to R47.5 in 2010/11 (a 395% increase), while the figures adjusted for inflation (in 1999 prices) show an increase from

R9.4 to R24.7, an increase of 164%. Formal market consumption of alcoholic beverages increased from 291 litres per person in 2003/04 to 335.8 litres per person in 2005/06, but decreased to 288.1 litres per person in 2010/11. Consumption of pure alcohol per capita also decreased, from 7.56 litres in 1999/2000 to 5.47 litres in 2009/10. The ratio of litres of alcoholic beverages sold for every rand spend on alcoholic advertising (in real terms) also decreased from 12 (litres sold per rand spend) in 2003/04, to 4.8 in 2011 (a -59% change in the ratio). This can also imply that the competition to advertise has increased (to spend more in real terms), but the effectiveness of the advertising has decreased.

Table 29: Per capita expenditure on alcoholic beverage advertising and alcoholic beverages consumed in SA

	Per capita advertising expenditure on alcoholic beverages in nominal terms (Rands) (for population 15+)	Per capita advertising expenditure on alcoholic beverages in real terms (Rands) (for population 15+)	Formal market alcoholic beverage volumes consumed per capita (litres) - 15+ years (drinker population only)	Recorded adult per capita consumption of pure alcohol (litres) (WHO)	Litres of alcoholic beverages sold for every rand spend on alcoholic advertising (in real terms)
1999/2000	9.6	9.4		7.56	
2000/2001	9.8	9.1		7.3	
2001/2002	10.5	9.0		7.38	
2002/2003	10.6	8.5		7.04	
2003/2004	12.8	9.9	291.0	6.93	12.0
2004/2005	18.2	13.7	318.0	6.96	9.0
2005/2006	21.1	15.3	335.8	6.64	8.0
2006/2007	23.6	16.1	322.6	6.65	7.6
2007/2008	26.2	16.4	322.3	6.84	7.6
2008/2009	30.4	17.4	323.7	6.65	7.1
2009/2010	39.7	21.6	307.7	5.47	5.6
2010/2011	47.5	24.7	288.1		4.9
2011/2012					4.8

The potential relationship between advertising expenditure on alcoholic beverages and consumption can be estimated in a number of ways.

1. The **first measure is a correlation matrix** (see Table 30 and Table 31) that shows a strong positive relationship between total consumption of alcoholic beverages and advertising expenditure on alcoholic beverages (both in real and nominal) for the period 2003/04 to 2010/11.

   However, the results show a weak negative relationship between per capita advertising expenditure on alcoholic beverages and per capita consumption of alcoholic beverages (for the period 2003/04 to 2010/11) and a strong negative relationship between per capita advertising expenditure and per capita consumption of pure alcohol (for the period 2003/04 to 2009/10). This further provides evidence that results need to be interpreted with caution where "apples are not compared with apples". There is a strong positive relationship with the total consumption of alcoholic beverages and total advertising spend, but if consumption is adjusted for population growth the relationship becomes negative. This also needs to be taken into account in further empirical analysis (the South African population for example has increased by 16% between 1999 and 2011).

Table 30: Correlation table 1 (with per capita consumption of alcohol per drinking population)

	Advertising expenditure on alcoholic beverages (nominal)	Advertising expenditure on alcoholic beverages (real)	Per capita advertising expenditure on alcoholic beverages (real)	Total consumption of alcoholic beverages (litre)	Per capita consumption of alcoholic beverages (litre)
Advertising expenditure on alcoholic beverages (nominal)	1	0.992	0.985	0.884	-0.353
Advertising expenditure on alcoholic beverages (real)	0.992	1	0.997	0.901	-0.264
Per capita advertising expenditure on alcoholic beverages (real)	0.985	0.997	1	0.876	-0.275
Total consumption of alcoholic beverages (litre)	0.884	0.901	0.876	1	0.035
Per capita consumption of alcoholic beverages (litre)	-0.353	-0.264	-0.275	0.035	1

Table 31: Correlation table 2 (with per capita consumption of pure alcohol of adult population)

	Advertising expenditure on alcoholic beverages (nominal)	Advertising expenditure on alcoholic beverages (real)	Per Capita advertising expenditure on alcoholic beverages (real)	Total consumption of alcoholic beverages (litre)	Per capita consumption of pure alcoholic beverages (litre)
Advertising expenditure on alcoholic beverages (nominal)	1	0.966	0.925	0.973	-0.815
Advertising expenditure on alcoholic beverages (real)	0.966	1	0.990	0.969	-0.721
Per Capita advertising expenditure on alcoholic beverages (real)	0.925	0.990	1	0.942	-0.674
Total consumption of alcoholic beverages (litre)	0.973	0.969	0.942	1	-0.701
Per capita consumption of pure alcoholic beverages (litre)	-0.815	-0.721	-0.674	-0.701	1

2. The **second test is a Granger causality test** (with a 2 year lag structure). From this test it can be concluded that the hypothesis can be rejected that alcoholic consumption does not Granger cause alcoholic advertising expenditure and that alcoholic advertising expenditure in real terms does not Granger cause alcoholic consumption (at a 5% level of significant). However, the data sample only includes only seven observations. There also seems to be no relationship when the per capita data is compared (see Table 33).

Table 32: Causality between alcoholic beverage consumption and alcoholic advertising expenditure in real terms

Pairwise Granger Causality Tests			
Sample: 2003/04 – 2010/11			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.
Alcoholic consumption does not Granger Cause alcoholic advertising expenditure (real)	7	0.56438	0.6392
Alcoholic advertising expenditure (real) does not Granger Cause alcoholic consumption		12.8802	0.072

Table 33: Causality between per capita alcoholic beverage consumption and alcoholic advertising expenditure per capita (in real terms)

Pairwise Granger Causality Tests			
Sample: 2003/04 – 2010/11			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.
Per capita alcoholic consumption does not Granger Cause per capita alcoholic advertising expenditure (real)	7	6.89650	0.2600
Per capita alcoholic advertising expenditure (real) does not Granger Cause per capita alcoholic consumption		7.47520	0.26784

3. The **third test is done using regression analysis**. The results in Box 12 show that a significant regression relationship exists between alcohol consumption and advertising expenditure on alcoholic beverages. The results can be interpreted that for every 1% increase in alcoholic advertising expenditure, the consumption of alcoholic beverages increases with 0.14%. However this is potentially an overestimation seeing that the data is not adjusted to take account of the 16% growth in the population between 1999 and 2011 (that also increases the demand for alcoholic beverages).

Box 12: Regression (equation 1) between alcohol consumption and advertising expenditure37

LOG(CONS_GRAND_TOT) = 0.141135*LOG(ALC_ADD_SPEND6) + 19.25846

R^2 = 0.91

Period 2003 to 2011

Log is the natural log

CONS_GRAND_TOT = Total alcoholic consumption (in litres)

Driving variables:

ALC_ADD_SPEND6 = Advertising expenditure on alcoholic beverages (in real terms)

t–Statistic = 6.47 (statistical significant)

The results in Box 13 show the relationship between per capita alcohol consumption and per capita advertising expenditure on alcoholic beverages. There is no statistical relationship between the two variables (shown by R^2) and add spend per capita is not significant in explaining consumption per capita (indicated by the insignificant t

[37] Both variables are non-stationary I(1) variables with a co-integrated equation.

statistics). From this one can concludes that if the adjustment for population growth is made in the data, there is no relationship between advertising expenditure and the consumption of alcohol[38].

Box 13: Regression (equation 2) between per capita alcohol consumption and advertising expenditure per capita[39]

LOG(CONS_GRAND_TOT_CAP) = -0.023782*LOG(ALC_ADD_SPEND6_CAP) + 5.813389

R^2 = 0.015 (no relationship between dependent and independent variables)

Period 1999 to 2011

Log is the natural log

CONS_GRAND_TOT_CAP = Total alcoholic consumption per drinking population (in litres)

Driving variables:

ALC_ADD_SPEND6_CAP = Per capita advertising expenditure on alcoholic beverages (in real terms) (population 15+)

t–Statistic = -0.30 (non-statistical significant)

It is also interesting to compare the above findings with the research conducted by Tiaan Van Der Spuy, which was entitled "*Advertising Effectiveness in the Alcoholic Beverage Industry of South Africa: Measuring the Influence of Branded Liquor Advertising on Consumption Levels*" (2011).

Box 14: Findings of other South African based econometric research on the correlation between alcoholic beverages adspend and consumption

"Abstract

Objective: The purpose of the present study is to empirically examine the relationship between brand-level alcohol advertising and alcohol consumption in the South Africa. The effect that price has on alcohol consumption is also investigated in the analysis.

Method: Using secondary quantitative time series data that include observations of brand-level sales volume, segment volume, brand-level market share, brand-level retail selling price (RSP) and brand-level advertising expenditure (spanning a 32-month period), statistical techniques such as tests for stationarity and co-integration were conducted to assess the association between the various constructs.

Results: It was found that between January 2007 and August 2009, a period that included an economic downturn, **own-brand advertising had little or no effect on brand-level sales volume (or consumption)**, segment sales volume and brand level market share. Conversely, price had a significant effect on sales volume, explaining between 48% and 56% of the variation in sales volume at brand-level and between 21% and 31% of the variation in brand-level market share.

Conclusion: The results suggest that brand-level advertising has no significant immediate effect on consumption levels in the South African liquor industry, while the price of alcoholic beverages does have a significant immediate effect."

Source: "Advertising effectiveness in the alcoholic beverage industry of South Africa: measuring the influence of branded liquor advertising on consumption levels", 2011, Tiaan van der Spuy

Conclusion

This section includes statistical analysis to determine the correlation, causation and significant relationships between alcoholic beverage advertising expenditure and the consumption of these beverages. Per capita data series is also calculated to account for the increase in population.

38 There is also no statistically significant relationship if only the consumption of alcohol is taken as per capita and not advertising spent.

[39] *Both variables are non-stationary I(1) variables with a co-integrated equation.*

Regression analysis shows that:

- A significant regression relationship exists between alcohol consumption and advertising expenditure on alcoholic beverages. The results can be interpreted that for every 1% increase in alcoholic advertising expenditure, the consumption of alcoholic beverages increases with 0.12%. However this is potentially an overestimation seeing that the data is not adjusted to take account of the 16% growth in the population between 1999 and 2011 (that also increase the demand for alcoholic beverages).
- There is no statistical relationship between per capita alcohol consumption and per capita advertising expenditure on alcoholic beverages. From this one can conclude that, if the adjustment for population growth is made in the data, the correlation decreases and the relationship is not statistically significant, i.e. there is **no relationship between advertising expenditure and the consumption of alcohol**.

Implications

The fact that there is no statistical relationship between per capita alcohol consumption and per capita advertising expenditure on alcoholic beverages is an important result for policy action and implies that an advertising ban will not have the intended impact of reducing the per capita consumption of alcoholic beverages. As such, further research needs to be done to determine what policies will be effective in reducing the per capita alcoholic consumption.

It is important to note that a brand's advertising expenditure and its retail selling price are just two of the many variables that may influence that brand's sales volumes. In addition to these two variables, probably the only "influencers" of sales volumes that a brand is able to control is the product itself and its distribution or availability. Sales volumes are also influenced by factors such as per capita (or disposable income), tourism, drinking sentiment, the percentage of elderly population, unemployment, and the advertising expenditure and RSP of competitor brands, all factors that are generally beyond the control of the brand. (van der Spuy: 2011)

That being said, determining the effects of liquor advertising and price on liquor sales has been the main objective of a number of international studies conducted over the past few decades, mainly due to the controversial nature of liquor as a product category coupled with its proneness to regulation. Such studies have proven to be the basis of much debate, seeing that advertising and pricing are often targeted during liquor policy formation. Although researchers generally agree about the effects of price on consumption, conclusive findings concerning the effects of liquor advertising on consumption levels remain elusive. (van der Spuy: 2011)

Implications for liquor producers and sellers [40]

As mentioned, companies that operate in the liquor industry are spending substantial amounts of money on advertising campaigns in an effort to differentiate themselves and their products in the minds of the target audience. Whether they advertise purely to drive short-term sales, to build long-term brand equity or to gain market share over their competitors, for them to be able to determine the effectiveness of their advertising or justify their substantial advertising expenditure would be of great value. Equally important would be knowledge pertaining to the price sensitivity of liquor consumers.

Against this background, the research evidence suggests that advertising has little or no effect on a brand's sales volumes, implying that advertising may not be the most effective marketing communication tool when a company's

[40] *Sourced fully from "Advertising effectiveness in the alcoholic beverage industry of South Africa: measuring the influence of branded liquor advertising on consumption levels", 2011, Tiaan van der Spuy*

primary objective is to drive sales volumes or increase its market share. In a sense, the evidence partially supports those authors who claim that advertising is too far away from the point of purchase to influence sales and that its main role is to improve attitudes toward a brand. In terms of price sensitivity, the research evidence suggests that there is a significant inverse linear regression relationship between retail selling price (RSP) and consumption, implying that a price increase results in a decrease in sales volumes. The finding is consistent with basic economic theory and corresponds with extensive international research on the subject. According to the WHO (2011), a recent review of 112 studies of the effects of alcohol tax affirmed that when alcohol taxes go up (i.e. price increases), drinking goes down – including drinking among problem drinkers and youth. Given that companies generally operate with a profit motive, knowing exactly how price sensitive liquor consumers are is of extreme value as it allows companies to determine the optimal price where their profits are maximised.

Effectiveness of banning advertising expenditure of alcoholic beverages as policy measure to address harmful use of alcohol

Effectiveness of an alcohol advertising ban – South Africa

Alcohol is generally viewed as a controversial product category because it has the potential to harm its users. Moreover, as discussed, the social, health and economic costs attributed to alcohol abuse is substantial. This, coupled with the fact that the costs of alcohol abuse tend to accrue to the poorest sectors of society, while the economic benefits of the alcohol industry tend to accrue to wealthier sectors, forms the basis for arguments supporting more stringent regulation in the industry.

However, as shown by econometric research by Econometrix (as well as van der Spuy), contained in this chapter, there is **no relationship between advertising expenditure and the consumption of alcohol**, implying that policy efforts to reduce per capita alcohol consumption levels by means of regulating or banning liquor advertising may prove ineffective.

The significant inverse regression relationship between retail selling price and consumption levels (as found in the van der Spuy study) would suggest that one of the most effective ways for regulators to reduce total alcohol consumption is by raising the price of alcohol by means of the tax it charges on alcoholic beverages. However, this may only apply to countries where the illegal alcohol market is under control.

In South Africa, the “poorer sectors” play host to a thriving “informal” or unregulated liquor sector, where particularly home brewing is of cultural and economic importance. More than one quarter (26%) of all alcohol consumed in South Africa is unrecorded (produced, distributed and sold outside formal channels) and, therefore, beyond the confines of any controls or intervention policies, such as increased taxes. Assuming that the root cause to the problem of alcohol abuse lies within that 26%, then raising taxes on recorded alcohol will not have the desired effect, as this will cause increased consumption of the cheaper alternative, i.e. unrecorded alcohol.

It is interesting to note that a ban on advertising could also have the same effect. It may well be that a significant proportion of the alcohol abuse possibly lies, or is associated with this market, rather than the formal legal liquor market. The logical deduction from this is that an outright ban on advertising and excessive price increases on legal alcoholic beverages could actually increase the illegal industry, cause an increase in consumption of alcohol and would, as a result, increase alcohol abuse together with its associated costs.

Effectiveness of an alcohol advertising ban – global evidence

As discussed previously, international research studies are mostly contradicting on whether alcohol advertising is a significant factor in determining alcohol consumption and has any effect on alcohol consumption per capita, and the effectiveness of a ban on alcohol advertising should therefore be called into question.

The report by Babor et al. (2003), sponsored by the World Health Organization, concluded that advertising bans and other marketing regulations were among the least effective policy strategies. The report also notes, "*The knowledge needed to address health and social problems are unlikely to reside in a single discipline or research methodology*" (Babor et al., 2003, p. 272).

Discussing the merits of several public health research studies, Nelson finds that "*substantial shortcomings are found in the studies, which preclude a causal interpretation*" (Nelson, 2011).

Despite there being no shortage of research attempting to determine the effectiveness of advertising, in particular with regards to its relationship with sales or consumption, conclusive findings that are widely accepted by all stakeholders have proven to be elusive (Nelson, 2005). According to Dr David Hanson, a researcher in the USA, the "*subject of alcohol advertising effectiveness tends to be dominated by strong beliefs and emotions instead of scientific evidence*" (Moerdyk, 2011). A primary reason for this is that effectiveness can be difficult to measure and hard to achieve, especially because most advertising is designed to create brand awareness and an image for a brand (Duncan, 2005; Parente, 2004).

Most advertising effectiveness studies, therefore, include attitudinal research that focus on measuring a particular ad's ability to generate awareness, communicate product benefits, or create a favourable predisposition about a product (Hair *et al.,* 2000). Of course, producers find it useful to know whether advertising is contributing to their brand equity, but given their strong profit motive, they are likely to be more interested in how that affects their sales.

Unfortunately, only in the areas of direct marketing and sales promotion is it possible to easily measure advertising effectiveness by sales. The problem with using sales results alone to evaluate the impact of all marketing communication efforts, is that marketing communication represents only one set of variables that affect sales. Product performance, pricing, distribution, and competition are all variables that must be taken into consideration when sales and profits are the primary measures (Duncan, 2005). Saffer and Dave (2002) further suggest that advertising expenditure by rival products should also be taken into consideration for such studies.

Because there are no studies of alcohol advertising that can effectively trace the "effect" of an ad from exposure through purchase to subsequent consumption behaviour, there is no reliable research that demonstrates a causal link between advertising and consumption. Without such demonstration, it is impossible to conclude legitimately that advertising induces specific behaviours. Advertising is a progression through various stages. Behaviours are only influenced by advertising at the end of a 9-step process, beginning with exposure to the ad, and moving through paying attention to it, reacting favourably, comprehending it, agreeing with it, sorting and retaining its content, remembering it, deciding upon it and behaving in accordance with this decision. At any step of this tenuous process the causal chain can be broken. Most available literature is unable to demonstrate a direct causality throughout these nine steps.

Comparison of effectiveness of various policies – global evidence

It is important to keep in mind that advertising regulation is one of several possible policy tools to combat underage drinking. It is essential, particularly in developing economies, which face enormous pressures to minimise economic effects due to a substantial shortage of financial and other resources, to ensure that the most cost-effective and efficient policies are followed to curb the harmful use of alcohol.

Effective alcohol policy requires not only good legislation, but also effective implementation and enforcement. Some suggestions by the WHO, tried and tested in other countries, may be ambitious for some smaller countries to implement. It is crucial that careful consideration be given to their implications before adoption. In broad policy terms, these proven strategies are appropriate for all countries, but how they are legislated will differ. With regard to implementation and enforcement, in particular, current institutional structures and available fiscal and human resources may suggest the suitability or otherwise of various options. Prevention strategies, such as education and persuasion, although perhaps the most widely applied, are not necessarily effective.

Recent evidence suggests that population-based policy measures, such as taxation are the most cost-effective public health response to the alcohol-related disease burden in countries with moderate and high levels of alcohol consumption, whereas measures targeted at high-risk or harmful drinkers, such as brief interventions, appear to be more effective where the rates of hazardous consumption of alcohol are lower.

There has been considerable research into the effectiveness and efficiencies of various policies. This section will summarise some of the studies that have been done in this field concerning alcohol related policies.

1. In their paper "*Reducing the Global Burden of Hazardous Alcohol Use: A Comparative Cost-Effectiveness Analysis*" Dan Chisholm, Jürgen Rehm, Mark van Ommeren, Maristela Monteiro analysed the costs and effects in 12 epidemiological World Health Organization sub-regions of the world. The most costly interventions to implement are brief advice in primary care and roadside breath testing of drivers.

   In populations with a high prevalence of heavy drinkers (more than 5%, such as Europe and North America), the most effective and cost-effective intervention was taxation. Population-wide measures, such as taxation, are expected to represent the most cost-effective response in populations with moderate or high levels of drinking, whereas more targeted strategies are indicated in populations with lower rates of hazardous alcohol use. (J. Stud. Alcohol 65, 2004)

2. Thomas F. Babor and Raul Caetano in their research entitled "*Evidence-based alcohol policy in the Americas*" set out to "describe the evidence base for alcohol policy in the Americas, to evaluate the extent to which national policies are likely to have an impact on public health, and to identify areas where alcohol policies could be improved. This is followed by an analysis of 32 prevention strategies and interventions in terms of the evidence for their effectiveness, amount of research support, cost to implement, and other feasibility issues.

   The implications of the evidence was that policy efforts in the developing countries of Latin America should focus on improving counter-measures against driving while intoxicated, measures that alter the drinking context, and limits on physical availability. For the developed, high-income countries of North America the goal should be to prevent deterioration of current drinking patterns and to reduce the overall volume of drinking.

The table below is a reproduction of the table in the report and summarises the consensus ratings of these various policy options in terms of their overall effectiveness, the first three criteria, and relative cost to implement and sustain them.

Table 34: Expert ratings of policy-relevant strategies and interventions used throughout the world to prevent or minimise alcohol-related problems (a)

Strategy/Intervention	Overall effectiveness (b)	Cost to implement & sustain (c)	Comments
Regulating physical availability			
Total ban on sales	+++	High	Substantial adverse side effects from black market, which is expensive to suppress. Ineffective without enforcement
Minimum legal purchase age	+++	Low	Reduces hazardous drinking, but does not eliminate drinking. Effective with minimal enforcement, but substantially increases effectiveness
Rationing	++	High	Particularly affects heavy drinkers; difficult to implement
Government monopoly of retail sales	+++	Low	Effective only if operated with public health and public order goals
Restrictions on hours & days of sale	++	Low	Effective in certain circumstances
Restrictions on density of outlets	++	Low	Requires a longer time course for implementation when drinking establishments have become concentrated because of vested economic interests
Server liability	++	Low	Laws making servers legally liable for the damage caused by their intoxicated customers are mostly limited to North America
Different availability by alcohol strength	++	Low	Mostly tested for beer
Taxation/pricing policies			
Alcohol taxes	+++	Low	Effectiveness depends on government oversight and control of alcohol production and distribution. High taxes can increase smuggling and illicit production
Altering the drinking content (reduce negative consequences of intoxication)			
Policy to not serve intoxicated patrons	+	Moderate	Training alone is insufficient. Outside enforcement essential to effectiveness
Training bar staff & managers to prevent & better manage aggression	+	Moderate	Effectiveness depends on continued monitoring of critical incidents
Voluntary codes of bar practice	0	Low	Ineffective without enforcement
Enforcement of serving and sales regulations at bars and restaurants	++	High	Compliance depends on perceived likelihood of enforcement
Promoting alcohol-free activities and events	0	High	Evidence mostly from youth alternative programmes
Community mobilisation	++	High	Sustainability of changes has not been demonstrated
Education and persuasion (raising awareness)			
Alcohol education in schools	0	High	May increase knowledge and change attitudes but has no sustained effect on drinking
College student education	0	High	May increase knowledge and change attitudes but has no effect on drinking
Public service announcements (PSAs)	0	Moderate	Responsible drinking messages do not deter heavy drinkers; messages to strengthen public support for effective policies may be more fruitful
Warning labels	0	Low	Raise awareness, but do not change behaviour

Strategy/Intervention	Overall effectiveness (b)	Cost to implement & sustain (c)	Comments
Regulating alcohol promotion. marketing			
Advertising bans	+ [d]	Low	Strongly opposed by alcoholic beverages industry; can be circumvented by product placements on TV and in movies
Advertising content controls	?	Moderate	Often subject to industry self-regulation agreements, which are rarely enforced or monitored
Drink-driving countermeasures			
Sobriety checkpoints	++	Moderate	Effects of police campaigns typically short-term
Random breath testing	++	Moderate	Somewhat expensive to implement. Effectiveness depends on number of drivers directly affected
Lowered blood alcohol concentration limits	+++	Low	Diminishing returns at lower levels (e.g.. 0.05%-0.02%), but still significant
Administrative licence suspension	++	Moderate	Effective as a deterrent to driving while intoxicated because of the swiftness of the punishment
Low blood alcohol concentration for young drivers ("zero tolerance")	++	Low	Evidence for effectiveness comes mainly from Australia and the United States
Graduated licensing for novice drivers	++	Low	Studies show that "zero tolerance" provisions deter young drivers from driving after drinking
Designated drivers and ride services	0	Moderate	May increase awareness of risk and deter small numbers of drunk drivers but have no overall impact on traffic accidents
Treatment and early intervention (health services' response)			
Brief intervention	++	Moderate	Primary care practitioners lack training and time to conduct screening and brief interventions
Alcohol problems treatment	+	High	Population reach is low because most countries have limited treatment facilities
Mutual help/self-help attendance	+	Low	A feasible, cost-effective complement or alternative to formal treatment in many countries
Mandatory treatment of repeat offenders who drive while intoxicated	+	Moderate	Punitive and coercive approaches have time-limited effects, and they sometimes distract attention from more effective interventions

a) *Adopted from Babor et al. (1) who were also responsible for the expert ratings*

b) *Overall effectiveness represents a summary of three evaluative ratings made by Babor et al. The three were:*

- *the extent to which the scientific evidence supports the effectiveness of a particular intervention,*
- *breadth of research report, i.e. the quantity and consistency of the evidence, and*
- *the extent to which the evidence applies equally well to different countries, cultural groups, and social classes.*

The ratings were made according to the following scale:

0 = evidence indicates a lack of effectiveness;

+ = evidence for limited effectiveness;

++ = evidence for monetary effectiveness;

+++ = evidence of high degree of effectiveness;

? = no studies have been undertaken, or there is insufficient evidence upon which to make a judgement

c) *Refers to the monetary and other costs associated with an intervention, regardless of its effectiveness*

d) *Econometric studies find the effects of advertising bans, but direct studies of short-term impacts have generally found no effect on total alcohol consumption*

According to the table it can be seen that the following 10 policy options stand out as "**best practices**" because of their overall effectiveness and relatively low cost to implement and sustain:

- Minimum age to legally purchase alcohol,
- Government monopoly on retail sales,
- Restrictions on hours or days of sale,
- Restrictions on the density of sales outlets,
- Alcohol taxes,
- Random breath testing of drivers,
- Lowered blood alcohol concentration (BAC) limits for drivers,
- Administrative licence suspension for driving while intoxicated,
- Graduated licensing for novice drivers, and
- Brief interventions for problem drinkers.

The above is not an exhaustive list of potential alternative policy options although government control on distribution is not an option in a democratic, developing or developed market-orientated economy, particularly as it leads to a non-competitive environment and high levels of corruption.

Most of the policies with high ratings for effectiveness and cost-effectiveness are alcohol control policies that require legislation to implement. They include alcohol taxation, restrictions on availability, minimum age provisions, measures against drunk-driving, and reducing exposure to alcohol marketing.

3. The World Health Organization has identified ten recommended target areas as mentioned in "*Global Strategy to Reduce the Harmful Use of Alcohol*" (2010) and "*Global Status Report on Alcohol and Health*" (2011) that they view as the most effective (also see Chapter 3). These are:

1. Leadership, awareness and commitment - national policies as well as awareness campaigns.
2. Health services' response
3. Community action
4. Drink–driving policies and countermeasures - blood alcohol concentration (bac) laws and random breath testing.
5. Availability of alcohol - these include age limits for the purchase and consumption of alcohol, monopoly or licensing systems for alcohol distribution, bans on the sale of alcohol at petrol stations, and limits on hours and days that it can be sold.
6. Marketing of alcoholic beverages - these policies include how much marketing is permitted, the existence of self-regulatory systems within the industry, bans on product placements and sports sponsorships, and limits on retail sales below cost.
7. Pricing policies - focus on alcohol tax revenues as percentage of total government revenues, and dedicated alcohol taxes.
8. Reducing the negative consequences of intoxication
9. Reducing the public health impact of unrecorded alcohol
10. Monitoring and surveillance.

In a paper published in the medical journal Lancet, Peter Anderson, Dan Chisholm, Daniela C Fuhr "*Effectiveness and cost-effectiveness of policies and programmes to reduce the harm caused by alcohol*" (2009), the effectiveness of the WHO interventions to reduce alcohol related harm was reviewed.

The table below compares the results of the Anderson (et al.) study and the Barbor (et al) study.

Table 35: WHO target areas – comparison between Barbor (et al) and Anderson (et al) studies to determine effectiveness of policy measures

WHO target area	Comment	As measured by Babor et al		As rated by Anderson et al (2009)			Comparison of conclusions
		Effectiveness	Cost	Level of evidence		Cost	
1. Information & education & **awareness**	Awareness raising activities are among the most common measures taken by governments. The focus of these campaigns is most frequently on drink–driving, youth drinking, alcohol and health, and social harm related to alcohol use. Also included in campaigns are messages focusing on domestic or family violence, and alcohol use. Another means of raising awareness about alcohol-related harm is through the mandated use of warnings on alcoholic beverage containers or on alcohol advertising. School-based alcohol education programmes have been found to increase knowledge and change attitudes toward alcohol, but they are not an effective means to change drinking behaviour. Modest changes in drinking have been associated with classroom exercises and with normative education (which attempts to correct adolescents' tendency to overestimate the number of their peers who drink), but the effects disappear after the programmes are concluded.	**0**	Low (warning labels) to high (alcohol education)	School based education Parenting programmes, social marketing programmes, health warnings Public information campaigns, counter-advertising Drinking guidelines	**1** **2** **5** **6**	Low	Both studies conclude that school based education and public information campaigns are relatively **ineffective**
2. **Health sector** response	The development of specialised treatment programmes for alcoholics has become an accepted way for governments and for NGO's to help problem drinkers. Participation in almost any kind of treatment is associated with significant reductions in alcohol use and related problems, regardless of the type of intervention used. There are many different therapeutic approaches from which to choose. The weight of evidence suggests that behavioural treatments (which teach relapse prevention skills) are more effective than insight-oriented therapies (which explore psychological conflicts and the underlying causes of excessive drinking.	++ +	High	Brief advice, Cognitive behavioural therapies for dependence, Benzodiazepines for withdrawal, Glutamate inhibitors and Opiate antagonists for dependence	**1**	High	In both studies brief advice is most effective; while alcohol dependence treatment very effective (Anderson), less effective (Barbor) ✓
3. **Community** programmes	The impact of harmful use of alcohol on communities can trigger and foster local initiatives and solutions to local problems. Communities can be supported by governments to use their local knowledge and expertise in adopting effective approaches to prevent and reduce the harmful use of alcohol by changing collective rather than individual behaviour while being sensitive to cultural norms, beliefs and value systems. Community-level interventions may be inadequate in delaying the initiation of drinking, or in sustaining a reduction in drinking beyond the operation of the programme.	**n/a**	n/a	Media advocacy & community interventions Workplace policies	**5** **2**	Low	Workplace policies are more effective (Anderson)

WHO target area	Comment	As measured by Babor et al		As rated by Anderson et al (2009)		Comparison of conclusions
		Effectiveness	Cost	Level of evidence	Cost	
4. To **deter drinking and driving**	A variety of legal measures has been developed to deter driving while intoxicated. The most prominent measures are designed to catch offenders, based on the assumption that a clearly specified, measurable blood alcohol limit will deter people from driving after drinking. Other measures include punishments for being convicted of driving while intoxicated. In recent years, emphasis has been placed not only on catching and punishing drinking drivers but also on deterring drinkers from driving in the first place. Deterrence approaches work best when the chances of being caught are perceived to be high, and the punishment is thought to be swift and certain.	+++ and ++	Moderate to low	Introduction/reduction BAC, Sobriety checkpoints	1	Both studies conclude that this policy is very **effective** ✓
				Restrictions on young drivers, mandatory treatment, alcohol locks, designated driver/safe-ride programmes	2	
5. To reduce the **availability** of alcohol by restricting and/or regulating the sale of alcohol to the public	Physical availability of alcohol refers to the accessibility/convenience of obtaining and consuming alcoholic beverages. Research demonstrates that reductions in the hours and days of sale, controls on the number of alcohol outlets, and restrictions on access to alcohol are associated with reductions in both alcohol use and alcohol-related abuse. A related strategy is the promotion of alcohol-free environments at such places as sports arenas or work settings. The evidence also suggests that making beverages of low alcohol content (e.g., 3% alcohol or less) more available than are higher-strength beverages may also be effective in reducing overall alcohol consumption and problems. Laws that raise the minimum legal **purchasing age** reduce alcohol sales and problems among young drinkers. Regulations directed at commercial vendors of alcohol who sell to minors and ignore other restrictions can also be effective. However, these regulations need to be supported by a system of specific licences for selling alcoholic beverages and the power to suspend or revoke a licence in the case of sales infractions.	+++ and ++	Low to high (rationing & total sales ban)	Government policies, minimum purchase age, outlet density	2	Both studies conclude that this policy is effective ✓
				Days & hours of sale	3	

WHO target area	Comment	As measured by Babor et al		As rated by Anderson et al (2009)		Comparison of conclusions
		Effectiveness	Cost	Level of evidence	Cost	
6. To **reduce exposure to alcohol marketing**.	Alcohol brands and products are typically promoted through clearly defined commercial advertisements appearing in a variety of media (e.g., television, radio, print, point-of-sale promotions, and now even the Internet). In addition to these direct forms of advertising, alcohol is marketed indirectly through event sponsorship and through product placements in movies and TV shows. Many countries have partial restrictions on alcohol advertising, and some have total bans.	+ ?	Low to moderate	Volume of advertising Self-regulation of marketing	1 5	Barbor (not effective) differs from Anderson on effectiveness (very effective)
7. To reduce the affordability of alcohol through **taxation and price**	As with other commodities, consumption of alcoholic beverages responds to price. In general, alcohol consumption rises when prices are lowered, and it falls when prices are increased. This is true even for heavy drinkers and alcoholics, whose dependence on alcohol is commonly thought to make them less responsive to economic disincentives.	**+++**	Low	Alcohol taxes	**1**	Both studies conclude that this policy is **effective** ✓
8. To reduce negative **consequence of intoxication** (harm)	Includes policy options and interventions that focus directly on reducing the harm from alcohol intoxication and drinking without necessarily affecting the underlying alcohol consumption. Current evidence and good practices favour the complementary use of interventions within a broader strategy that prevents or reduces the negative consequences of drinking and alcohol intoxication.	**++** **+** **0**	Moderate to high	Training of bar staff, responsible serving, security staff in bars	**2**	Both studies conclude that this is only moderately effective
9. To reduce public health effect of **illegally and informally produced alcohol**	Consumption of illicitly/informally produced alcohol could have additional negative health consequences due to a higher ethanol content and potential contamination with toxic substances, such as methanol. It may also hamper governments' abilities to tax and control legally produced alcohol. Actions to reduce these additional negative effects should be taken according to the prevalence of illicit and/or informal alcohol consumption and the associated harm. Production and sale of informal alcohol are ingrained in many cultures and are often informally controlled.	**n/a**	n/a	Informal & surrogate alcohols, strict tax labelling	**5**	Anderson study found this to be moderately effective

The ratings for Barbor (et al) study were made according to the following scale: *0 = evidence indicates a lack of effectiveness; + = evidence for limited effectiveness; ++ = evidence for monetary effectiveness; +++ = evidence of high degree of effectiveness; ? = no studies have been undertaken, or there is insufficient evidence upon which to make a judgement*

The ratings for Anderson (et al) study were made according to the following scale: *Levels of evidence: 1=more than one systematic review; 2=one systematic review; 3=two or more randomised controlled trials; 4=one randomised controlled trial; 5=observational evidence; 6=not assessed.*

The comparative studies by Barbor (et al.) and Anderson (et al) *agree* that the **following target policy areas (as defined by the WHO) are the most effective**:

- Health sector response;
- Deter drinking and driving;
- Reduce the availability of alcohol by restricting and/or regulating the sale of alcohol to the public; and
- Reduce the affordability of alcohol through taxation and price.

The studies *differ* on the effectiveness of advertising bans (ineffective according to Barbor study) and reduce volume of advertising (effective according to Anderson study).

Conclusion

As there is the **lack of a demonstrable positive relationship between advertising and aggregate consumption of alcoholic beverages** and the **research and findings of the various studies are contradictory and therefore inconclusive**, the effectiveness of a ban on alcoholic advertising can be called into question.

Based on the various comparative studies available on policy effectiveness, one concludes that there **are other policy options that need to be explored and that a blanket outright ban is one of the least efficient and ineffective policy options available**. Unfortunately, the single greatest advantage of such a policy is that it is very easy to implement (and cost effective) and gives the impression that positive steps are being taken, which in turn earns accolades from selected audiences.

The fact that there is overwhelming research indicating that such policies are not effective, nor efficient, tends under these circumstances to be ignored. In fact, the true long-term costs are not even taken into account in the above analysis. These include the indirect cost effects on the economy and the potential increase in the illegal and illicit market for alcoholic products.

Other possible impacts of such an outright ban will be quantified in Chapter 6 and qualified in Chapter 7.

SYNOPSIS OF KEY POINTS

The main objective of this chapter was to establish whether there is a positive correlation between alcoholic beverages advertising and consumption, as this will impact on the effectiveness of banning advertising as a policy measure to curb the harmful use of alcohol.

Does advertising of alcoholic beverages influence consumption?

- The literature on the influence of advertising on alcohol consumption is lengthy and mostly contradicting. In reviewing the econometric, cross-sectional, regression models, interrupted time series longitudinal research, pooled data and case studies, we have found that for every study finding a positive correlation between advertising and alcohol consumption, there is another one contradicting the sample, the methodology or the conclusions. We found that the balance of the global evidence is contradictory and inconclusive, and does not support a direct causal relationship between overall alcohol marketing and aggregate consumption or harmful drinking patterns (whether chronic or episodic).
- Alcohol is a "mature" product category in that consumers are already aware of the product and its basic characteristics. Therefore, overall consumption is not affected significantly by advertising specific brands. Instead of increasing total consumption, the objective of advertisers in this mature market is to encourage consumers to switch to their brand and create brand loyalty. Thus, effective advertisers gain market share at the expense of others, who lose market share. They do not focus on increasing the total market for the product.

- It should also be noted that the majority of alcohol consumed worldwide is not advertised, and therefore there is insufficient evidence to support an association between advertising and levels or patterns of drinking. The determinants of individual behaviour are difficult to establish, but it is agreed that the factors are numerous and their interrelation complex. Many scientific studies conclude that parental education, poverty, unemployment and peer pressure are much more influential.
- Based on South African data, regression analysis shows that a significant regression relationship exists between alcohol consumption and advertising expenditure on alcoholic beverages. However, there is no statistical relationship between per capita alcohol consumption and per capita advertising expenditure on alcoholic beverages. From this one can conclude that if the adjustment for population growth is made in the data, the correlation decreases and the relationships are not statistically significant, i.e. there is **no relationship between advertising expenditure and the consumption of alcohol**.

Does alcohol marketing influence young people?

- There is very little scientific evidence that advertising influences young people - the majority of studies that we have reviewed found that the major factors that influence young peoples' drinking are: family environment, including parent and sibling behaviour; peer behaviour; socio-economic status; personal attitudes and personal problems.
- Current legislative frameworks worldwide, along with self-regulation (as is the case in South Africa at present), ensure that young people under the legal purchase age are not targeted by alcohol marketing.
- The youth market is consuming less of the traditional mass media, but increasingly receiving information and engaging on social media platforms such as Twitter, MXit and Facebook. Young people can obtain information on any product or subject and view advertising at any time on the internet. With the youth increasingly not being exposed to mass media advertising, the banning of alcohol advertising is therefore unlikely to have an effect on overall consumption and alcohol abuse among the youth.

Is an advertising ban on alcoholic beverages effective to reduce consumption/harmful use?

- Virtually all scientific evidence demonstrates that alcohol bans have no or little impact on overall alcohol consumption.
- Restrictive bans on alcohol advertising in many countries have not rendered the desired result, i.e. lowering the adult per capita consumption.
- The fact is that there is more than sufficient inconsistency, as well as such a strong body of research denying the strength of any link, that it would be an incorrect policy decision to introduce a comprehensive ban on alcohol advertising in South Africa, as a total ban is likely to have limited impact on total real consumption and probably no impact on per capita consumption.
- Other policy measures that will be more effective are: Health sector response; deter drinking and driving; reduce the availability of alcohol by restricting and/or regulating the sale of alcohol to the public; and reduce the affordability of alcohol through taxation and price.

CHAPTER 6

Possible impact of ban of alcoholic beverages advertising in South Africa

Introduction

The objective of this chapter is to highlight the possible impact and implications of an outright ban on alcoholic beverages advertising, from the following viewpoints:

- The health department and private medical aid sector.
- The advertising and related media industries (broadcast, print, outdoor).
- Manufacturers and distributors of alcoholic beverages.
- Wholesalers of alcoholic beverages.

The possible impact of such a ban on the following issues will also be qualified:

- Sponsorships (of sports, as well as music, arts and cultural festivals).
- Competition in the alcoholic beverage manufacturing industry, as well as transformation and the development of small, medium and micro enterprises (SMME's) in the industry.

In this regard, Econometrix interviewed certain stakeholders in the industry to obtain their views on the potential impact of a complete alcohol advertising ban on their particular industry and business.

The probable impact of a ban on the economy will be quantified in Chapter 7.

The public health case

According to Professor Melvyn Freeman, cluster manager for non-communicable diseases in the Department of Health (DoH), the government regards alcohol as a major risk factor for health, as well as community and family cohesion – it plays a huge role in abuse, crime and road accident deaths and injuries and places a huge burden on state resources. Pressure from community members to address the damage alcohol causes had been part of the reason for the recent heightened government action. In the South African Declaration for Prevention and Control of Non-communicable Diseases, the Department of Health's 2020 target is to reduce the relative per capita consumption of alcohol by 20%.

Although the specific interventions/policies that would need to be put in place to reduce consumption per capita has not been finalised, the Department of Health's strategy has been informed by the WHO's "*Global Strategy to Reduce the Harmful Use of Alcohol*".

Prof. Freeman said the liquor industry wanted to tackle the problem with education, but international experience had shown that education was not among the most effective tools. "*Alcohol is an insidious product in that you don't have the control over it that you would like, or that you think you have. When you start to drink your judgment is impaired and you believe that another drink will not matter*."

Professor Charles Parry, director of the alcohol and drug-abuse research unit of the Medical Research Council, agreed that there had been success in reducing drunk driving, but said that other education initiatives had not shown much success. According to Prof. Parry, current strategies to rein in alcohol advertising do not work. Underage drinkers, in particular, continue to be exposed to substantial amounts of alcohol advertising through a variety of different media, including social networks.

A recent article in the South African Medical Journal, "*A total ban on alcohol advertising Presenting the public health case*" (2012), authored by Prof. Parry, Nadine Harker Burnhams and Leslie London, highlights the fact that the liquor industry differs from the public health community in how it sees alcohol problems and how they should be addressed. The industry frames the problem as drinking being "normal" and that problems only arise because of a minority of individuals misusing its products. It sees the solution largely as involving changing the behaviour of this minority through education.

In contrast, Parry et al. state that the public health approach looks more broadly at the host (the drinker), the product (alcohol) and the environment. The latter includes alcohol advertising. The public health approach aims to make the environment less 'pro-alcohol' and reduce hazardous and harmful drinking through measures to shift the population curve for per capita consumption of alcohol downwards. The government's Inter-Ministerial Committee on Substance Abuse, and the Minister of Health in particular, follow this broader approach and, for more than a year, have indicated their intention to tighten alcohol advertising restrictions. This has been spurred by international calls by the WHO for countries to upscale efforts to address the harmful use of alcohol, following the successes achieved following implementation of control measures on tobacco, including banning advertising and, especially, the resolutions from the 2nd Biennial Anti-Substance Abuse Summit in Durban in 2011.

Recommendations included: banning all advertising of alcoholic products in public and private media, including electronic media; banning all sponsorship by the alcohol industry of sports, recreation, arts and cultural and related events; restrictions on the accessibility of alcohol; harmonisation of laws and policies regarding the sale of alcohol; reducing the number of liquor outlets; raising the legal age for purchasing and public consumption of alcohol; raising taxes on alcohol products; and reducing the current legal alcohol limit for drivers.

According to Prof. Freeman, international experience had shown that, of all the many measures that could be taken to limit the damage alcohol did, three were the most effective:

- Limiting accessibility, for instance, the hours of trading and raising the statutory age of consumption;
- Limiting marketing by restricting or banning liquor advertising, as has been the case with tobacco advertising; and
- Raising prices in the form of further excise duty increases.

Parry et al. state that tighter restrictions on alcohol advertising are a certainty, but a key question is whether a total ban on advertising will achieve the public health benefits that the Minister of Health and others propose; or can they be achieved through other means? Alternative strategies could include increasing funding for counter-advertisements and a partial ban or other restrictions on alcohol advertising, such as independent pre-vetting of alcohol advertisements by a body with less vested interest than the liquor industry itself, ARA or ASA; banning liquor advertisements flighted on radio and television before 9 or 10 pm; and banning alcohol advertising where more than 15% of the audience is likely to be under-age.

According to Parry et al., a meta-analysis of 322 estimated advertising elasticities found a positive effect of advertising on consumption.

The article states that a full ban on alcohol advertising is preferable to a partial ban, due to the latter having limited efficacy, given the innovative ways that alcohol producers can work around such bans. Banning alcohol advertising will also necessitate greater scrutiny of the digital media (FaceBook, Twitter and websites), satellite television and merchandising, to reduce the likelihood of the ban being subverted. According to Parry, the evidence therefore supports a broad public health approach to addressing harmful use of alcohol rather than simply seeking to change individual behaviour, as propounded by the liquor industry. This approach would ideally involve implementing a full ban on alcohol advertising, supplemented with other policy interventions including increases in alcohol excise taxes; addressing alcohol availability through harmonisation of liquor outlet regulations across the provinces, and tighter controls on the hours of sale of alcohol; providing brief interventions for individual high-risk drinkers; and further reducing permissible blood alcohol concentration levels for drivers.

Commenting on the potential job losses that could occur in the industry (as a result of a total ban); both Parry and Freeman said the cost of the related harm far outweighed the economic benefits the industry brought. They are also both of the opinion that any gap that will open up - due to the ban on advertising or sponsorships of alcoholic beverages - will be filled by other advertisers (such as cellphone suppliers), as was the case when tobacco advertising was banned.

Furthermore, efforts are underway to establish a Health Promotion Foundation in South Africa, funded possibly through a levy on alcohol and tobacco excise taxes. Thailand and Victoria State in Australia have used funds from health promotion foundations to buy advertising space to promote pro-health messages. Should this occur in South Africa, it is likely to provide an opportunity for revenue for advertising companies.

Below, an interview conducted by Econometrix with Prof Melvyn Freeman, highlights some of the views of the Department of Health.

Perspectives from the Department of Health

Prof. Melvyn Freeman

Cluster manager for non-communicable diseases: Department of Health (DoH)

Ecmx: **What is your expectation of how much alcohol volumes would be impacted by a total ban on alcohol advertising, as this is critical in order to measure the economic impact on the industry?**

Freeman: There is no clear answer on this. The reality of the ban is not simple and one would have to look at a number of strategies to reduce the alcohol-related harm. As an organisation, we have not calculated how much a reduction in advertising will reduce harm. We have, however, looked at around 10 to 20 international studies showing that alcohol advertising does impact young people (in developed countries), and a reduction in advertising does indeed lead to a reduction in consumption. One would have to look at the other strategies to assess the impact. There is no local research to show the alcohol decline due to advertising.

Ecmx: **The ANC has included an advertising ban in its list of policy resolutions from their Mangaung conference in December 2012; has the ANC considered the economic impact on the industry and country of such legislation?**

Freeman: I can't answer for the ANC, but can respond on behalf of the DoH – the DoH is more concerned with looking at the economic impact on the country as a whole, and in this regard alcohol impacts negatively on quadruple diseases burden, on non-communicable and communicable diseases, maternal health and results in violence and injury. Therefore our focus is on the impact on households, community, productivity, the workforce and healthcare costs. The impact of health costs on industry must be considered.

Ecmx: **What type of ban is government advocating for? In this regard do you foresee a total ban or a partial ban?**

Freeman: Nothing has been decided by parliament as yet, but in the draft document that was leaked, it alluded to a total ban (inclusive of sponsorships and advertising) and if one assumes that that will be the case, then we are talking about a total ban.

Ecmx: **How will the ban be implemented? Will it be phased in over a period of some years or not?**

Freeman: Some preparation time is inevitable, since contracts of service providers etc. will have to be honoured and respected; hence it is unlikely that this ban could happen overnight.

Ecmx: **What are government's key reasons for supporting the ban? Is it to reduce overall consumption of**

alcohol or curb abuse?

Freeman: Emphasis has been on alcohol related harm; the greater consumption per capita leads to greater alcohol related harm (no one can show otherwise). In our view campaigns such as the 'don't drink and drive' campaign may not be effective as it allows drinking, perhaps even encourages drinking to abusive levels, just not whilst driving. Furthermore, these campaigns do not ensure that abuse does not occur as a result of drinking – only that that person may not cause a traffic accident. There is likely to still be an increase in violence and there is no awareness about this; the campaigns do not eliminate alcohol related harm as is intended to. The view that the WHO has taken on this is that an increase in consumption leads to an increase in harm.

Ecmx: **What does government hope to achieve as a result of the ban?**

Freeman: The DoH is concerned about public health and is focusing on the promotion of health and prevention of illnesses. This is a massive move globally. The majority of the population cannot afford healthcare in its current state, and in order to move towards the National Health Insurance (NHI), we will need to reduce health risk factors. If government is able to reduce healthcare costs (through reducing alcohol related costs), then it will manage to provide good quality treatment. Currently, life styles are generally risky and poor. There are too many people in clinics and hospitals and in rehabilitation programmes. There is a strong need to reduce costs – and therefore to concentrate on risk factors, and alcohol is a major risk factor. Then there is the question that if one wants to reduce alcohol consumption – why target alcohol advertising? The Department believes that advertising leads to increased consumption, and that people respond to alcohol ads, and not just the brand. This results in increased alcohol consumption – and therefore increased alcohol harm. Advertising starts people drinking at younger ages, as adverts make the product seem attractive and glamorous. From an ethical point of view – it is wrong to allow products to be promoted and advertised, as if they do not cause any harm - this is unethical. The ban would also affect moderate drinkers, but the department is more concerned about the harm it causes. Not everyone will not stop drinking because of the ban; people will still know alcohol can be bought and consumed.

Ecmx: **Any general comments?**

Freeman: The WHO suggests four out of five major measures that they recommend be taken. At the top of list is price and taxation. The department is looking at each of those areas. Advertising is in the top four in terms of strategies – we have looked at what can be done most easily and most effectively. The WHO states that banning alcohol advertising is third or fourth as the most effective policy measure.

Sometimes we may seem to be regarded as a nanny state, but when one looks at alcohol related harm, it is so massive and the health impacts are so huge that we can't afford to sit back. One just needs to look at the (alcohol-related) violence and how many deaths involve high blood alcohol content. There is also the risk for HIV, TB, cancer, heart diseases – there are so many health consequences.

We also need to look very carefully at the ethics of whether we should be permitting *the promotion* (as opposed to the sale) of a product that is responsible for high morbidity and mortality and social and economic destruction - and then glamorising it. There is something very fundamentally wrong in this. We do acknowledge that many people consume responsibly, but once you take one drink, you do not always have the same control as before. It is all very well to speak about responsible drinking, but the product itself has been scientifically proven to impair judgement - including judgement on when to stop drinking. So should we allow *the promotion and marketing* of a product that we know is insidious? Moreover, a select number of people will have little option but to drink to dangerous levels due to addiction to the product. The industry will say that it is not the drink, but the drinker that is dangerous; we think that, because of the nature of the product, it is both! Alcohol is no ordinary commodity and therefore needs different approaches.

Perspectives from the private health sector

The head of Discovery's Vitality Institute, Dr. Derek Yach, has advocated a step-by-step approach to prohibiting alcohol advertising, arguing it would be best to work with the industry to target priority areas, rather than impose a wholesale ban. (BDLive, 22 February 2013). In a recent press interview he states "*Given that alcohol is so embedded in society, you are not going to make progress if you simply try and introduce a total ban or draconian measures. It's politically not feasible and it's not going to get public support … Rather see how far you can go with the industry on (tackling) underage drinking and drunk driving.*"

Dr Yach, who advised former health minister Nkosazana Dlamini-Zuma on developing South Africa's anti-tobacco legislation, also said "*There has been an inclination to take the tobacco prescription and apply it to everything else,… (but) we need to be more nuanced in our approach.*" He emphasised that alcohol use was a significant risk factor for developing non-communicable diseases and imposed a significant cost burden on society.

An interview conducted by Econometrix with Dr. Yach is transcripted below:

Dr. Derek Yach

Senior Vice President Discovery's Vitality Group, Head of Vitality Institute

Ecmx: **What is your expectation of how much alcohol volumes would be impacted by a total ban on alcohol advertising. This is critical in order for us to measure the economic impact on the industry?**

Yach: No idea - for tobacco the World Bank estimated that a total ban on adverts would reduce consumption by 6-8%. For alcohol I assume this would vary by alcohol type and across social classes. But I have not seen nor studied the data.

Ecmx: **The ANC has included an advertising ban in its list of policy resolutions from their Mangaung conference in December 2012; in your view has the ANC considered the economic impact on the industry and country of such legislation?**

Yach: I do not know. I assume they would look at the impact on reduced injuries and violence, health-related alcohol impacts (now considerable) and compare this to any reduced employment in the sector.

Ecmx: **What type of ban do you think will be more likely in SA? In this regard do you foresee a total ban or a partial ban?**

Yach: The focus in the first instance should be on reducing youth alcohol and drunk driving. That demands careful consideration of which alcohol categories appeal most to you and are most implicated in drunk driving. From other countries, this is most likely to be beer and cheap spirits versus high end wines and spirits. Targeting any advert ban at the major contributors to these two problems seems prudent, but should be supported by more visible permanent government led media campaigns.

Ecmx: **In a recent media article, you advocate for a "step-by-step" approach to prohibiting alcohol advertising – Can you elaborate on this for us?**

Yach: If government has not brought industry together and asked them to provide explicit commitments to tackle underage drinking and drunk driving that would be linked/assessed to metrics overseen by an independent audit group - this would be my first step. Challenge them to take action on specifics knowing their responses will be monitored. Their actions could be supported by enabling legislation that touched on some aspects of marketing, pricing, access issues.

At the same time, step up government actions on effective messages related to alcohol control, visible monitoring of drunk driving, engagement with insurance companies on how they might support such efforts through including incentives and penalties into motor vehicle policies (e.g. Discovery Drive has taken some initiatives on this). If step one fails to yield results after a 1-2 year period - step up government actions.

Ecmx: **One understands that the economic contribution of alcohol to the overall economy is sizeable. In this regard, the industry view gleaned from stakeholders is that: (a) A ban on advertising will stifle competition and create barriers to entry for small players, as well as potential BEE entrants to the industry; (b) There will be an increase in the illicit alcohol market; (c) The ban on advertising will negatively affect transformation in sport, since alcohol manufacturers are large sponsors of sport in SA; (d) What is your view on the above points?**

Yach: They are all general fears all companies and industries raise against government actions. The massive death, disease, family impact of alcohol is tough to translate into simple economic values, but is likely to far outweigh modest efforts of government to bring drinking levels into line with public health need.

The advertising and media industry's viewpoint

Terry Volkwyn

Primedia, CEO

Chris Botha

Media Shop, Group MD

Johan Koster

National Association of Broadcasters (NAB), Former Executive Director

Lovemore Mushanyama

Marketing Association South Africa (MASA), CEO

Ingrid Louw

Print Media South Africa (PMSA), CEO

Ecmx: **What is the financial impact of the proposed ban on your company?**

Primedia: Primedia Broadcasting does not receive a big amount of adspend from alcohol companies as radio stations have strict licence conditions (the regulation is that no alcohol advertising can occur during peak hours). So we have historically received very small advertising campaigns because the only time available to do these campaigns is off peak times which have much smaller audiences and are often not suitable for the big alcoholic beverages which need to reach bigger masses.

Media Shop: The big players in the media industry, such as the SABC, Etv and DStv, would be most affected, as would billboard/outdoor advertisers. Advertising is likely to decline in the future due to companies using on-line advertising including social media – as their "owned properties" – rather than traditional media. The advertising industry as it stands is not doing particularly well and a ban on alcoholic beverages adspend would exacerbate this situation.

NAB: Direct advertising revenue in broadcasting (both TV and radio) from alcoholic beverages advertising amounted to just over R1.4 billion in 2012. This amount will be lost if a total ban on advertising comes into effect. Profitability and therefore Tax revenues would surely also decline.

PMSA: There is an acknowledgment that the potential ban on alcohol advertising will have significant supply chain effects within the print media industry. However for print media, there is no documentation of the potential quantitative impact of the potential ban on alcohol advertising. The latest official/publicised statistics measures the approximate loss on print advertising revenue, as a result of the potential ban on alcohol advertising, at just below R100 million. However, it may actually be larger since print media varies widely across the spectrum. For an industry which is already under strain, R100 million, although small, will in the grand scheme of things still affect profitability and further investment into the industry. The potential ban on alcohol advertising is seen to have an a distorted effect within the print media industry.

Media 24: Strategies are being formulated to compensate for losses by either stimulating advertising income from the same category into different platforms, e.g. event marketing, or building arguments to stimulate advertising from other advertiser categories.

Ecmx: **What are your views on the ban and what is your alternative proposal to government?**

Primedia: A ban on anything will not solve the issue at hand and might even worsen the problem. When cigarette ads were banned, it was huge in terms of advertising on radio. However, the impact was not as dire due to other players that came in such as casinos and cellular companies which had huge advertising spend. This however will not be the case now as there a very few new products/categories which could fill the loss. I don't think that this ban actually decreased cigarette smoking and I think that far reaching education types programs are more effective rather than just "banning it". Another issue with the ban is how it will be implemented. It would be difficult to manage the digital category as there is little to no regulations in this space.

NAB: There is a lack of enforcement on government's part – there are many unlicensed shebeens, and this is where the actual problem lies. We acknowledge that the harmful use of alcohol is a problem, and that government has role in combatting this, but we feel that it is the wrong way to go about solving the issue, and that it actually won't even solve the problem. Homebrews form a big part of the (abuse) problem, and they do! n't even advertise and therefore it will always remain a problem.

MASA: We see interference of government in marketing processes or regulation as having adverse effects on the industry and MASA is trying to promote self-regulation. MASA is calling for a balance - a bill that is more considerate of the goals that they want to achieve, which is based on "scientific" evidence and research.

PMSA: Although we do agree with Government that there is a dire need to remedy the alcohol consumption challenge in South Africa, we do not feel that the banning of alcohol advertising is necessarily the answer as has been empirically proven overseas. We firmly believe that any ban or restrictions on alcohol promotion or adverts will clearly limit the right to freedom of expression, which is expressed in Section 16(1) of the Constitution, which also protects the freedom of commercial speech.

Ecmx: **What will the impact be on employment and other industries?**

Primedia: The ban would definitely have an impact on other industries across the board not only those in the media space. This is a huge industry that reaches far and wide.

Media Shop: The print media is already experiencing a decline in revenue and advertising as more companies move to digital platforms. If the alcohol revenue stream were to be removed, they would sustain even greater losses. As print media is already facing difficulties, the removal of alcohol advertising would place additional stress on an industry already under pressure. In terms of the ban, SAB and Distell would be most affected. Employment in the industry would be affected by the ban on alcohol advertising.

NAB: Those companies that are peripheral, which include creative industry, production, caterers, editors, transport companies; essentially everyone involved in the conceptualisation, production and placement of adverts etc. is where the direct job losses would occur. It is difficult to assess what the markets will do if a total ban is imposed. The indirect effect is job losses, decline in infrastructure, and no capital to invest. The creative and production industries would really feel the pinch.

MASA: The industry is job-creating at present, but the ban will disable this, and the promotion of employment will be directly impacted. There will thus be a loss of revenue in the industry and therefore negative GDP impact. The media (especially SABC) would lose revenue. Related suppliers such as agencies, printers, and the like, would all experience the ripple effect, as they would lose revenue and big clients, and will therefore be unable to pay staff (existing staff would decline and no more new staff would be employed).

PMSA: Local newspapers, which contain inserts for liquor ads ('knock-and-drops') will also be affected. Job losses cannot be quantified, as the effect related only to alcohol advertising cannot be isolated, but retrenchments have already taken place in the industry due to downsizing, so any further job losses would put the industry under further strain. An impact from a potential ban on alcohol advertising will negatively affect the inserts printing market. It will also result in a sustainability issue for smaller players within the industry.

Media 24: The ban will have a minimal impact on employment in our company as Key Account Managers work on multiple client accounts from various advertising categories. However, "replacement strategies" would need manpower to be executed.

Ecmx: **Will the ban on advertising curb the problem of high alcohol consumption and related alcohol**

harm?

MASA: "Word of mouth" of alcohol beverages would still be effective and far reaching and therefore the issue of alcohol abuse would not be solved by the ban of advertising.

NAB: Home-brews and unlicensed points-of-sale are major contributors to the problem of alcohol abuse, yet it is not advertised. How will the ban on advertising address the problem of illegal alcohol? In our view a holistic approach is needed to address the problem.

Media 24: We suspect that this ban will follow the same route as cigarettes with consumers. The ban of cigarette advertising has not resulted in a declining trend in smokers – other factors might have, like general increase of health consciousness, restrictions in smoking areas, etc.

The manufacturers' and distributors' viewpoint

Dirk Conradie

Pernod Ricard South Africa, Corporate & Public Affairs Manager

Tim Hutchisom

Douglas Green Beckham (DGB), Executive Chairman

Peadar Hegarty

KWV, Head of Strategy, Brand Director Spirits

Sibani Mngadi

Brandhouse, External Affairs Manager

Ecmx: **What are the overall direct and indirect consequences of the ban to your company and other players in the industry?**

Pernod Ricard: Job losses from marketing, promotions and design departments and advertising and media companies; sport environment will lose a business partner; the wine industry will lose key communication tool i.e. magazine and newspaper editorials.

DGB: An advertising ban would have a detrimental impact on our business as we are brand builders and advertising and promotions is an integral part of our business. Also as one of the smaller players in the industry, it would severely curtail our ability to build our brands against the bigger dominant brands, and in so far as new product development is concerned, how does one launch a new brand without the facility of advertising. Our new product development is produced in our Wellington facilities where we are the major employer in the area. Our business is built around higher priced premium brands where advertising and promotion is an integral part of the brand building exercise, but an advertising ban would not have the same impact on the lower priced brands that I don't believe add much value to the Industry.

KWV: First and foremost we stand for responsible consumption of alcoholic beverages. Our advertising and promotional practices have been for some time now attuned to this goal. An advertising ban per se will hinder, not help, our ability to communicate these messages.

Brandhouse: Competitive environment is essential for trade growth especially in industries that have historical dominance of one major player. Advertising is essential in shifting market share and promoting growth of new market entrants; (not necessarily growing the overall alcohol market).

Established in 2004, Brandhouse has grown at an average of 8.2% (share of total liquor) to become the second largest alcohol beverage company in South Africa by value and volume. This has largely been as a result of a shift in market share, with Brandhouse winning consumers from competitors, some declining while others largely remaining stagnant (AC Nielsen). We have eventually become market leaders in segments such as premium whisky and vodka. This growth or shift in market share has taken place in the context of marketing freedom. It is difficult to build an accurate scenario of what could have been achieved without the current platforms for marketing, sponsorship and promotion.

The most important asset for Brandhouse is its internationally renowned iconic brands within its portfolio. To build market share for these global brands in South Africa, advertising and promotion are critical factors - building local South African consumer awareness about the brands, driving perceptions about quality (compared to other similar products) and growing brand loyalty.

SAB:

- Potential ban will benefit established players and prevent new entrants and players.
- Smaller companies will be more impacted as large companies have established brands.

Nozicelo Ngcobo

SAB, Regulatory Affairs and Government Relations Manager

- Easier for misinformation to be spread in the absence of formal communication stream.
- South Africa has a problem of illicit alcohol – unless companies have the ability to promote safe products, that market will grow.
- Shifts in market share among manufacturers.
- Far greater marketing spend on other forms of marketing – e.g. face to face marketing – this will increase the cost of contact, and will result in an above-inflationary impact (as the cost-per-consumer will go up).

Ecmx: **What is the aggregate volume and revenue effect you think this will have on your business and key suppliers to your business?**

DGB: It would be impossible to try and calculate the volume and revenue impact an advertising ban would have on our business, but it will force us to redeploy these funds into our export markets and the African markets.

KWV: The economic impact will be more keenly felt by our suppliers. I expect the gross economic impact to be in the order of 30% across the board.

Brandhouse: Difficult to quantify but, a ban will certainly mean growing "below plan". Currently, Brandhouse accounts for about 30% of all premium total beverage alcohol in South Africa. We have projections to increase this significantly in five years. While various factors like distribution, availability, etc. contribute to growth, advertising and promotion remain key consumer drivers.

Brands are one of the most valuable assets for Brandhouse and brand equity is one of the major factors that are increasing the financial value of Brandhouse. Advertising is used to leverage this brand equity with the following effect:

- changing market share,
- profit margins,
- consumer recognition of logos
- brand language associations made by consumers, and
- consumers' perceptions of quality (mainly due to global nature of our brands)

SAB: In other markets worldwide, a ban has not impacted significantly on overall consumption. The risk lies more in illicit (including counterfeit) liquor market– they can now present to the public without legitimate companies being able to defend themselves. A decline of around 6% (in revenue) has been recorded generally in other global markets – not sure what the South African case will be, given the impact of the informal and illicit liquor market. In the Western Cape, after the liquor act was passed, there was an increase in alcohol poisoning as a result of a move toward illicit liquor.

Ecmx: **What will the impact be on employment in your company?**

Pernod Ricard: Marketing, promotions and design departments will be severely affected – employment losses will be incurred.

DGB: An advertising ban would severely curtail the ability for us to grow our business in South Africa so we would have to look at retrenchments to reduce the size of our South African operations and utilise these savings to redeploy people into the African markets where we can advertise, promote and build our brands.

KWV: No impact, though there may be small reductions in certain skill areas.

Brandhouse: Currently, we have a number of highly skilled people in-house working primarily on our above-the-line campaign. Those roles will be affected somehow by such a total ban. In addition, we spend millions for fees for agencies supporting this team and on production. The total spend on media buying for the past financial year was about R351 000 000.

SAB: Depending on the nature of the ban, we will require a change in strategy in terms of the execution. A full ban would require retooling and reskilling - currently there are 200 people in SAB head office that focus on marketing alone. The indirect impact can only be determined once one has an understanding of what a ban will look like.

Ecmx: **What will the impact be on the consumer?**

Pernod Ricard: Loss of informed decision making and choice, monopolistic conditions will prevail, smaller players will be severely restricted as far as "entry into the market" is concerned.

DGB: In so far as the consumer is concerned, especially in the wine category, advertising and promotion plays a huge educational role and consumers are always looking at broadening their knowledge of wines and on-going trial is an integral part of any wine business around the world and again the problem in markets, such as Scandinavia where they have had advertising bans, is that the dominant and established brands remain very well entrenched. From a consumer point of view the South African industry, especially in the case of spirits and beer, is dominated by a few major companies, who have a huge share of the business. Examples of very dominate shares would be whisky with Brandhouse, vodka with Brandhouse, brandy with Distell and beer with SAB, so any new emerging entrant would find it impossible to communicate effectively with consumers without advertising so a ban would only further entrench the power base of the existing brands and stifle consumer choice.

KWV: It means we will cut back on innovation, offering new ways and educating consumers about responsible drinking. The risk is the industry will revert to the tried and trusted. An example would be cutting back on innovation around lower alcohol products, or communication around drinking and driving. This will be severely curtailed.

Brandhouse: Significant impact will be on the lack of choice. Consumer will not be aware of any new products and innovation that might provide more value for money. New entrants will struggle to expand market share compared to established suppliers with stronger distribution channels. Availability will be more of a driver than consumer demand created by advertising.

SAB: The consumers' ability to make informed choices, in terms of new products, or counterfeit/illicit versus legitimate products, will be severely constrained. Innovation will be limited. Cannot promote products that have lower alcohol by volume (ABV) -which is the fastest growing brand in SAB. SAB will not have an avenue to "persuade" the consumer to switch to a lower ABV product (or any other product category), for example. Responsible consumption programmes would not be allowed – in spite of this being a regulatory requirement at present.

Ecmx: **How do you foresee to compensate for any major financial losses (i.e. diversifying in to other sectors of trade)?**

Pernod Ricard: None

DGB: We will not be able to as we can hardly diversify into other sectors of the trade as we only produce wines and spirits in the alcoholic beverage sectors.

KWV: We will need to diversify, but with limited room to manoeuvre due to specialised production configurations.

Brandhouse: We are primarily an alcohol beverage company that is growing in SA. We also operate in more than 190 countries globally through our shareholders, Diageo, Heineken and Namibian Breweries. There are no plans to shift from the alcohol business.

The wholesalers' viewpoint

J. Koff

Makro (part of Massmart Group)

Graham Rebello & Kit Platt

Channel Executive & Liquor Executive,

Ecmx: **What are the overall direct and indirect consequences of the ban to your company and other players in the industry?**

Masscash/Massmart:

- In our direct wholesale and indirect business via our independent banner members businesses, there will be no or limited opportunity to engage with customers and consumers from a liquor product level on price, promotion and marketing. Our independent banner members need to be able to advertise a product and price as their way of engaging with consumers and being able to compete under a common brand with the three major formal retail giants and other smaller banner outlets.
- Major Grocers and corporate companies have a bigger basket of products to compete with, and liquor stores are only allowed to sell certain liquor allied products. It would be a great initiative to let a liquor store sell groceries as well, but it is not practical. Liquor stores historically operate on low margins so space has

Masscash (part of Massmart Group)

Mark Robinson,

Group Liquor manager, SPAR

always been limited because of their cost model.

- This is not good for our retail brands Club 10, Liquorland and Liquorland Express and our business that need this as their identity and part of a bigger group. If us, as Masscash, are not being able to advertise for them it takes away not only their ability to use the media to bring business to their stores but also takes away a major reason of why they joined any of our banner brands which was that we take care of their advertising, promotions and marketing.
- How would we advertise new products to the market?
- Promotional companies will also be affected as companies will not be able to promote at events and gatherings or sponsor organisations like sports clubs and charities.
- Companies that we outsource our advertising work across the country would be directly affected negatively as we support local to uplift those communities.

Makro:

- There will be anti-competitive behaviour as the major brands that currently dominate the market will continue to dominate as we will not be afforded the opportunity of marketing new and opposition products against the Brand Leaders. This will have a major impact on the small manufacturer or supplier and plays into the hands of the current multi- national manufacturers/suppliers.
- It will discourage new entrepreneurs into this market.

Spar: We could suffer potential job losses, however, more job losses would occur in the area of advertising agencies, printers, bill board companies etc. If comparing to the cigarettes ad ban, the ban had very little effect on volume sales, so the aggregate volume and revenue effect of an alcohol ad ban will be hard to determine.

Ecmx: **What will the impact be on employment in your company?**

Makro: Should we not be able to advertise we would need to reduce staff in our marketing departments and like-wise the companies that do our printing would reduce staff accordingly.

Masscash/Massmart: Companies that we outsource our advertising work across the country would be directly affected negatively as we support local to uplift those communities. Our internal marketing department will obviously be affected and restructuring and or retrenching of staff would occur. Our direct liquor suppliers will definitely be affected as they will no longer require the services of brand builders, marketing teams and fewer representatives would be required in their business. They could now represent their business centrally, again the impact is far reaching in all aspects of the ban. Smaller companies who have been building and investing in their brands over the last couple of years will lose all momentum. This could potentially lead to some of them not been able to sustain their business which will lead to them downsizing or closing.

Spar: At wholesale and retail level probably very little impact on employment, but some departments and companies may well find retrenchments necessary.

Ecmx: ***What will the impact be on the consumer?***

Masscash/Massmart:

- Consumers will end up shopping where it is convenient for them, possibly paying more as they will not be able to have a reference for product and price vs. other products and competitors. This means that the grocery companies will have the advantage because of their offering of grocery store and liquor store right next to each other. Grocers also carry most of their cost through the main store and not the liquor store. To expect all independents to move into convenient spaces like shopping malls will be impossible as the increase in cost is not sustainable and most centres have liquor stores owned by the grocery retailers already.

- Consumers will end up paying more for alcohol because with no advertising to keep the industry competitive, retailers will end up lifting prices to compensate for loss of business or they will lift prices because the store is convenient and people don't question price.
- It would also lead to cheaper, possible counterfeit and inferior or illegal products (excise evasion) as new entrants come into the market especially in the main market which is an easy access outlet for these products. The government already has an issue dealing with these products and if the companies cannot advertise product why would they want to advertise Consumer Social Investment initiatives which they currently do. All Liquor Stakeholders would re-consider their involvement with promoting legal and responsible liquor initiatives like ARA for education to the communities.

Spar: Consumers will be less informed regarding where and what they will choose to purchase.

Possible impact of advertising ban on sponsorships

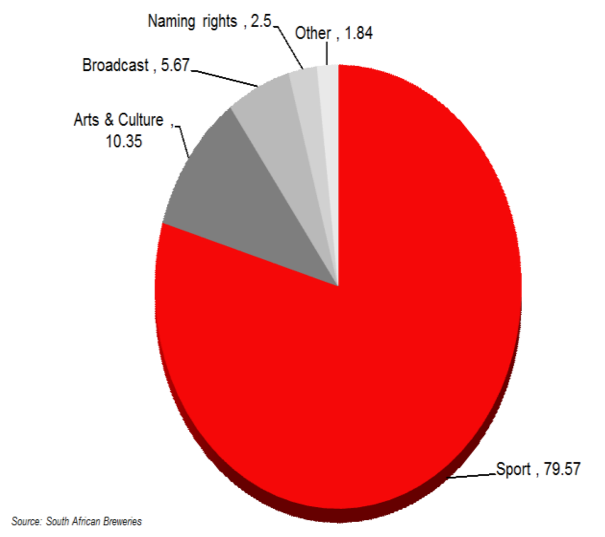
Contribution of alcohol industry to sponsorship market

The alcohol industry plays a strategically significant socio-economic role within the domestic sponsorship market. According to the BMI 2011 Adult SportTrack report, total direct corporate sponsorship spend in South Africa has grown from R63 million in 1985 to over R4.3 billion in 2011. Leverage spend, or indirect financial expenditure to leverage sponsorship rights in the sponsorship industry, have been estimated to total a further R2.5 billion, which implies a total sponsorship industry capitalisation of approximately R7 billion.

While the South African market is not as dependent on alcohol advertising as some other markets (like Australia, for example), our alcohol brands can nevertheless account for as much as 10% of the total direct spend in sponsorship. Currently, the alcohol brands account for between 5-10% overall on average (this translates into R215 million to R430 million in *direct* corporate sponsorship contributions).

Commercial sponsorship forms an essential source of funding for many sports activities in South Africa at local, national and international levels. It is through corporate sponsorship that South Africa's sporting, cultural, environmental, artistic, media, humanitarian and educational heritage is nurtured, enhanced and spectator/consumer choice widened. All respective stakeholders within the sponsorship value chain – i.e. sponsors, sponsored events, media, participants and viewers – benefit directly from involvement.

Chart 61: Liquor industry's % contribution to sponsorship



The alcohol industry is a significant contributor to the sponsorship and development of various sporting disciplines. In South Africa, most of the liquor industry's sponsorship strategy is heavily concentrated on supporting sporting activities (almost 80% of total liquor industry sponsorships are directed towards sport – see Chart 61).

The reason for this high concentration is that it offers the highest potential return on invested funds, given the lucrative marketing platform and leverage offered by sports activities and events offered by sporting activities and events.

It is without doubt that, given this large dependency on sponsored funds, many of the sports disciplines will be adversely impacted on by a total ban in alcohol advertising, as it will eliminate the liquor industry's financial injection into the various sporting codes.

Potential impact of a ban on sponsorship activity by alcohol companies

Potential impact of a ban on alcohol companies' sponsorship

In the alcohol industry, sponsorship has traditionally formed a substantial subset of the corporate marketing function and hence carries significant direct and indirect strategic value to business enterprises in the alcohol industry.

While sponsorship forms part of companies' corporate social investment programmes, the deployed capital must nonetheless carry viable prospective returns to justify the sponsor's involvement, as sponsorship decisions are increasingly being targeted at a strategic level within companies' marketing functions.

Sponsorship allows for companies' brand marketing and distribution functions to extend to a far larger potential consumer base at the same time. This optimises the returns to capital invested for marketing and advertising, translating into tangible economic value-added benefits through headline profit growth. It is therefore not surprising that the alcohol industry has been one of the strongest users of sponsorship.

A potential direct financial injection of approximately R430 million stands to be eliminated from the domestic sponsorship market, assuming a total alcohol advertising ban is instituted. In fact, some industry studies estimate the direct financial loss to be as much as R600 million.

It should be borne in mind that, despite the breadth of the domestic sponsorship market, the top ten sponsors generally account for more than 50% of the total sponsorship expenditure (with the biggest three contributors being telecommunications, airlines, and the alcohol industry). To lose even just one of these major sponsors from this list will clearly not go unnoticed. The loss of sponsorship revenue from the alcohol industry, which is one of the major contributors to total sponsorship spend, could therefore result in adverse unintended consequences for aggregate spend in the sponsorship industry.

Potential impact of a sponsorship ban on sports activities

Successful involvement in sponsorship shows that a company and its brand are part of a wide beneficial involvement in society, of which the consumer is a participating member. The alcohol industry's sponsorship of the sports activities and events is therefore a direct function of these potentially high returns to deployed capital and marketing effort.

When considering sports sponsorship ban, there will be an impact not simply on the sports bodies themselves, but on the sportsmen and women, on sport development, on stadium owners, and on the general public who might not be able to view sports on television (as television stations will not be able to raise the sponsorship required).

The liquor industry's direct financial contribution to the domestic sponsorship market has contributed significantly to the development of sports and its associated peripheral industries. This has aided South Africa's capability to host mega sports events, such as the FIFA World Cup, which has resulted in immense direct and indirect socio-economic benefits. South Africa has a unique ability to host vibrant sports events, and could host more international "World Cup" type events so that it becomes an on-going business; but it will require a multiple hosting strategy to capitalise of the worldwide trend of hosting of events by the developing world. A weakened corporate sports sponsorship environment could impede on South Africa's value proposition and ability to host these major sporting events, e.g. the Olympics, in the future (as these sporting events are usually sponsored by international beer companies, such as Heineken and Budweiser). South Africa could lose opportunities to host these events, as it would not be practical to relax the just for that period (in order to accommodate the sponsor).

The following list highlights some of the national sporting codes and programmes that would be directly affected by a potential loss of sponsorship funding from the alcohol industry:

1. **Soccer**:
   a) Bafana Bafana (SAB)
   b) South African Football Association
   c) Domestic Premier Soccer League
   d) Regional Soccer Development League (SAB)
   e) Stadiums, especially those built for the 2010 Soccer World Cup, which may be at risk of turning into "white elephants". Already these are under significant financial distress, the potential loss of sponsorship funds from the liquor industry would exacerbate this.
2. **Rugby**:
   a) Springboks (SAB)
   b) Tri-nations rugby tournament (SAB)
   c) Currie Cup and Super 15
   d) Varsity Cup
3. **Cricket**

   Proteas test and on-day cricket team (SAB)
4. **Sports Development Programmes**

   Domestic sports development benefits from sponsorship deals from the alcohol industry. The liquor industry's sponsorships contribute approximately R40 million per annum to major sporting codes' development programmes. If an alcohol company sponsors a major sports team, a certain portion of the money is also allocated to development and filters through to the grassroots sports level.

   The potential loss of sponsorship funds could therefore impact adversely on domestic sports development structures and objectives. This could have a negative impact on the performance of national sports teams in the longer run. Poor sporting performance at the national level could detract other corporate sports sponsorship outside of the liquor industry. The pressure on development programmes (if sponsorships are banned) will compromise transformation efforts in sports.

5. Department of Sport

The potential loss of sports sponsorship could result in increased reliance on governmental funding given the negative socio-economic ramifications of weakened developmental structures in the major sporting codes. This will induce strain on the Department of Sport if the financial loss from a potential loss of funding from the liquor industry is not replaced by another industry.

6. Other small/peripheral sporting codes

The primary risk from a potential alcohol sponsorship ban on domestic sports development is likely to be concentrated on peripheral sporting codes benefiting from liquor industry funding support. While these may not carry the financial clout of the major sporting codes, given the relatively lower inherent return on sponsorship investment, there is a risk of total collapse in the structures within these peripheral sporting codes – an example of this is SAB's sponsorship of the Dusi and Fish River canoe marathons. A collapse in peripheral sporting codes may have adverse longer term socio-economic consequences.

Swimming provides an example of the dilapidating effects of the loss of primary sponsorship. Since Telkom pulled its sponsorship of Swimming (SA) at the end of 2011, swimming as a sporting code has endured immense funding pressures despite recent successes. It is notable that despite winning the most number of medals in South Africa's 2012 Olympic campaign, the South African swimming team have had to contribute towards the costs of attending the World Short Course Championships in December 2012. This is a direct consequence of lack of funding at the highest level within the swimming structures. Despite the successes of Chad Le Clos and Cameron van der Burgh at the London Olympics in 2012, the domestic swimming federation has struggled to find another corporate sponsor following Telkom's departure from the sport. This is indicative of the relatively lower marketing value of sponsorship in swimming (a peripheral sporting code domestically) compared to that of the major sporting codes which include soccer, rugby and cricket.

Peripheral sporting codes supported by the liquor industry are likely to endure similar financial distress and sustainability risks if the potential ban on alcohol advertising, which will bring with it a loss in sponsorship funding, is implemented.

Box 15: Soccer sponsorship: A case in point

Soccer is one of the most significant sporting codes domestically and is a strategic component of the government's National Sport Recreation Plan (NSRP), which among others has the following strategic objectives:

- To use sports to attract tourists to South Africa. Sports tourism is one of the fastest growing sectors in South Africa with proven economic benefits as well as the positive impact on the country in general. *The loss of alcohol sponsorship, which would compromise sports development, could impact adversely on the sports tourism sector.*
- Using sport as a mechanism for achieving peace and development. Worldwide there is an increasing acknowledgement that sport and recreation has the potential to promote social inclusion, prevent conflict, and to enhance peace within and among nations. In South Africa, we have also experienced how national sports teams can be an inspiring force for peaceful change, as seen through the 1995 World Cup. The spirit of peace and reconciliation also transcended again through the 2010 FIFA World Cup. *The threat to domestic sporting activity, via a possible loss of funding from sponsorship from the alcohol industry, could hinder sporting developmental objectives.*

The development of the soccer industry has historically been closely associated with the liquor industry. Since the formation of the now defunct National Professional Soccer League (NPSL) in South Africa, there was a heavy reliance on Castle Lager sponsorship (which formerly ran from 1971 – 2007) to setup infrastructure and employ administrators to run the sport. It required approximately 30 years for professional soccer to attract lucrative sponsorships, outside the alcohol industry. It required at least 35 years to realizing markedly improved broadcasting rights revenues. This was driven by three key events: (a) The dawn of democracy in 1994; (b) The successful hosting and winning of the Africa Cup of Nations in 1996; and (c) The announcement of South Africa in May 2004 as the destination for the 2010 FIFA World Cup.

While this process has aided in reducing the soccer industry's dependence on sponsorship fund flows, as can be seen from the table below, it is still notable that the liquor industry has nonetheless been investing time in the development of soccer domestically for the longest period of time. It is therefore not inconceivable to consider that the liquor industry has generated the biggest relative net social benefit, compared to other participants in domestic soccer sponsorship.

The stability of a sponsorship (i.e. sponsor/invest over a prolonged period of time) is also of crucial importance, as the sponsor builds up valuable relationships and knowledge within the sporting code.

Only a handful of business sectors – i.e. beverages, cigarettes, banks and telecoms – have played a major role in the development of soccer domestically over the past 40 years. Industry concentration risk within the soccer sponsorship industry means that changes in the sponsorship regulatory environment that affect one major sponsor, could precipitate a negative reaction from other major sponsors.

Table 36: Alcohol industry's sport sponsorship 1971 to present

Property	Chronology	Sponsor	Title
NPSL/NSL/PSL administration	1971 - 2007	**Castle Lager**	Castle premiership
	2008 - current	Absa Bank	Absa Premiership
Knock out tournament	1976 - 1977	Benson & Hedges	Benson & Hedges Trophy
	1978 - 1987	**Mainstay Gin**	Mainstay Cup
	1988 - 2001	BoB Bank	BoB Save Super Bowl
	2003 - 2007	Absa Bank	Absa Cup
Top 8 knock out	2008 - current	Nedbank	Nedbank Cup
	1972 - 2001	BP	BP Top 8
	2002 - 2007	SAA	SAA Supa 8
	2008 - current	MTN	MTN8
16-team knock out	1992 - 1996	Coca-Cola	Coca-Cola Cup
	1997 - 2000	Rothmans	Rothmans Cup
	2001 - 2005	Coca-Cola	Coca-Cola Cup
	2006 -2010	Telkom	Telkom Knock out
Charity/ fund raising event	1986 - 1998	Iwisa Maize Meal	Iwisa Soccer Spectacular
	1999 - 2006		Charity Spectacular
	2007 - 2010	Telkom	Telkom Charity Spectacular
	2011 - present	**Carling Black Label**	Carling Black Label Cup
*Other past sponsors include **Olsson's Lager** (Olsson's Cup), **JPS** (JPS Knockout cup)*			

Source: Wikipedia, PSL site, soccer club websites

The mitigating risk factor for domestic soccer development has been the increased participation of mobile phone sponsorship in the industry. Vodacom sponsors the two biggest clubs in the PSL, i.e. Kaizer Chiefs and Orlando Pirates, while MTN has sponsored 4 other teams within the main soccer league. Soccer has also recently benefitted from sponsorship from the automotive sector, with Mercedes-Benz entering as one of the primary sponsors for Bafana Bafana. These organisations have also been involved in grass roots development programmes, e.g. the Vodacom League, which hedges some of the potential negative financial consequences from a potential alcohol industry sponsorship ban.

However, other companies may not be able to match SAB's investment, as they do not have the scale to do so. SAB have developed their own initiatives for school (with government requesting a tailor-made sponsorship), with millions of Rand being invested (in e.g. soccer camps and competitions etc.).

While we have isolated the soccer industry in our effort to assess the potential consequences to sports development as a result of a loss of sponsorship from the alcohol industry, much of the economic argument can be transferred into other domestic sporting codes.

Potential socio-economic impact of a sponsorship ban

The invested capital in sponsorship activity has also significantly contributed to the government's longer term socio-economic development goals through the support of the development of both mainstream and peripheral sporting codes in particular. While the direct adverse financial consequences of an advertising ban on the sponsorship market are significant, it is the indirect adverse socio-economic implications that are also of concern. Social development programmes, which all revolve around sports in an attempt to increase confidence levels and promote team-work, would be negatively affected by a ban. Other socio-economic issues that could be affected by a sponsorship ban are listed below:

- Direct social benefits of sponsorship activity at community level, for example the net longer term benefit of more youths and women participating in competitive sporting activity, and building national pride through sporting achievements.
- The impact of the direct financial injection of the alcohol industry's corporate social investment programmes has culminated in previously unavailable small to medium business opportunities, which have subsequently contributed to government's key policy objective of increasing employment levels. Media SMME's, as an example, have been direct beneficiaries of sponsorship and corporate social investment activity from the alcohol industry.
- The alcohol industry has also contributed significantly to the national objective of supporting responsible alcohol consumption. The industry can claim some success in its education initiatives, particularly in raising awareness around driving drunk. Few would argue that there is now much less inclination to take to the road after drinking than in the past, because of advertising campaigns by major liquor companies. However, this improvement may also be due to increased policing. The alcohol industry sponsored Drink/Drive advertising campaign (through the volatile Easter and Christmas holiday periods) is likely to be severely compromised, should liquor industry sponsors not be able to brand these campaigns. The alcohol industry's sponsoring of marketing campaigns towards alcoholic beverages containing lower relative alcohol concentration (e.g. SAB's promotion of the Castle Lite Brand) has shifted consumption behaviour towards more socially responsible alcohol consumption. Added to the net benefit to society, the potential for an escalation of road deaths during key holiday periods could have wide-reaching economic implications.
- A ban is likely to have a huge impact on music, arts and cultural festivals and events – see interview with Michelle Constant of BASA below in this regard.
- Other industry viewpoints of the impact of a ban on sponsorships are also set out below.

Michelle Constant

CEO, Business and Arts South Africa (BASA)

Ecmx: **What are the overall direct and indirect consequences of the ban to your company and other players in the industry?**

BASA: BASA's biannual research (Artstrack) shows that funding of the arts has shifted out of CSI and into Marketing. Currently more monies are spent on the arts from Marketing budgets than from CSI. Our research also shows that the greatest percentage of monies goes to the genre of Music. Given this research, there is no doubt that a ban on alcohol sponsorship would have a direct impact on the support of arts (in particular music events) and would shut down an already struggling music circuit in this country. In 2011, an estimated R394 million was spent on arts and culture sponsorships, by BASA members. This is an increase of 5% over 2010. This is for the properties, not just for the marketing of it. This is dominated by music sponsorship at 54%.

Ecmx: **What will the impact be on employment in your industry?**

Makro: The impact will be extensive, as many clubs, festivals and the music circuit in general rely heavily on sponsorship in order to employ artists.

Ecmx: ***What will the impact be on the consumer?***

BASA: Once again, a diminishing arts circuit, and the opportunity to engage in the arts.

Ecmx: ***How do you foresee to compensate for any major financial losses?***

BASA: The challenge will be to find new sponsors in an already oversubscribed market, and a weak economy.

Ecmx: **What will the impact of an advertising ban be on sponsorship?**

Primedia: We disagree with any ban, since the youth need (cultural, music and arts) concerts and festivals etc.; the banks cannot sponsor everything, and therefore it would be socially wrong if these concerts and festivals fall away (due to a ban). There would be an impact on the sponsorship side for sport and on social events that serve the community. Since sponsorship needs the brand to be mentioned, the ban would make it difficult to sell that and therefore no recognition to media.

NAB: Telecommunication companies and banks have a huge advertising spend, and may therefore not increase their spend/exposure further when the alcohol ads are out. On the sponsorship side, the loss to sports programmes, development and sporting individuals would be great; sporting bodies would lose revenue for travel and support functions.

SAB: The top three national teams will lose long-term funding. Football will lose a sponsor of six decades. South Africa's largest football development league (30 000 youths playing weekly in SAFA run league) will lose its sponsor. Development coaching programme will lose its funding. There will be a huge impact on the music industry, as artists are reliant on industry events and concerts. National and international music events will also be impacted.

Possible impact of advertising ban on competition, transformation and SMME development in the alcohol industry

Competition – status quo

If one looks at the South African liquor industry as a whole, it is not very competitive or a fragmented industry. The industry is highly concentrated, dominated by a few companies with high levels of horizontal and vertical integration, especially in the beer and spirits categories of the industry.

The isolation of the apartheid years were the cause of the entrenchment of consolidation and the reduction of competitive forces - the alcohol industry experienced a period of consolidation, arising in part from a polarisation in which larger industry players become more powerful and the smaller players struggle to survive. This consolidation has resulted in distinct adverse consequences for competitive pressures in the industry. However, the entry of new international market participants in recent years, and most notably of Brandhouse in the beer and spirits markets, has the potential to substantially alter competitive dynamics.

In addition, the domestic wine market (as a relative newcomer to the international wine market due to sanctions before 1994) has had to compete internationally with established, traditional wine producers in Europe and with other emerging wine producing countries (these competitors are more established, have better distribution channels and more well-known brand names in the wine market). Competition in the domestic wine market is also strong as a large number of primary wine producers and wine cellars all compete for a share of the South African wine market. Approximately 57% of South African wines are sold locally.

Consumer buying power is strong as customers have a wide choice enabling them to shift quickly between brands and retailers. Substitutes between alcoholic beverages are a major threat to players in the industry. Fast changing consumer taste and trends may lead to an increase in consumption of a category of drink at the expense of another. As alcohol is seen as a discretionary expense, it can easily be substituted by other beverages such as soft drinks.

Emphasis in liquor retail is on differentiation and range. However, direct competition from large mass-retailers and speciality liquor retail chains is placing small independent retailers under pressure. The Walmart/Massmart merger, is expected to add to the pressure on smaller retailers. Indirect competition from restaurants, bars, taverns and shebeens challenges the small retailer to retain customer loyalty through competitive pricing, superior and personalised customer service and specialised merchandise. The retail chains currently have increasingly strong market power due to a number of factors.

- Retail chains have strong market power which they use to, for example, pay low rent for space in shopping centres.
- It is also relatively easier for retail chains to secure licences as opposed to small independent liquor stores.
- Retail stores also offer convenience to the customer.

The Gauteng provincial government has voiced concerns about the consequences of monopoly in the retail liquor trade in the province. The concerns related mostly to liquor licence applications of major retailers such as Woolworths, Checkers, Pick n Pay, Spar, Massmart and Liquor City. The monopoly relates to “fronting” by large retailers in which the large retailers obtain liquor licences on the pretext of collaborating with previously disadvantaged persons for the advancement of BEE.

However, the four largest retail chains have less than 10% of the total off-premises liquor sales in the South African market.

Currently beer (clear and traditional/sorghum) has the largest market share of the South African liquor industry, followed by wine and spirits.

According to DNA Economics (which used fairly wide definitions of the boundaries of markets, which tends to reduce the market shares of participants in any given segment), a presumption of dominance is made for SAB in beer (with around 85% market share), and Distell in wine, spirits, and ciders and ready-to-drinks (market shares of around 39%, 36% and 40% respectively, with the Competition Act presuming dominance at over 35% market share). In the sorghum beer market, United National Breweries’ (UNB) dominance may be threatened by high degrees of substitutability with the concoctions market, and more analysis into this relationship is needed before concluding that UNB does in fact have market power.

Unlicensed shebeens are viewed as competition in the townships as they provide homebrew beer that is cheaper than commercially brewed beer.

Barriers to Entry

Barriers to entry in the liquor industry are quite high; the major barriers are listed below.

- The establishment of a vineyard is a long-term, capital intensive task which will influence the type and quality of wine for the next 20 years.
- Producing wine, beer and distilled spirits requires employees with specialised knowledge.
- Buying a franchise and the set-up of a retail outlet requires a large capital investment. For example, Liquor City estimates that it costs between R1.5 million and R2.5 million to start one of their franchise stores.
- It is a highly regulated industry with numerous laws, licences and regulations. It is also expensive, with the acquisition of a liquor licence costing up to R20 000.
- There are tariff barriers for players involved in the import and export of liquor products while non-tariff barriers such as sanitary measures and label requirements also exist.
- So-called "dark marketing" in a market where advertising of alcohol is banned raises the barriers of entry for new products – when markets go dark, weaker brands suffer more, and incumbents get stronger.
- Entering the market as a smaller liquor retail establishment is difficult as competitors have established distribution channels, superior economies of scale due to the ability for bulk purchases, knowledge of customer preferences and needs, and established brands.

Black Economic Empowerment/transformation in the industry – status quo

The following section highlights key strategic transformative investments undertaken by some of the dominant players in the alcohol industry. While it is acknowledged that the domestic alcohol industry is relatively uncompetitive, this has to some extent been limited by long term social-economic transformation projects. These projects essentially represent a reinvestment of the profits, generated as a result of market dominance, back into the economy. These investment initiatives essentially limit social costs, with the potential of creating longer term economic opportunities by encouraging entrepreneurship and local economic development.

The below-mentioned initiatives demonstrate the extent to which the alcohol industry has contributed to BEE transformation. Capital investment into business support and development programmes has contributed to the net social benefit function of the alcohol industry.

Beer: SAB has undertaken a BEE scheme known as the Zenzele initiative. Under Zenzele, 8.45% of the shares of the South African subsidiary of SABMiller (i.e. the South African Breweries Ltd) have been allocated to SAB employees, qualifying retailers and to a charitable institution. No other BEE initiative has been identified in the sector, as Brandhouse is wholly foreign owned.

Wine: As one of the major agricultural sectors in South Africa, transformation of the wine industry has been prioritised by government. The industry adopted a BEE transformation charter in 2007, one of the key principles of which is a focus on creating new BEE opportunities, in addition to the ownership redistribution of existing firms. At the grape production level, it is estimated that less than 3% of vineyards are black-owned. This is not surprising, given the high entry barriers for new farmers (such as the cost of the farm and necessary equipment), and the fact that roughly 80% of wine grape farms are exempted from BEE compliance requirements since they fall below the R5 million turnover threshold set out by the DTI's codes of good practice.

At the wine production level, levels of BEE ownership are considered low, though there has been a significant increase in the number of producer cellars that have implemented a BEE plan, or are in the process of implementing one. Since 2004, the number of producer cellars with a BEE plan has risen from 35% to 52%. However, ownership appears to be the least favoured element of BEE plans for producer cellars, who are the major producers of wine in South Africa. This may reflect the cooperative structure of many of these producer cellars, and is thus driven by low levels of transformation at farm level.

The larger producer wholesalers, such as Distell, KWV and DGB, have achieved varying levels of BEE ownership. KWV is the first major player in the spirits and wine sectors to achieve level 4 BEE compliance. 15% of Distell's ordinary shares are owned by BEE shareholders and as at 2013, Distell reported level 5 BBBEE compliance. DGB has a 10% BEE shareholding. Overall it is estimated that 4.4% of entities in the wine industry have some degree of black ownership, though this may not accurately reflect the true degree of ownership for non-exempt entities, as it is skewed by the large number of grape producers exempt from BEE compliance.

Spirits: Unlike many other segments of the liquor industry, a large proportion of brands in the spirits market are of international origin. This is reflected in the high share of imports in many spirits categories. The international nature of this market segment therefore limits the extent to which BEE can take place, as BEE stakeholding is by definition excluded in cases where both ownership and production facilities are located offshore. The only significant BEE transaction identified in the spirits market has been undertaken by Distell.

Development of small businesses/SMMEs in the industry – status quo

The potential ban in alcohol advertising is particularly concerning for especially small to medium business enterprises (SMMEs) in the liquor industry. SMMEs are a key driver for new job creation, but are facing several economic challenges. The aggressive growth in excise duties over the years, coupled with growing wage cost pressures, has weighed on profitability margin growth in especially the wine industry.

Beer: The beer market is heavily dominated by incumbent firms, and in particular by SAB, with limited SMME activity in manufacturing activities in particular. Although the craft or micro-brewing sector in South Africa is particularly small, international evidence suggests that it is rare for such firms to hold a substantial portion of market share. For example, various sources suggest that microbreweries supply 2% of the United Kingdom's beer demand, 0.5% of the Czech Republic; less than 1% in Mexico; 4% in Japan; and about 3% in the United States.

A critical success factor for SMME beer producers in South Africa is the ability to place products in front of the customer, either at on-license or off-license outlets. It is thus critical to avoid anti-competitive abuses such as tying and other forms of foreclosure in the beer market. In the beer distribution market, SAB currently chooses to conduct most of its distribution activity in house, a matter which has been the subject of a competition complaint (albeit dismissed on technical grounds). Effectively, external parties are not able to mimic the cost conditions of SAB internal or appointed distributors, and thus cannot compete in the formal distribution market for SAB products. As SAB has the largest share of the beer market, this limits the development of SMME beer distributors. Some SMME development has been encouraged by SAB, including the owner-driver initiative and the appointed distributor system. However, neither owner-drivers nor appointed distributors handle the products of SAB competitors, which affect their ability to grow their businesses and achieve operational independence.

Sorghum beer: The UNB driver-salesperson network constitutes a group of SMME firms in the traditional beer sector. It is not known whether these driver-salespersons are able to distribute the products of other liquor companies as well, which would be desirable from the point of view of promoting SMME development, but might have commercial repercussions for UNB in terms of the efficiency of distribution. In terms of the SMME production of traditional beer, such activity that does exist appears to be taking place in the informal market, among "concoction" producers. The proliferation of such concoctions producers is likely to crowd out legitimate SMME traditional beer production activity, as untaxed informal producers will always have a cost advantage over formal producers, and the traditional beer customer remains very cost sensitive.

Wine: Given that large firms do not dominate the wine industry to the extent apparent in other sectors of the liquor industry, it would appear that there is more scope for SMME activity in the wine sector. The ownership structure of wine and grape producers is highly intertwined, with grape producers often having a shareholding in cellars (either formally or through a co-operative structure) and with private estates often owning their own vineyards, or vice versa.

The majority of firms involved in the wine production chain can be considered small firms, with roughly 80% of grape producers earning less than R5 million annually. This is also reflected in the size of grape producers, with roughly 78% of the over 3 600 producers producing less than 500 tons of grapes annually. At the wine production level there also appears to be a large number of small players, with 430 of the 604 wine producers crushing less than 100 tons of grapes in 2009. However, although these figures may give the appearance of easy entry into the wine industry, this is not always so, for a number of reasons.

First, the wine industry is fairly capital intensive, with substantial land, machinery and human resource investment costs. It is estimated that the average total production cost for wine grapes was close to R27 000 per hectare in 2009, resulting in an estimated average total production cost of roughly R1 900 per ton. For smaller operations that do not have the benefit of economies of scale, this cost can rise substantially. The addition of a wine cellar for the production of wine from grapes can further substantially raise the production cost and investment required. The often prohibitive cost of establishing both a new vineyard and cellar is reflected by the fact that most new cellars have been built on existing wine farms. The sharp increase in private cellars over the last five years can, in part, be attributed to the use of wine farms and cellars as a "lifestyle choice" for wealthier individuals, confirmed by a survey of close to 100 wine farms, where 25% responded that the running or establishment of the wine farm was in order to achieve a lifestyle objective rather than a profit objective. Further, 47% responded that farming was not their principal occupation.

Secondly, experience and a combination of business and sector specific skills are key contributing factors to the successful establishment of a wine farm. The longevity of the farm and cellar are key issues in determining the success of the establishment, with a significant proportion of the small farms and cellars having been in operation for long periods.

Finally, the production of wine is dominated by producer cellars (which produce close to 80% of South Africa's wine) which operate on a co-operative system with grape producers. This can serve as an impediment to prospective new entrants at the grape production level, which would require access to producer cellars, an unlikely scenario in a market with excess wine supply. Private wine cellars accounted for only 13% of domestic sales in 2009, reflecting the dominance of the larger wine producers.

Spirits: The spirits market is increasingly dominated by a focus on international brands and aspirational brands. Both trends tend to mitigate against the development of a vibrant SMME sector in spirits, as international deals and the often substantial marketing expenditure associated with building brands are both out of reach for many SMMEs. SMME spirits production may therefore be limited to niche markets for indigenous specialities such as witblits and mampoer. There may be greater scope for SMME development in the distribution of spirits. However, the ability of the distributor to offer a basket of liquor products is advantageous from a competitive point-of-view, which may tend to crowd out very small SMMEs, which have less ability to finance the necessary inventory.

Impact of advertising ban on competition, transformation and SMME's development

A potential ban on advertising in the alcohol industry would result in further distortion in competitive pressures in the industry – this is also the view of key stakeholders in the industry itself. In the face of the potential elimination of advertising and marketing competitive forces, dominant players in the industry are sure to entrench their substantial market shares.

Meanwhile, under the potential scenario of a total ban in alcohol advertising, smaller companies would be forced to continue operating in a compressed profit margin environment, with little or no prospect to generate volume growth. Subsequently, this environment is likely to encourage further consolidation in the industry in the longer run as dominant businesses in the industry seek to increase sales volumes through mergers and acquisitions of smaller higher growth potential businesses. This would perpetuate the current inefficiencies produced by the already inefficient industrial organisation of the liquor industry.

If a complete ban on alcohol advertising is implemented, ATL advertising will disappear, and the manufacturers will compete for retail shelf space as a means for marketing, which will push the price for shelf space up. Smaller players will also not be able to compete with the bigger players for more expensive shelf space, thereby losing out on another avenue for marketing.

With high barriers to entry, a ban on alcohol advertising will inhibit transformation in the liquor industry further, as it would hamper small BEE players to advertise their products and break into the market through marketing and advertising.

The prospective removal of strategic marketing through brand and product advertising will further compound pressures on revenue and profitability growth in the small business sector. This poses a potential threat to longer term sustainability of businesses, specifically SMMEs, which will generate a negative unintended impact on one of government's key macroeconomic policy objectives of fostering job creation and enterprise development.

While the possible consequences from the potential ban in alcohol advertising for businesses in the wine industry, for example, do not appear to be significant at a macro-economic scale, the negative impulse generated by the imposition of legislation, which impacts adversely on businesses and enterprise development is likely to feed negatively into overall business confidence.

With emerging businesses unable to improve on profit margin growth due to a strategic dislocation as a result of the inability to advertise and grow the sales volume base, sustainability of these microenterprises will be determined by the effectiveness of cost control strategies. Labour, being the biggest driver of input costs for especially small to medium enterprises, stands to be the major source in which efficiency gains can be extracted. Employment absorption levels are therefore likely to respond negatively to a rising cost environment which is also influenced by variables that company management cannot control (such as resource prices and exchange rates).

View of industry participants

A series of interviews we conducted, as part of our investigations in assessing the economic impact of a potential ban of alcohol advertising, reveal that industry stakeholders also believe that the potential ban will, in fact, entrench the current inefficient industrial organisation. This, they believe, will generate adverse socio-economic ramifications for economic transformation in the industry.

Interviewees firmly believed that the larger industry players will effectively lock-in market share and industry dominance were the ban in alcohol advertising to be implemented. The potential ban on advertising effectively removes the key strategic marketing tool that smaller industry players could've used to improve or at least sustain economically viable profit margin growth. This will increase economic pressures on small businesses in the sector, which are not only key generators of new employment opportunities, but encompass BEE businesses. It is our view that the potential ban on advertising in the alcohol industry is likely to result in adverse implications for the transformation agenda in the alcohol industry.

Major corporates' and institutions' perspective on the impact of potential ban on advertising of alcohol on transformation and competition in the industry are set out below:

Department of Health's viewpoint

Ecmx: **What is your stance on the viewpoint that the ban on advertising will negatively affect transformation in sport, since alcohol manufacturers are large sponsors of sport in SA?**

Freeman: The same thing was said when smoking ads were banned – and this would have had massive implications because most sports were sponsored by them, but many other sponsors came in when they left. It is true that was the time when cellphone companies came into the markets and took over much of the advertising space that was vacated by tobacco advertisers, but the department believes that other players will come into that space if alcohol companies leave. We are looking at alternatives in filling the advertising spaces. One option is a health promotion foundation, like other countries have set up. It may well be possible that if there's sufficient money in the fund, that money will be used to fund advertisements, which promote good health practices – rather than advertise that which is detrimental to one's health. Who would fund it? – A levy on alcohol and tobacco products (which is different and separate to sin taxes). It would be an independent fund used for those activities. Some would see this as a win-win situation, as it increases price, and reduces consumption and therefore the levy would reduce harm/consumption and increase price and also promote good health. With regard to alcohol sponsorships falling away (as was the case with cigarettes) –other companies will move into that market and take their place. One also doesn't want to associate sport with alcohol - from a young age, there is a message entrenched that in order to be a good sportsman/supporter, then you would have to drink alcohol.

Ecmx: **One understands that the economic contribution of alcohol to the overall economy is sizeable. In this regard, the industry view gleaned from stakeholders is that a ban on advertising will stifle competition and create barriers to entry for small players, as well as potential BEE entrants to the industry"**

Freeman: The economic contribution is sizeable, but it is debatable as to whether a marketing ban will completely stifle competition and entry of small players – though the DTI is concerned about this. My initial response is that it does not really matter, in that the main industry players have monopolised the market for so long and stamped out competition through continued marketing anyway. So it could equally be said that advertising keeps competitors out, as much as it doesn't allow competitors in. In the last 30 or so years, there have not in any case been new entrants into the market partly because it is almost impossible for a new entrant to compete against the excessive advertising from the main players. If new players want to enter the market, they will then need to do so without advertising. In this industry, there are a few monopolies that control and keep out competition by the use of advertising. Anyone has the constitutional right to enter the market, but smaller players usually need to use other means.

Other government departments have concerns over the ban, but our view is specifically from a health viewpoint. That's why there has been no decision taken as yet, because not everyone is 100% behind the proposal. How will the ban affect BEE players trying to get into the market? How many new players have entered the industry over the last 30 years – advertising is one of the reasons why the big players have managed to stifle markets, as there is more and more of advertising by these players and they have pushed out the other players.

Ecmx: **Will there be an increase in the illicit alcohol market as a result of the ban?**

Freeman**:** The department does not see why this should be the case.

The advertising and media industry's viewpoint

Ecmx: **What do you foresee will be the competitive effects?**

NAB: NAB not convinced that all the advertising revenue (due to a ban) will be lost, due to the "replacement effect". But a ban would still have a big impact, as alcohol adspend forms a greater portion of the inventory. If this inventory is not sold to alcoholic beverages companies – this would reduce the price of average inventory (advertising space). This could allow more players, who could not previously afford to, to then come back in this slots/space. Broadcasters would get less per slot but not lose all their revenue as other players would fill in the slots but this comes in with the competitiveness issue and whether it inhibits and promotes competition in terms of advertising sales is uncertain. If a ban comes into effect, major companies would do more promotional type advertising and BTL advertising would increase significantly.

The ban will affect competitiveness in the liquor industry, with major players' positions being consolidated, and new players will not be able to break into the market.

ACA: The ban would affect competition, since brand awareness would fall away and therefore there is no opportunity to learn of new brands. The entrenched brands would be constantly advertised and their position will be consolidated. Experiential events would increase (such as boat cruises outside of domestic waters). These types of events are very costly and only the big brands would afford this space, and this will therefore create anti-competitive behaviour. It is uncertain whether alcohol companies will invest in finding other solutions or rather invest and fund in distribution instead. There has been a loss in the region of R12 billion on illegal smuggled cigarettes since the tobacco ban, and there might be a similar impact on the alcohol industry.

Ecmx: **Will transformation in the industry be affected?**

ACA: The advertising sector has always been ahead of the transformation curve (ACA's BEE scorecard is even more stringent than DTI's generic scorecard. ACA's scorecard requires 51% black ownership, where the requirement or norm is 26% - DTI). These targets are compulsory and increase transformation. If advertising agencies have to close down (due to the ban), transformation will be affected, because these agencies are all locally owned/emerging with more than 50% (of the 120) all servicing alcohol ads in one way or another. The alcohol industry is a significant client in all disciplines of advertising (above the line, below the line, through the line, PR, digital, events, and sponsorships).

Continental: Outdoor is a substantial BEE environment: we sub-contract all bill-posting out to small contractors - in this way small business development increases. All BEE companies that do billboards would thus be affected; and all bill-posting are done by BEE companies. Transformation will be affected by the advertising ban.

Media Shop: The potential ban on alcohol advertising would have asymmetric financial consequences for bigger and smaller players in the industry respectively. Drawing parallel from the experience from the tobacco advertising ban, it is believed that the ban on alcohol advertising would generate a decline in consumption volumes, at least in the shorter term. This anticipated decline in industry volume sales would further weigh on profitability metrics for smaller businesses in the industry as revenue growth is further constrained.

BMI: We believe that the potential ban on alcohol advertising will have significant anti-competitive effects. It is argued that the ban on advertising in the alcohol industry could potentially lock-in the current market structure, which is inefficient, perpetually. This would effectively strangle smaller companies with limited brand recognition. The resultant anti-competitive pricing strategies would result in net social cost and a reduction in net social welfare. Over and above the direct anti-competitive implications, the potential ban on alcohol advertising is likely to have several adverse consequences for the socio-economic transformative process. From a social perspective, the alcohol industry has invested significant amounts of capital into sports development programmes, which have contributed to social transformation and the advancement of marginalised groups in South Africa. The advertising ban threatens further advancement of this process. The industry has also invested significantly into the social transformative process for responsible alcohol consumption and the risks associated with illegal consumption. The ban on alcohol advertising will curtail this process, which could result in adverse consequences on social behavioural trends.

Manufacturers' and distributors' viewpoint

Ecmx: **What do you foresee will be major anti-competitive effects from such legislation in the SA alcoholic beverage sector? What will the impact be on smaller players?**

Pernod Ricard: The market will be dominated by big players (monopolistic conditions), smaller players will not be able to afford retail shelf space which will be at a premium, will severely stint the growth of entrepreneurship in this sector.

DGB: The huge concentration of power that exists in the South African beer, spirit and wine industry, and an advertising ban would only further entrench the dominant position of the major players. New entrants and emerging brands would find it well neigh impossible to compete and what chance would new start-up businesses and new entrants have in trying to enter this category. Advertising is only a part of the marketing mix but it is extremely important to alert consumers and liquor retailers and on consumption operators as to the launch of new brands where thereafter consumers use promotions and by word-of-mouth to broaden trial especially with consumers in their early twenties who are not fixed in their ways or linked to specific brands but rather want to enjoy some variety before they choose which is their preferred alcoholic beverage.

KWV: Market is dominated by the larger players, and smaller players will be throttled. This is inevitable. Categories will decline, excise revenue will suffer.

Brandhouse: Small or new players will have no space to match the vast distribution networks needed to sustain supply. Good brands should be able to retain their current market share, supported by high availability levels and new innovation will build around those established brands. Unknown brands will have major difficulty launching at a sustainable scale. From the market share perspective, this may freeze at the current set up of one major player (SAB) plus two medium size competitors (Brandhouse and Distell). Smaller players may not be able to sustain themselves with stagnant smaller sales volume and may lose out to the established three players.

SAB: We believe that the potential alcohol advertising ban will favour larger players at the expense of the smaller players in the industry. It is believed that the potential ad ban will encourage growth in illegitimate products trade as companies' ability to promote safer products will be severely limited. Potential ban of advertising will entrench market shares of players. The potential ban of alcohol advertising is likely to increasing companies' face-to-face marketing budgets. Face-to-face marketing is significantly more expensive than conventional advertising. The additional cost pressures will be a further weight on profitability growth, which will be especially limiting to the longer term sustainability of smaller businesses in the industry.

Pricing issues are likely to come into play as competitive forces are further compromised by the industrial organisation distortion, and because the competitive edge will fall away – this will open the door for consumer to face high prices. In this regard, it is believed that craft brewers and other small players in the industry are likely to be severely impacted. Further supply-chain implications will see profitability metrics for farmers and the agricultural sector in general being negatively impacted. Further to this, the current National Liquor Act provisions on new players and transformation would be impossible to administrate, together with provincial liquor acts. Whilst regulation may be changed at the stroke of a pen, but the implementation/enforcement thereof may be difficult. Good self-regulation will be nullified.

Wholesalers' viewpoint

Ecmx: **What do you foresee will be major anti-competitive effects from such legislation in the SA alcoholic beverage sector? What will the impact be on smaller players?**

Makro: I believe that it will be anti- competitive as the major brands that currently dominate the market will continue to dominate as we will not be afforded the opportunity of marketing new and opposition products against the brand leaders. This will have a major impact on the small manufacturer or supplier and plays into the hands of the current multi-national manufacturers/suppliers. It will discourage new entrepreneurs into this market.

Masscash/Massmart: In countries where there was a ban on advertising, suppliers stayed as they were in terms of standing in the market. This takes away the competitive edge from smaller companies trying to develop and build. With bigger suppliers maintaining monopoly and possibly abusing their position of power even more. Our internal marketing department will obviously be affected and restructuring and or retrenching of staff would occur.

Spar: All outlets will have to rely on word of mouth and or store loyalty. The smaller independents will definitely be at a disadvantage.

SYNOPSIS OF KEY POINTS

Viewpoints from Department of Health

- The DoH regards alcohol as a major risk factor for health (many alcohol related deaths, violence related to people with high BACs, risks for HIV, TB, cancer, heart diseases etc.). There is a strong need from DoH to reduce costs – and therefore to concentrate on risk factors, of which alcohol is a major risk factor.

- The WHO has called for countries to upscale efforts to address the harmful use of alcohol. The DoH's strategy to curb the harmful use of alcohol in South Africa has therefore been informed by the WHO's "*Global Strategy to Reduce the Harmful Use of Alcohol*". The WHO suggests four out of five major measures that they recommend to be taken. At the top of list is price and taxation, followed by advertising – the DoH feels that a ban on advertising could be the easiest and most cost-effective policy to implement.

- The public health approach aims to make the environment less 'pro-alcohol' and reduce hazardous and harmful drinking through measures to shift the population curve for per capita consumption of alcohol downwards. In the South African Declaration for Prevention and Control of Non-communicable Diseases, the DoH's 2020 target is to reduce the relative per capita consumption of alcohol by 20% – one of policies to attain this is banning alcohol advertising However, the DoH is not clear on how much alcohol volumes would be impacted by a total ban on alcohol advertising.

- The emphasis of DoH is on alcohol related harm; and an increase in consumption leads to an increase in harm. The DoH believes there is a positive correlation between advertising and consumption, and that a ban on advertising alcoholic beverages will therefore be an effective policy measure. They base this on certain studies that support this assumption.

- According to DoH advertising starts people drinking at younger ages, as adverts make the product seem attractive and glamorous. It is unethical to allow products to be promoted and advertised, as if they do not cause any harm.

- Regarding the potential job losses that could occur in the industry (as a result of a total ban); the DoH is of the view that the cost of the related harm far outweighed the economic benefits the industry brought. Any "gap" that will open up due to the ban will be filled by other advertisers (such as cellphone suppliers), as was the case when tobacco advertising was banned.
- Efforts are under way to establish a Health Promotion Foundation in South Africa, funded possibly through a levy on alcohol and tobacco excise taxes. This fund could be used to buy advertising space to promote pro-health messages. Should this occur in South Africa, in their opinion, it is likely to provide an opportunity for revenue for advertising companies.

Viewpoints from Discovery Vitality

- Dr. Yach (Discovery Vitality) advocates a step-by-step approach to prohibiting alcohol advertising, arguing it would be best to work with the industry to target priority areas, rather than impose a wholesale ban. The latter is not politically feasible and will not get public support.
- Target areas that government should work together with the industry on tackling are underage drinking and drunk driving.
- One cannot use the blueprint of the ban on tobacco advertising and apply it to this situation – a more nuanced approach is required.
- Suggestions by Dr. Yach on how to address these target areas are: (a) more visible permanent government led media campaigns; government should step up actions on effective messages related to alcohol control, and visible monitoring of drunk driving; (b) government must bring industry together and ask them to provide explicit commitments to tackle underage drinking and drunk driving that would be linked/assessed to metrics overseen by an independent audit group; (c) government must engage with insurance companies on how they might support such efforts through including incentives and penalties into motor vehicle policies.

Viewpoints of advertising/media industry

- The total amount of ATL TV advertising revenue from alcoholic beverages will be lost. The result of a complete ban is that above the line advertising will flow to below the line. The commercial reality is that the ban will not stop marketing, as the advertisers will find other ways to market.
- Losses of the SABC are expected to be huge – this may have implications for public service requirements of the broadcaster. The lack of revenue could possibly impact on the production of local content programming.
- **Advertising industry**: Advertising expenditure is expected to fall in years to come due to the move to digital platforms, and therefore the (traditional) advertising industry is not in a healthy space; the impact of a ban on alcoholic beverages adspend will exacerbate this situation over time. As the industry is already quite stretched in terms of resources, a loss of jobs (due to the ban), would exacerbate this situation. In case of a ban, the less skilled employees would probably be retrenched, while the more skilled people would be retained. Employment in the advertising industry will take some strain, as the industry is not growing fast enough. Those advertising agencies, which solely do work for SAB, will be detrimentally affected. Companies affected include ATL and BTL advertisers, design, sponsorship and event companies. Ancillary/downstream industries, which will also be affected by the ban, include: freelance graphic designers and catering companies, writing of advertising copies, commercial art work and signwriting; outdoor advertising, e.g. billboards, panels, window-dressing, showroom design, car and bus carding, etc.; media representation, (i.e. the sale of time and space for various media soliciting advertising); aerial advertising; distribution or delivery of advertising material or samples; renting of space for advertising; printing of advertising material; marketing research; manufacture of advertising displays, number plates and signs; public relations activities; direct mailing activities; and production of commercial messages for radio, television and film, (production studios).
- **Print**: The potential ban will have significant supply chain effects within the print media industry. The estimated loss of print advertising revenue is just below R100 million. The inserts market will be particularly hard hit by a ban. The print media is currently already losing revenue and advertising (as more companies are moving to digital platforms) and therefore if alcohol advertising revenue is also taken out, it will place more pressure on an already stressed industry. For a struggling industry, already under strain, R100 million, will still have a negative impact on profitability, which will affect investment and restructuring of

the industry. The potential ban on alcohol advertising is seen to have an asymmetric effect within the print media industry. While there is a recognized potential sizeable financial impact, the impact on employment will probably be marginal. A ban will also result in sustainability issue for smaller players within the industry. Given the confluence of risks faced by the industry, including the threat from digital media, print media stakeholders are suggesting a hybrid approach to dealing with alcohol advertising instead of an outright ban.

- **Outdoor**: A reduced demand for outdoor advertising and the number of signs will have a knock-on effect for Johannesburg City Property, small landlords and municipalities and public buildings. There are not any emerging industries on the horizon, which can provide revenue sources to fill in the gap of the alcohol advertising loss. OOH media will face a big challenge in case of a ban, as many out-of-home vendors (mostly less skilled people) do not belong to an association and the alcohol industry is their "bread & butter" and a big contributor to their revenue.
- There is a general industry viewpoint that government is not dealing with the root cause, but rather attempting to treat the symptoms. The crux of the abuse problem is seen to lie within the illegal liquor sector (i.e. illegal shebeens, homebrews/concoctions), and that this sector is not regulated or targeted by government. This sector (which constitutes of over 120,000 outlets vs. 50,000-60,000 legal outlets) does not advertise, and therefore would not be affected by government's policy measure of instituting a ban on alcohol advertising – the ban will therefore not solve the problem of abuse. 73% of South Africans don't drink and yet they are exposed to the same alcohol ads; of the 27% of South Africans who do drink, only a small percentage consume branding products; the rest consume home brews. A more efficient use of the legislation should instead be considered as a solution to alcohol abuse. A complete ban may be ineffective as a policy measure, yet have devastating economic implications.
- When tobacco advertising was banned, it involved loss of revenue to media of only R200 million. An advertising ban on alcohol will involve a loss of well over R3 billion to the media industry, if one takes into account advertising and sports sponsorships, as well as their myriad support industries.
- Broadcasters would not be able to broadcast sports and lifestyle programming containing embedded liquor sponsorship or branded content.
- According to many cultures, drinking is a matter of lifestyle and attitude. Advertising speaks only to discerning minds – a worker who goes to a bar to relax with his friends after work, will continue to go - advertising or no advertising. Advertising only promotes the equity of a brand.

Viewpoints of manufacturers and distributors

- Consumers will be less informed, and will not be aware of any new brands/products/innovations (that will provide more value for money etc.) – consumers will thus suffer a lack of choice. It will be easier for misinformation to spread in the absence of formal communication stream. Advertising and promotion plays a huge educational role in the wine industry, for example, where consumers are always looking at broadening their knowledge of wines. The wine industry will also lose key communication tool i.e. magazine and newspaper editorials. Regarding new product development, it is almost impossible to launch a new brand without the facility of advertising.
- Excise increases have the effect of reducing (a) legal industry alcohol volumes and (b) sales revenues. Consumers respond to price hikes by consuming less of the brand; or trade down towards cheaper brand alternatives and particularly so for lower income consumers there would be a high propensity to consume illicit product (knowingly) at much lower price points; and/or switching altogether to other non-durable consumables (foodstuffs, beverages, etc.).
- The concomitant effect of an advertising ban, coupled with major excise hikes, is that the product price increases substantially to the consumer, but the manufacturer is not allowed or has limited means to build, via advertising, the value proposition and equity of the brand (build brand distinctiveness) and to demonstrate to consumers why they should still buy their brand at a higher price. Excise prices push up price of alcohol, and if one cannot advertise to illustrate to the consumer the value of the product, one cannot justify these price increases. The current post recession economic climate with consumer spend under pressure in South Africa adds further impetus to this. As a result, a major risk factor is that some consumers will trade down to illicit products which has limited brand equity but is provided at a very low price, since the legal liquor trade has limited means to build brand

distinctiveness at higher price points. In this manner, alcohol advert bans can actually contribute to promote alcohol illicit trade in South Africa, which is estimated at 20-26% of total alcohol volumes consumed.

- A significant proportion of the alcohol abuse possibly lies, or is associated with the illegal liquor market, rather than the formal legal liquor market. An outright ban on advertising and excessive price increases on legal alcoholic beverages could actually increase the illegal industry, cause an increase in consumption of alcohol and would, as a result, increase alcohol abuse together with its associated costs.
- A ban would hinder distributors to build market shares for these global brands in South Africa, driving perceptions about quality (compared to other similar products) and growing brand loyalty.
- The ban will result in a far greater marketing spend on other forms of marketing – e.g. face to face marketing – this will increase the cost of contact, and will result in an above-inflationary impact (as the cost-per-consumer will go up).
- The ban will negatively affect innovation, as the manufacturer/distributor will not be able to take a product to a new market. An example would be cutting back on innovation around lower alcohol volume products, or communication around drinking and driving (the industry will not be able to advertise responsible drinking). Advertising and promotional practices have been for some time now attuned to the goal of responsible consumption of alcoholic beverages; a ban will hinder, not help, the industry's ability to communicate these messages. Unless companies have the ability to promote safer (lower alcohol volume) products, the problem of illicit alcohol will grow. There is also a risk is that the industry will revert to the "tried and trusted" products.
- The employment impact of a ban ranges from marginal to severe among liquor manufacturers and distributors. Job losses will be incurred from marketing, promotions and design departments and advertising and media companies. An advertising ban would severely curtail the ability to grow a business in South Africa, and retrenchments are therefore an option in order to reduce the size of South African operations and utilise these savings to redeploy people into the African markets where we can advertise, promote and build brands.
- Industry participants agree on the anticompetitive ramifications of advertising ban in the alcohol industry. The monopolistic condition will prevail, as a ban would severely curtail smaller players' ability to "enter into the market" and build their brands against the bigger dominant brands. A potential ban will therefore benefit established/dominant players/brands as these would remain well entrenched. Examples of dominant shares are Brandhouse (whisky and vodka), Distell (brandy) and SAB (beer), so any new emerging entrant would find it impossible to communicate effectively with consumers without advertising, and a ban would thus only further entrench the power base of the existing brands and stifle consumer choice.
- A ban would lead to companies growing "below plan", as they would not be able to grow their market share. A competitive environment is essential for trade growth, especially in industries that have historical dominance of one major player. Advertising is essential in shifting market share and promoting growth of new market entrants (not necessarily growing the overall alcohol market). Growth or shifts in market share (such as between SAB and Brandhouse) has taken place in the context of marketing freedom.
- An advertising ban will have a bigger impact on businesses built around higher priced premium brands, where advertising and promotion is an integral part of the brand building exercise, and not have the same impact on the lower priced brands (which doesn't add as much value to the industry).
- A ban could force manufacturers/distributors to allocate a major part of their advertising, R&D and marketing budgets to their operating profit – a significant portion of which could find its way back to offshore shareholders as increased dividends.

Viewpoints of wholesalers and retailers

- If the ban comes into place, there will be no or limited opportunity to engage with customers and consumers from a liquor product level on price, promotion and marketing. Wholesalers/retailers will not be able to advertise new products or specials to the market.
- Liquor stores historically operate on low margins so space has always been limited because of their cost model.

- Promotional companies will also be affected as companies will not be able to promote at events and gatherings or sponsor organisations like sports clubs and charities. Companies that they outsource their advertising work to would be negatively affected, as they support local to uplift those communities. Their direct liquor suppliers will be affected as they will no longer require the services of brand builders, marketing teams and fewer representatives would be required in their business. They could now represent their business centrally.
- Staff in marketing departments would have to be reduced and the companies that do their printing would reduce staff accordingly.
- Smaller companies who have been building and investing in their brands over the last couple of years will lose all momentum. This could potentially lead to some of them not been able to sustain their business which will lead to them downsizing or closing.
- Consumers will end up shopping where it is convenient for them, possibly paying more as they will not be able to have a reference for product and price vs. other products and competitors. This means that the grocers will have the advantage, because of their offering of grocery and liquor store right next to each other. Grocers also carry most of their cost through the main store and not the liquor store. To expect all independents to move into convenient spaces like shopping malls will be impossible as the increase in cost is not sustainable and most centres have liquor stores owned by the grocery retailers already.
- Consumers will end up paying more for alcohol because with no advertising to keep the industry competitive retailers will end up lifting prices to compensate for loss of business, or they will lift prices because the store is convenient and people don't question price.
- It would also lead to cheaper, possible counterfeit and inferior or illegal products (excise evasion) as new entrants enter into the market (especially in the main market, which is an easy access outlet for these products). The government already has an issue dealing with these products. All liquor stakeholders would re-consider their involvement with promoting legal and responsible liquor initiatives like ARA for education to the communities.
- Alcohol manufacturers/distributors will compete aggressively for shelf space – the bigger players will buy most of the space (as they can afford to). This will crowd out the smaller players completely. There will be no avenue for them to get their brand name into the marketplace.

Impact on sponsorships

- Total direct corporate sponsorship spend in South Africa has grown from R63 million in 1985 to over R4.3 billion in 2011. Leverage spend have been estimated to total a further R2.5 billion, which implies a total sponsorship industry capitalisation of approximately R7 billion.
- Alcohol brands account for between 5-10% overall on average (this translates into R215 million to R430 million in *direct* corporate sponsorship contributions and between R350 million and R700 million in total sponsorship). A potential *direct* financial injection of approximately R430 million stands to be eliminated from the domestic sponsorship market, assuming a total alcohol advertising ban is instituted.
- Most of the liquor industry's sponsorship strategy is heavily concentrated on supporting sporting activities (almost 80% of total liquor industry sponsorships are directed towards sport). The reason is that it offers the highest potential return on invested funds, given the lucrative marketing platform and leverage offered by sports activities and events offered by sporting activities and events.
- Given this large dependency on sponsored funds, many of the sports disciplines will be adversely impacted on by a total ban in alcohol advertising, as it will eliminate the liquor industry's financial injection into the various sporting codes. As a result of the alcohol industry's dominant share in the sports sponsorship industry, several major sporting codes (such as soccer, cricket and rugby), as well as the peripheral codes will be threatened by the potential loss of sponsorship funding from the alcohol industry.
- When considering sports sponsorship ban there will be an impact not simply on the sports bodies themselves, but on the sportsmen and women, on sport development, on stadium owners, and on the general public who might not be able to view sports on television (as television stations will not be able to raise the sponsorship required).

- The top ten sponsors generally account for more than 50% of the total sponsorship expenditure (with the biggest three contributors being telecommunications, airlines, and the alcohol industry). To lose even just one of these major sponsors from this list will clearly not go unnoticed.
- A ban on advertising (which will result in a direct financial injection of R430-R600 million being eliminated from the sponsorship market) is likely to negatively affect: transformation in sports and sports development, sport federations, promotions, and a number of cultural activities as the liquor trade industry is a significant sponsor and sports development is largely funded by alcohol related promotions; advertising agencies (and their downstream industries such as printers), events companies, hospitality industries, leverage companies, which could all possibly close down as a result; South Africa's ability to host international sporting events, as these are usually sponsored by beer companies.
- The liquor industry's direct financial contribution to the domestic sponsorship market has contributed significantly to the development of sports and its associated peripheral industries. This has aided South Africa's capability to host mega sports events, such as the FIFA World Cup. A weakened corporate sports sponsorship environment could impede on South Africa's value proposition and ability to host these major sporting events, e.g. the Olympics, in the future
- Domestic sports development benefits from sponsorship deals from the alcohol industry. The liquor industry's sponsorships contribute approximately R40 million per annum to major sporting codes' development programmes. If an alcohol company sponsors a major sports team, a certain portion of the money is also allocated to development and filters through to the grassroots sports level. In case of a ban, South Africa's largest football development league (30 000 youths playing weekly in SAFA run league) will lose its sponsor, while development coaching programme will lose its funding.
- The potential loss of sponsorship funds could therefore impact adversely on domestic sports development structures and objectives. This could have a negative impact on the performance of national sports teams in the longer run. Poor sporting performance at the national level could detract other corporate sports sponsorship outside of the liquor industry. The pressure on development programmes (if sponsorships are banned) will compromise transformation efforts in sports.
- The primary risk from an alcohol sponsorship ban on domestic sports development is likely to be concentrated on peripheral sporting codes benefiting from liquor industry funding support. While these may not carry the financial clout of the major sporting codes, given the relatively lower inherent return on sponsorship investment, there is a risk of total collapse in the structures within these peripheral sporting codes. A collapse in peripheral sporting codes may have adverse longer term socioeconomic consequences.
- A ban is likely to have a huge impact on music, arts and cultural festivals and events. The impact will be extensive, as many clubs, festivals and the music circuit in general rely heavily on sponsorship in order to employ artists.
- In contrast to when cigarette advertising was banned, there is not an emerging industry (such as cellphone industry) to step in and take over the existing sponsorships.
- Given the role advertising leveraging plays in liquor industry-sponsored sports development projects, these projects would more than likely be curtailed or abandoned, should the liquor industry not be able to derive any added-value benefit.

Impact on competition, transformation and SMME development

- The South African alcohol industry is a mature and saturated market – the industry players therefore only compete for market share. Consumer buying power is strong as customers have a wide choice enabling them to shift quickly between brands and retailers. Substitutes between alcoholic beverages are a major threat to players in the industry. Fast changing consumer taste and trends may lead to an increase in consumption of a category of drink at the expense of another. As alcohol is seen as a discretionary expense, it can easily be substituted by other beverages such as soft drinks.
- The liquor industry is not a very competitive industry and barriers to entry to the market are quite high. The industry is highly concentrated, dominated by a few companies with high levels of horizontal and vertical integration, especially in the beer and spirits categories of the industry. To promote a highly competitive environment, one should be able to grow your brand through adspend.

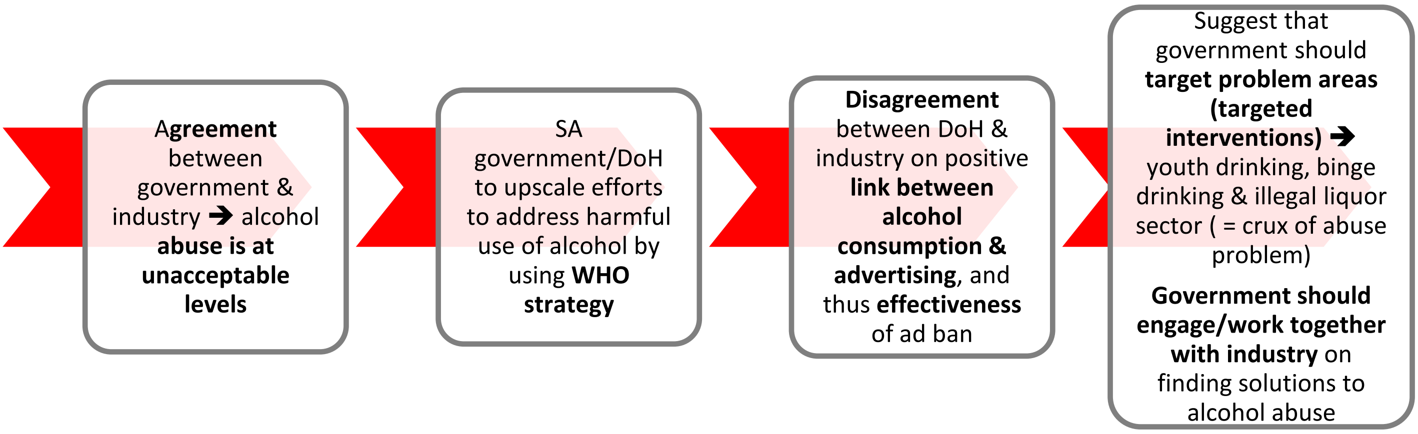
- If a complete ban on alcohol advertising is implemented, ATL advertising will disappear, and demand for shelf space will increase. Manufacturers/distributors will increasingly compete for retail shelf space as a means for marketing, which will push the price for shelf space up. Smaller players will also not be able to compete with the bigger players for more expensive shelf space, thereby losing out on another avenue for marketing (i.e. to build brand presence in-store) and severely stinting the growth of entrepreneurship in this sector.
- ATL will flow to BTL advertising. The entrenched brands would be constantly advertised and their position will be consolidated. Experiential and BTL events would increase, which are very costly, and only the big brands would be able to afford this, resulting in more anti-competitive behaviour.
- If a complete ban is implemented in South Africa, it is highly likely that there will be a massive shift from ATL type advertising and other types of advertising (digital, social media, etc.) towards investing for market presence in the trade (liquor outlets), since this will then become the most prominent channel for communicating with the consumer to sustain brand awareness and visibility.
- Investment in the trade for a liquor manufacturer entails gaining optimal distribution (maximum outlet reach) and securing shelf space & facings, gondola ends, points of sale, cold space (fridges, etc.) as well as investment in promotions of the brand in-store. *Securing shelf space to sustain brand visibility will become a major strategic imperative for many of the alcohol manufacturers.* Space is a finite commodity in the liquor retail trade; more particularly so with increased focus from government's side to reduce the density of liquor outlets in SA.
- The consolidation of channels available for advertising to only the retail liquor trade outlets will due to supply- demand forces significantly increase the cost of doing business for alcohol brand manufacturers as this remains their only channel of communication to the consumer which will then be essentially *exclusively owned by the retail outlets which by itself is following a consolidation trend*. In the context of a major shift of formal media spend towards trade (outlet) investment as well as rising costs of doing business in this retail channel, there is a very high probability that smaller alcohol brand manufacturers could be crowded out and in all likelihood will lessen their current presence in the retail trade outlets. Formal media advertising is dominated by the top three/four alcohol manufacturers in South Africa. Affordability is a major issue for smaller companies, in particular wine producers to advertise in ATL media channels. Hence it is common market practice for these smaller companies to do more of their market investment in the retail trade outlets via in-store promotions, merchandising gondola ends; gifting & value add products, etc which is more targeted but at lower costs and consumer reach.
- With high barriers to entry, a ban on alcohol advertising will inhibit transformation in the liquor industry further, as it would hamper small BEE players to advertise their products and break into the market through marketing and advertising.
- The beer market is heavily dominated by incumbent firms (in particular by SAB) with limited SMME activity in manufacturing activities, in particular. Large firms do not dominate the wine industry and there is more scope for SMME activity in the wine sector. The majority of firms in the wine production chain are small firms, and at the wine production level there are also a large number of small players. The spirits market is increasingly dominated by a focus on international brands and aspirational brands, which is not conducive to a strong SMME sector; SMME spirits production may therefore be limited to niche markets for specialities such as witblits.
- Under a total ban in alcohol advertising, smaller companies would be forced to continue operating in a compressed profit margin environment, with little or no prospect to generate volume growth. This environment is likely to encourage further consolidation in the industry in the longer run as dominant businesses in the industry seek to increase sales volumes through mergers and acquisitions of smaller higher growth potential businesses. This would perpetuate the current inefficiencies produced by the already inefficient industrial organisation of the liquor industry.
- The prospective removal of strategic marketing through brand and product advertising will further compound pressures on revenue and profitability growth in the small business sector. Smaller players may not be able to sustain themselves with stagnant smaller sales volume and may lose out to the established three players. This poses a potential threat to longer term sustainability of businesses, specifically SMMEs, which will generate a negative unintended impact on one of government's key macroeconomic policy objectives of fostering job creation and small enterprise development.

- A potential ban on advertising in the alcohol industry would result in further distortion in competitive pressures in the industry – this is also the view of key stakeholders in the industry itself. In the face of the potential elimination of advertising and marketing competitive forces, dominant players in the industry will entrench, or effectively lock-in, their substantial market shares/structure (this has been seen globally in countries with an ad ban). The resultant anti-competitive pricing strategies would be detrimental for smaller companies with limited brand recognition and will also result in net social cost and a reduction in net social welfare.
- New entrants and emerging brands would find it almost impossible to compete or try to enter the industry, increasing the barriers to entry even more. This would effectively strangle smaller companies with limited brand recognition.
- The potential ban on advertising effectively removes the key strategic marketing tool that smaller industry players could have used to improve or at least sustain economically viable profit margin growth. This will increase economic pressures on small businesses in the sector, which encompass BEE businesses. The potential ban on advertising in the alcohol industry is therefore likely to result in adverse implications for the transformation agenda in the alcohol industry.
- Out of home sector is a substantial BEE/SMME employer; this type of employment will primarily be affected by an alcohol ban. In excess of 20% of the ads placed in the outdoor advertising medium are from the liquor industry. The percentage varies between the larger outdoor advertising companies, whose income from liquor advertising is about 12%-15%, whereas SMEs have exposure of up to 40% and above. These smaller companies will be prejudiced the most in case of a complete alcohol advertising ban.

Impact on (volume) consumption and abuse

- The consensus from industry is that the impact of a complete ban on alcohol abuse is expected to be negligible, as the majority of the abuse problem can be found in the illegal/unbranded liquor sector. The advertising ban would only impact the legal/branded sector. Furthermore, the impact on substance abuse in poorer areas will be negligible, due to alcohol and substance abuse emanating mainly from non-branded liquor products such as home brews and methylated spirits as well, drugs such as e.g. glue and tik.
- Some industry participants feel that, as the evidence of the link between consumption and advertising is inconclusive, the impact of an advertising ban will have marginal or no impact on consumption volumes; but it will have a huge detrimental impact on the economy. Other participants stated that it is unclear what the volume impact of a ban will be.

Box 16: Overview of debate around alcohol advertising ban



Box 17: Summary of possible *impact* of complete alcohol advertising ban

Economic	Sponsorship	Competition/ transformation/small business development	Other
• Total ATL alcohol adspend will be lost (R1.8 bn, 2012 prices) • Adspend (ATL +BTL) by local manufacturers is estimated to decrease by R2.81bn • Adspend (ATL +BTL) by international manufacturers is estimated to decrease by R1.15bn • Adspend by wholesalers and retailers (ATL +BTL) is estimated to decrease by R99m • Total estimated adspend lost due to ban is R4.386bn (2011 prices) • Job losses in advertising & media companies, manufacturers, distributors and wholesalers (marketing, PR & design areas) - see box below. • Job losses in downstream industries of advertising sector (e.g. printers)- see box below. • Loss of income and possible closuer of many downstream industries • Companies will grow "below plan" as they cannot grow market share • Negative impact on economy: GDP impact = R-7.4bn; 11,954 jobs lost, loss in taxes of R1,783m, exports down by R225m, imports fall by R304m • *For full economic impact see Chapter 7*	• Total sponsorship will be lost (R350m-R700m) • Negative impact on financing of major and peripheral sporting codes • SA's ability to host international sporting events will be hampered • Negative impact on sports development and transformation • Negative impact on on music, arts and cultural festivals	• BTL advertising (more expensive) will increase – this will put pressure on consumer prices, and have anti-competitive impact (as only bigger players can afford BTL adspend) • Lock in market shares of current big players • Impossible for new/emerging/BEE/small players to enter market (increased barriers to entry) • Detrimental impact on growth of BEE and SMME companies, and therefore transformation of industry • Bigger players will compete aggressively for retail shelf space	• Consumers will be less informed; have lack of choice • Negative impact on product innovation • Increase in illegal non-branded liquor market (= increase in abuse). Thus no impact on abuse in poorer areas (mainly consume non-branded products). There are few, if any, controls on this market. An outright ban on advertising and excessive price increases on legal alcoholic beverages could actually increase the illegal industry, cause an increase in consumption of illegal alcohol and could, as a result, increase alcohol abuse together with its associated costs. • Industry will not be able to advertise "responsible drinking" • Inability to broadcast overseas programming containing embedded liquor sponsorship/branded content.

Box 18: Summary of industries that will be affected by a complete advertising ban on alcoholic beverages

Main and downstream industries
•SABC •DStv •Etv •Advertising agencies •Cinemas •Event companies •Newspapers & magazines (print media) •Production houses •Catering companies •Freelance graphic designers •Distribution or delivery of advertising material or samples •Aerial advertising •Media representation companies •Commercial art work and signwriting •Editing houses •Outdoor holding companies (suppliers) - mainly BEE owned •National sporting bodies •Department of Sport •PSL •Stadiums •Small sporting bodies •Sports development /school programmes •Amateur sports people •Sports clubs and charities •Stadiums •International & local artists •Tavern owners •Local merchandising agencies •Printing companies •Students and unemployed that are part-time employed for promotions •Radio stations •Community painters •Local promotional agencies •Manufacture of advertising displays •Marketing research companies •Direct mailing activities •Renting of space for advertising - municipalities, small landlords, owners of buildings •Showroom design •Outdoor advertising companies, e.g. billboards, panels, window-dressing, car and bus carding •Number plates and signage companies •Music clubs and festivals •Arts and cultural festivals

CHAPTER 7

Economic Impact Modelling of an Advertising Ban on Alcoholic Beverages

Introduction

For the economic impact modelling, a 2009 Social Accounting Matrix (SAM) for the SA economy is used. This model is based on the 2009 supply and use structure (as provided by StatsSA) and includes linkages between businesses, households, government and the rest of the world (through imports and exports). Multiplier impacts (indirect and induced) are estimated through a Leontief inverse matrix. A summary of this is approach is provided in the Appendix C.

Net loss of above the line, below the line and sponsorship expenditure due to an alcohol advertising ban

A ban will most likely reduce the above-the-line expenditure and sponsorships (to almost zero) and increase the below-the-line expenditure and promotions. However, as a result of a lack of international evidence, it was estimated that the total advertising expenditure loss to the economy - as a result of the potential ban - is estimated at R4.39 billion (R2.8 billion in advertising expenditure from the domestic and R1.15 billion from international alcoholic beverage companies, plus R98.8 million estimated spend by the wholesale and retail sector and R322.5 million by sport and other sponsorships - see Chapter 5). Although it is a very pessimistic viewpoint, no usable information could be obtained to use as a proxies.

Given a lack of usable information on how the expenditure may change, the economic impact estimation is performed on the **total current potential impact** of the total advertising expenditure (above and below the line) on the economy. This impact information can be 'downscaled', if needed, to estimate the potential net effect if appropriate expenditure proxies or estimates becomes available.

The majority of the direct impacts will be on the broadcasting industry (television, radio and printed media), sport (and other) sponsorships and related direct impacts on advertising agencies, production of commercial messages, printing and publishing and related manufacturing activities (of for example billboard manufacturing).

Economic impact of advertising expenditure by the alcohol industry on the economy

It may further be argued that there will be additional losses to the economy as a result of a reduction of alcoholic beverages consumption given the proposed ban. However, given the theoretical studies discussed in Chapter 5, as well as the insignificant regression equation (see Box 13), the argument can also be made that there will be a very limited impact (if any) on the consumption of alcoholic beverages as a result of the proposed advertising ban. As a result such a potential impact has not been included in the economic impact estimation.

Chapter 4 provides an overview of the sectors that will most likely be impacted on as a result of the proposed advertising ban on alcoholic beverages. These sectors include mainly the printing and publishing media (included as part of 'other services' in the results below), advertising agencies (included as part of 'other business activities' in the results below), sport and other sponsorships (included as part of other services in the results below) and other activities like printing and publishing, making of billboards (other manufacturing) and renting of advertising space (rental services and real estate activities).

These other activities mentioned here will form part of the multiplier impact of the model of the 'other services' and 'other business' sectors, but given that these are aggregated sectors (and not only 'advertising agencies', media etc), the impact will be slightly diluted. As a result, to 'correct' for this, direct impact values are included using the supply-use and annual financial statistics information from StatsSA and industry insight to adjust for the 'printing & publishing', 'paper products', 'other manufacturing', 'financial services' and 'real estate activities' sectors.

Table 37 shows a summary of the potential economic impact as a result of the potential ban using the economic impact model for 2009 and 2011 (impact results are converted to 2009 prices using the headline CPI from StatsSA).

1. **GDP**: The total annual **GDP impact (including the multiplier impact) is estimated at –R7.412 billion** in 2011 prices (or a reduction of 0.28% of GDP). For every R1 expenditure loss, the impact on the GDP will be a loss of -R1.69.
2. **Employment**: The total impact on employment is estimated at -11 954[41] jobs. It is estimated that highly skilled employees will be reduced with -2 573, skilled employees with -5 288 and semi-skilled and unskilled will be reduced with -2 779.
3. **Fiscus**: Total tax income will decrease with R1,783 million.
4. **Trade**: Exports will decrease with R225 million and imports will decrease with R304 million.

Table 37: Summary economic impact results of a potential advertising ban (in 2009 and 2011 prices)

	2009 prices	2011 prices
Direct loss in expenditure (millions)	-R 3 970	-R 4 386
Indirect and induced impact on activities (millions)	-R 9 345	-R 10 324
GDP (economy wide) impact (millions)	**-R 6 709**	**-R 7 412**
Loss in household income (millions)	-R 4 904	-R 5 418
GDP impact ratio	1.69	
Employment impact	**-11 954**	
Of which: Highly skilled	-2 573	
Skilled	-5 288	
Semi-skilled and unskilled	-2 779	
Total formal	*-10 6415*	
Total informal	*-1 313*	
Tax and import duty impact (millions)	**-R 1 614**	**-R 1 783**
Trade impact		
Impact on exports (millions)	-R 203	-R 225
Impact on imports (millions)	-R 275	-R 304

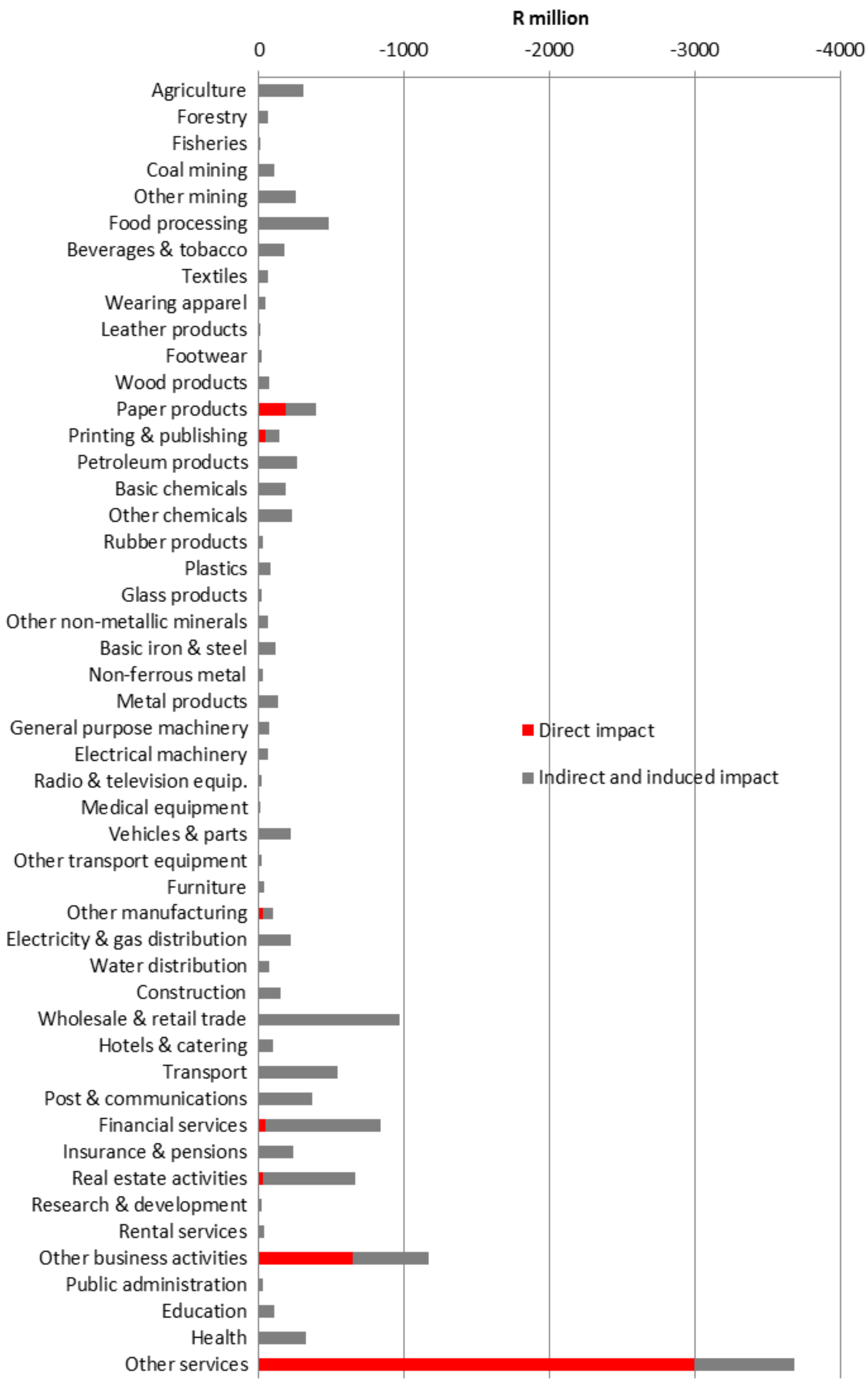
Source: Econometrix

Chart 62**Error! Reference source not found.** shows the direct, as well as the indirect and induced impact on **sector activities** as a result of the potential ban.

[41] *Employment numbers in the "other services" sector in the model has been adjusted given the lower ratios of employment expenditure to total expenditure in the 'radio and television activities' (this is mainly given the high expenditure on royalties, and copyright fees that are estimated at 38% of their expenditure compared to 5.9% of expenditure on wages. This is compared to a sector average expenditure on wages of 21%. The same adjustments are made for sporting activities, and advertising agency activities.*

- The largest direct impact is estimated at –R2.99 billion (in 2009 prices) in the 'other services' sector that includes radio and television activities, production of commercials as well as promotions for sporting activities.
- This is followed by an estimated direct impact of –R648 million on the 'other business activities' sector; mainly as a result of advertising agency losses and provision made for the high 'usage' by the sporting activities sector.
- The largest multiplier impact is in the wholesale and retail sector that is estimated to decrease with –R964.7 million.
- Other sectors that will also have large indirect (and induced) impacts are the financial services sector (-R792.9 million) and other services (R688.7 million).

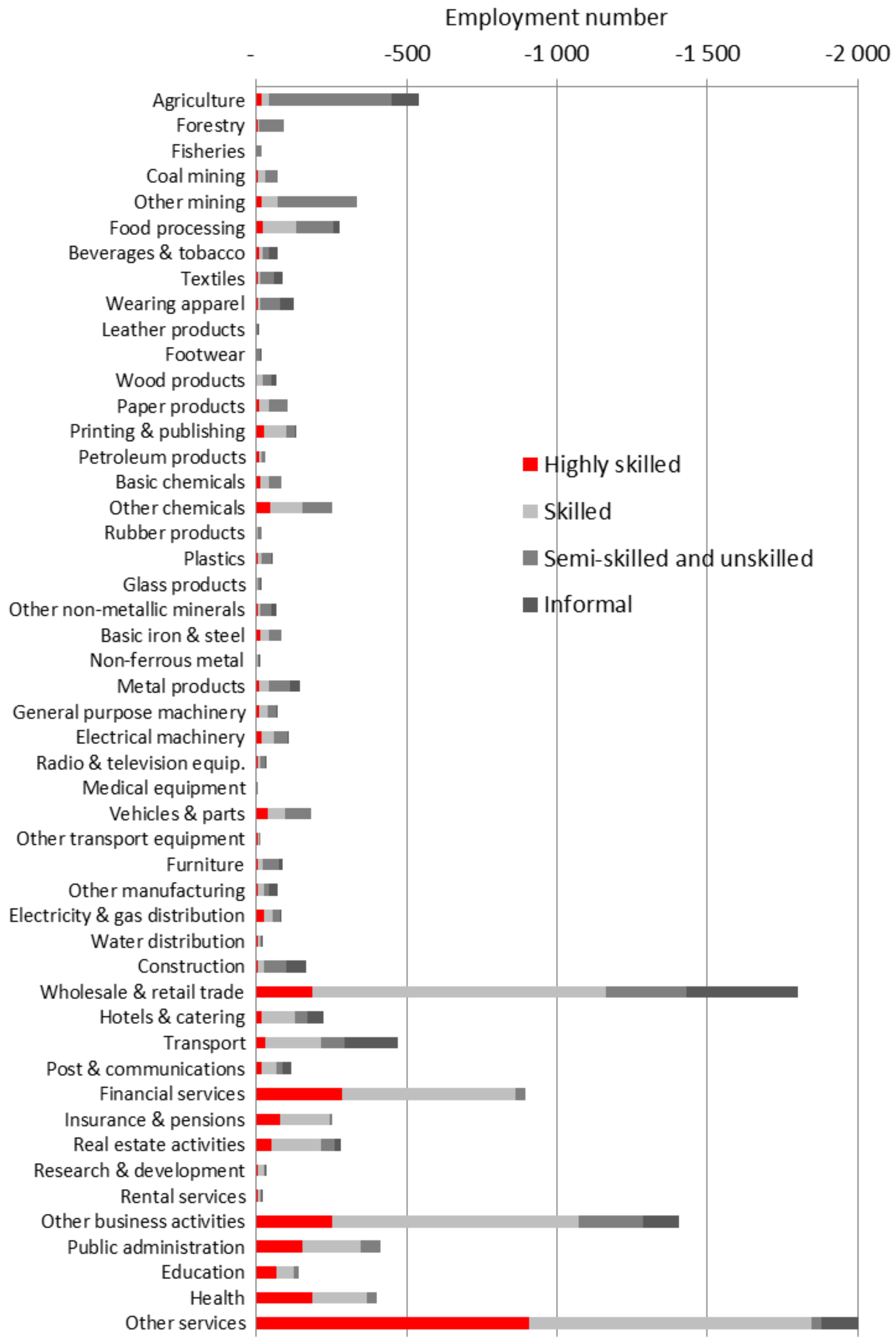
Chart 62: Liquor: Direct, and indirect and induced impact (2009 prices)



The employment impact calculated in the model is shown in Chart 63:

- The largest employment impact is in the other services sector (-2 007), followed by the wholesale and retail trade sector (-1 801) and other business activities sector (-1 406).
- The largest impact on highly skilled employees is in the other services sector (estimated at -907), followed by financial services (-286) and other business activities (-253).

Chart 63: Employment impact as a result of the potential advertising ban



Conclusion

In this chapter an attempt is made to quantify the economic impact of a potential ban on alcoholic beverages by using a 2009 social accounting matrix and multipliers based on Leontief structure.

It is estimated that the total potential advertising expenditure loss by the alcoholic beverages and related industries – as a result of a total ban – will be R4.386 billion in 2011 prices (total ATL and BTL activities).

The potential ban will have an (unintended) impact on the rest of the economy through the advertising broadcasting industry (especially television and commercials), sport sponsorships and advertising agencies.

It is estimated that **the GDP could be reduced by 0.28%, or R7.4 billion (in 2011 prices).**

Given this scenario, it is estimated that employment could be reduced by 11 954 people with the majority in 'other services' (broadcasting, sport activities and making of commercials), 'wholesale and retail trade' and 'other business activities (advertising agencies).'

The table below summarises the overall impact of a ban:

Table 38: Summary of economic impact of a ban on alcoholic beverages advertising – 2011 prices

Net loss in advertising expenditure & sponsorships	
	Net potential loss in ad vertising expenditure on alcoholic beverages due to ban
Local manufacturers	-R2.81 billion
International manufacturers	-R1.15 billion
Wholesale and retail traders	-R99 million
Sponsorships	-R322.5 million
Total	**-R4.386 billion**

Impact on the economy	
GDP	-R7.4 billion
Household income	R-5.4 billion
Employment	-11 954 jobs
Tax and import duties	-R1 783 million
Exports	-R225 million
Imports	-R304 million

Source: Econometrix

CHAPTER 8

Summary, Conclusions and Recommendations

Objective and main findings of research report

The objective and main findings of this report are set out below:

Does advertising of alcoholic beverages influence consumption?

- Our econometric model shows that there is **no** statistical relationship between per capita alcohol consumption and per capita advertising expenditure on alcoholic beverages. *This is confirmed by the only other South African empirical study (done by Tiaan van der Spuy)*
- A review of global studies shows lack of a demonstrable positive relationship between advertising and consumption of alcoholic beverages as the research and findings of the various studies are contradictory and therefore **inconclusive**.

Is an advertising ban effective to reduce consumption?

- Based on the lack of a positive relationship between per capita alcohol consumption and advertising expenditure, the effectiveness of a ban on alcohol advertising is weakened.
- Other policy measures to inhibit the harmful use of alcohol should be considered.

What is economic impact of a ban on alcohol advertising?

- Total advertising expenditure loss = R4.386 billion
- GDP loss = -R7.4 billion in 2011 prices (or - 0.28% of GDP)
- Jobs lost = 11 954
- Total tax income will decrease by R1 783 million.
- Exports will decrease by R225 million
- Imports will decrease by R304 million

Alcohol advertising, consumption and consumption per capita

The findings of both the qualitative and quantitative research by Econometrix are that alcohol advertising is not a significant factor in determining alcohol consumption and has little or no effect on alcohol consumption per capita in South Africa.

A statistical analysis was conducted to determine the correlation, causation and significant relationships between alcoholic beverage advertising expenditure and the consumption of these beverages. The results showed, "*after the introduction of population to the data, that the correlation decreases and the relationship is not statistical significant, i.e., an increase (or decrease) in advertising expenditure doesn't result in a statistical significant change in alcoholic beverage* *consumption".* This is an important result for policy action and implies that an advertising ban will not have the intended impact of reducing the per capita consumption of alcoholic beverages. As such, further research needs to be done to determine which policies will be effective in reducing the *abuse* of alcohol.

The literature on the influence of advertising on alcohol consumption is lengthy and mostly contradicting. In reviewing the econometric, cross-sectional, regression models, interrupted time series longitudinal research, pooled data and case studies, we have found that for every study finding a positive correlation between advertising and alcohol consumption, there is another one contradicting the sample, the methodology or the conclusions. We found that the balance of the global evidence is contradictory and inconclusive, and does not support a direct causal relationship between overall alcohol marketing and aggregate consumption or harmful drinking patterns (whether chronic or episodic).

Alcohol advertising and alcohol abuse

The majority of alcohol consumed worldwide is not advertised, and therefore there is insufficient evidence to support an association between advertising and levels or patterns of drinking.

There is conflicting, if not insufficient, evidence to support the view that beverage alcohol advertising has a significant impact on the rate of alcohol abuse and alcoholism. In fact, many evaluations suggest that advertising is not a contributory force influencing the overall level of alcohol consumption, but that alcohol abuse and alcoholism are related to the complex interaction of biological, socio-cultural and psychological factors in the environment. The determinants of individual behaviour are difficult to establish, but it is agreed that the factors are numerous and their interrelation complex. Many scientific studies conclude that parental education, poverty, unemployment and peer pressure are much more influential. Hence, the placing of restrictions or bans on advertising as an instrument of public policy with respect to the prevention of alcohol-related damage is highly questionable.

Alcohol advertising and youth drinking

There is considerable evidence presented in the literature that supports the contention that factors other than alcohol advertisements are in most instances more important factors inducing young people to drink. Research suggests that teenagers begin to drink in response to a set of learned cultural definitions and social expectations. The primary transmitters of these definitions and expectations are parents, other adult role models, and peer group members, all existing within a socio-cultural context of value and belief patterns about alcoholic beverages. The primary reasons for young people starting to drink are: individually-based reasons (changing mood, coping with stress, feeling happy), socially-based reasons (drinking is used to facilitate social relations, bonding with peer group etc.), and peer influence (unwanted pressure).

Efficiency and effectiveness of a ban

Both government and industry are in consensus that alcohol abuse is at unacceptable levels. The current costs are unacceptable. Virtually all scientific evidence demonstrates that alcohol bans have no or little impact on overall alcohol consumption. Restrictive bans on alcohol advertising in many countries have not rendered the desired result, i.e. lowering the adult per capita consumption. The fact is that there is more than sufficient inconsistency, as well as such a strong body of research denying the strength of any link, that it would be an incorrect policy decision to introduce a comprehensive ban on alcohol advertising in South Africa, as a total ban is likely to have limited impact on total real consumption and no impact on per capita consumption.

A set of carefully targeted policies, restrictions, and laws covering a range of measures far wider than advertising would be preferable, should be introduced and should then be carefully regulated and monitored.

Impact of a complete ban

The overriding objectives of government policies are: poverty alleviation and decreasing inequality; increasing employment and; raising the standard of living of the people. Higher economic growth is the necessary and essential requirement for achieving these key national objectives. A comprehensive advertising ban on alcoholic beverages will make these objectives more difficult to achieve, as it will result in some or all of the following:

- The total potential advertising expenditure of the alcoholic beverage industry is estimated at R4.386 billion (R2.8 billion in advertising expenditure from the domestic and R1.15 billion from international alcoholic beverage companies, plus R98.8 million estimated spend by the wholesale and retail sector and R322.5 million by sport and other sponsorships). This very pessimistic view of a *total* loss of advertising opportunities of R4.386 billion loss (in 2011 prices) has been used in our economic impact modelling. However, a ban will most likely reduce the above-the-line expenditure and sponsorships (to almost zero) and increase the below-the-line expenditure and promotions.
- The potential economic impact as a result of the potential ban (and the total loss of all advertising expenditure) using the economic impact model is:
  - **GDP**: The total annual **GDP impact (including the multiplier impact) is estimated at –R7.412 billion** in 2011 prices (or a reduction of 0.28% of GDP). For every R1 expenditure loss, the impact on the GDP will be a loss of -R1.69.
  - **Employment**: The total impact on employment is estimated at -11 954 jobs. It is estimated that highly skilled employees will be reduced with -2 573, skilled employees with -5 288 and semi-skilled and unskilled will be reduced with -2 779.
  - **Fiscus**: Total tax income will decrease with R7 783 million.
  - **Trade**: Exports will decrease with R225 million and imports will decrease with R304 million.
- Job losses in manufacturers, distributors and wholesalers (their marketing, PR & design areas);
- Job losses in advertising and media companies and downstream industries of advertising sector (see footnote [42]).
- Loss of income and possible closure of many downstream industries.
- Companies will grow "below plan" as they cannot grow market share.
- Total sponsorship will be lost (R350m-R700m).
- Negative impact on financing of major and peripheral sporting codes.
- South Africa’s ability to host international sporting events will be hampered.

[42] *SABC, DStv, Etv, Advertising agencies, Cinemas, Event companies, Newspapers & magazines (print media), Production houses, Catering companies, Freelance graphic designers, Distribution or delivery of advertising material or samples, Aerial advertising, Media representation companies, Commercial art work and signwriting, Editing houses, Outdoor holding companies (suppliers) - mainly BEE owned, National sporting bodies, Department of Sport, PSL, Stadiums, Small sporting bodies, Sports development /school programmes, Amateur sports people, Sports clubs and charities, Stadiums, International & local artists, Tavern owners, Local merchandising agencies, Printing companies, Students and unemployed that are part-time employed for promotions, Radio stations, Community painters, Local promotional agencies, Manufacture of advertising displays, Marketing research companies, Direct mailing activities, Renting of space for advertising - municipalities, small landlords, owners of buildings, Showroom design, Outdoor advertising companies, e.g. billboards, panels, window-dressing, car and bus carding, Number plates and signage companies, Music clubs and festivals, Arts and cultural festivals*

- Negative impact on sports development and transformation.
- Negative impact on music, arts and cultural festivals.
- BTL advertising (more expensive) will increase – this will put pressure on consumer prices, and have anti-competitive impact (as only bigger players can afford BTL adspend).
- Lock in market shares of current big players.
- Impossible for new/emerging/BEE/small players to enter market (increased barriers to entry).
- Detrimental impact on growth of BEE and SMME companies, and therefore transformation of industry.
- Bigger players will compete aggressively for retail shelf space.
- Consumers will be less informed; have lack of choice.
- Negative impact on product innovation.
- Industry will not be able to advertise "responsible drinking"
- Inability to broadcast overseas programming containing embedded liquor sponsorship/branded content.
- Increase in illegal non-branded liquor market (which will lead to an increase in abuse). Thus no impact on abuse in poorer areas (mainly consume non-branded products). In South Africa, possibly more than one quarter of all alcohol consumed is unrecorded – this type of liquor is produced, distributed and/or sold outside formal channels. There are few, if any, controls on this market. The logical deduction from this is that an outright ban on advertising and excessive price increases on legal alcoholic beverages could actually increase the illegal industry, cause an increase in consumption of illegal alcohol and could, as a result, increase alcohol abuse together with its associated costs.

Alternative policies and approaches to be considered

Governments, public health organisations, and the alcohol beverage industry agree that there is much more to do in the fight against the irresponsible consumption of alcohol beverages. There is much common ground among these various stakeholders that can form the basis of an effective partnership.

As was seen in Chapter 2, the main problem in South Africa is not consumption of alcohol *per se* (South Africa's adult per capita consumption ratio are amongst the lowest in the world), but the main problem areas that exist around alcohol abuse in South Africa are:

- The small population, which drinks, does so excessively – i.e. heavy episode/**binge** drinking;
- High levels of **youth** drinking.
- **Illegal alcohol sector**. In South Africa, there are between 50,000-60,000 licenced/legal outlets for alcohol sales and distribution; in contrast, there are an estimated 120,000 unlicensed outlets. It is generally accepted that the alcohol abuse problem lies within this unlicensed sector, which is not regulated at all by government. The amount of taxes lost through this illegal sector is significant.

The focus should be on abuse (of legal and illegal products) rather than decreased drinking (of legal products).

It is therefore recommended that government, in fighting the harmful use of alcohol abuse, rather uses a "rifle" approach in addressing these problems (i.e. where specific groups of consumers/ a specific problem are targeted) as opposed to a less effective "shotgun" approach (trying to reach a wider audience with a specific message).

Targeted interventions identify the particular individuals, populations, and settings in society where harmful drinking patterns exist and focus exclusively on them, rather than on society at large. These interventions can be tailored to individual, societal and cultural differences. By targeting those with problematic drinking patterns, and understanding the factors leading to their inappropriate alcohol consumption, alcohol abuse and its consequences can be significantly reduced. Examples of targeted intervention programmes are:

- Early identification focuses on the interventions at a time when behaviour is most amenable to change.
- Brief intervention strategies are extremely important. - can be tailored to address particular issues, including drinking and pregnancy, "binge drinking," and responsible hospitality:
    - drink-drive programs, which may include responsibility advertisements,
    - educational campaigns,
    - server training, and
    - "designated driver" programs - these have proven to be successful complements to the enforcement of laws targeting drunk driving, and have contributed to the reduction in alcohol-related traffic fatalities in countries across the globe.

Targeted interventions hold great promise in educating consumers and changing behaviours that harm individuals and society at large, while at the same time preserving the social, economic, and public health benefits associated with responsible consumption of commercial alcohol beverages. Government and the industry should commit to develop, implement and support a broad array of targeted intervention programs to achieve substantial reductions in irresponsible consumption and a substantial improvement in public health. More visible permanent government led media campaigns should be initiated targeting the problem areas.

Targeted interventions are an important way in which governments, public health organisations, and the alcohol beverage industry can partner together in fighting alcohol abuse and misuse.

If one applies the targeted/"rifle" intervention approach to the three main alcohol abuse areas that have been identified, the following policy actions could be considered:

Table 39: Targeted interventions for main alcohol abuse areas

Binge drinking	Youth drinking	Illegal alcohol sector
Targeted interventions, such as public education, social norms programs, and responsible hospitality measures, can address community attitudes about violence and alcohol abuse. Law enforcement is another important component in effecting change and individual factors also clearly play a role. Violence and alcohol abuse share numerous risk factors, including poor parental modelling, prior physical abuse, and mental illness. Targeted interventions can effectively screen for people who are predisposed to engage in violence and alcohol abuse and seek to prevent such destructive behaviours through education and treatment.	Scientific literature has clearly established that parents and peers are the strongest influences on a young person's decisions about drinking. Many complex factors contribute to youth drinking, and young people who drink often exhibit other risky behaviours that adversely affect their health. Targeted intervention programs can identify at-risk youth and reduce alcohol abuse and harmful consequences. Real efforts to combat underage drinking must involve the long-recognised primary influences on young people's decisions about drinking: *parents and peers*. Alcohol producers have developed and funded a variety of targeted intervention programs that seek to involve parents and peers in reducing underage drinking.	Non-commercial and illicit alcohol beverages of poor quality present serious health risks. Population-based government policies aimed at restricting the sale and consumption of commercial alcohol can have the unintended consequence of increasing the production and consumption of non-commercial and illicit alcohol, which exist outside regulatory controls designed to protect public health. Much more study on non-commercial and illicit alcohol needs to be undertaken, and policymakers must keep this large market in mind when setting policies regarding commercial alcohol.
Government policies to create foundation for targeted interventions		
Job creation Poverty alleviation Education	Enforcement of legislation (legal drinking age, licencing, BAC limits/drunk driving) Crime prevention (drink/drive evidence centres)	

Policy and interventions must be based on evidence that proves the effectiveness of such measures. Considering that an alcohol ban will not be the most effective in reducing alcohol abuse, the **following target policy areas (as suggested by the WHO) could be considered**:

Table 40: Policy measures to combat the harmful use of alcohol*

WHO Policy measure	Impact on economy	Issues to be considered
To reduce availability of alcohol by restricting and/or regulating the sale of alcohol to the public	**Positive** – decrease in health care costs of government **Negative** – will impact on the economy due to effect on retailers/wholesalers	Set standard for density and location of outlets (particularly around schools), days and hours of sale. Minimise access to vulnerable groups, including minors, visibly pregnant women and people who are already intoxicated.
To reduce alcohol consumption by children and young people by setting the minimum age for sale and purchase	**Positive** – decrease in health care costs of government	Existing legislation should be better enforced. Education about dangers of alcohol should be stepped up. Government should penalise those who illegally supply alcohol beverages to those under the legal purchase age.
To deter drinking and driving	**Positive** – decrease in health care costs of government	Industry and government led (education) campaigns to be stepped up. Intensify the law enforcement around drinking and driving (blood alcohol concentration limits for driving). No-tolerance approach to offenders; heavy penalties.
To monitor and enforce legislation	**Positive** – decrease in health care costs of government	Liquor legislation should be harmonised Liquor legislation should be better enforced Enforce legislation around illegal alcohol industry (abuse and deaths are mostly caused by illegal alcohol)
To **reduce exposure to alcohol marketing**	An advertising ban will not prevent alcohol abuse, but will have significant **negative** ripple effects throughout the economy, affecting many downstream industries. A complete ban of alcohol advertising has a severe negative impact on the economy, as well as a detrimental anti-competitive impact (with serious consequences for small sector development and transformation in the industry).	A complete ban should not be considered. Co-regulation (both government regulation and industry self-regulation) or legislation of selective regulations. A governmental statutory and regulatory framework should reflect this balance. Industry should work with government in strengthening the regulation of liquor advertising (address the gaps in alcohol advertising) and to focus more on the *content* of the advert.

* *Based on the DTI's Programme of Action*

In line with DTI's proposals (based on their 2008 study), the following proposals could be considered regarding the advertising of alcoholic beverages:

- No liquor advertising between children's programs on TV and immediately after.
- Broadcast advertisement be narrowed to late night hours; after 9pm to 1am, to eliminate viewing by children.
- Warning labels should be stronger in conveying the hazards of consumption.
- No billboards near schools, vulnerable places like informal settlements and churches.
- Advertisement content should also be ethically correct; no pictures of semi-naked people and sponsorship exposures should be controlled.
- Law enforcement should be strengthened to influence consumption patterns and consequent criminal behavior.

- NLA's enforcement mandate should be strengthened to enable them to impose penalties envisaged in section 35 of the Liquor Act.
- Content of adverts should be approved by Regulators to assess conformity.
- More ethical and responsible liquor advertisements.

The guidelines regarding cross-border television advertising within the European Union (EU) could also be examined for its applicability within South Africa with some modifications. This is regulated by the 1989 Television without Frontiers Directive. Article 15 of this Directive sets out the restrictions on alcohol advertising:

- it may not be aimed specifically at minors or, in particular, depict minors consuming these beverages;
- it shall not link the consumption of alcohol to enhanced physical performance or to driving;
- it shall not create the impression that the consumption of alcohol contributes towards social or sexual success;
- it shall not claim that alcohol has therapeutic qualities or that it is a stimulant, a sedative or a means of resolving personal conflicts;
- it shall not encourage immoderate consumption of alcohol or present abstinence or moderation in a negative light;
- It shall not place emphasis on high alcoholic content as being a positive quality of the beverages."

With regard to the advertising of alcoholic beverages, it should be noted that the **WHO recommends the regulation (*not necessarily banning*) of advertising** in their "*Global Strategy to Reduce the Harmful Use of Alcohol*". WHO policy options and interventions in this regard include:

a) **setting up regulatory or co-regulatory frameworks, preferably with a legislative basis**, and supported when appropriate by self-regulatory measures, for alcohol marketing by:
   i. **regulating** the content and the volume of marketing;
   ii. **regulating** direct or indirect marketing in certain or all media;
   iii. **regulating** sponsorship activities that promote alcoholic beverages;
   iv. **restricting or banning promotions** in connection with activities targeting young people;
   v. **regulating** new forms of alcohol marketing techniques, for instance social media;

b) development by public agencies or independent bodies of **effective systems of surveillance** of marketing of alcohol products;

c) setting up effective **administrative and deterrence systems for infringements** on marketing restrictions.

According to the WHO, the strongest model for regulating alcohol marketing is likely to be one in which government establishes a regulatory framework to reduce exposure and monitor all forms of marketing, and the relevant industries develop and implement detailed codes of conduct on how they market their products within this framework.

The DTI noted that three approaches could be followed regarding the regulation of advertising:

1. **Strong arm approach:** call for immediate prohibition of liquor advertising (total ban).
2. **Scout approach:** partial ban (TV and Radio) with tighter control on the regulation of liquor advertising.
3. **Delineator approach:** redefines the code of conduct and the themes of advertising.

The approach of the hybrid/partial ban suggested by the DTI (and followed by most countries around the world), could be a useful guide to a compromise approach, which will minimise damage to the economy. A phased in/step-by-step approach is also advisable.

It is also recommended that government should engage with the industry to find a multi-level solution and ask them to provide explicit commitments to tackle underage drinking and drunk driving that would be linked/assessed to metrics overseen by an independent audit group. Government should challenge the industry to take action on specifics knowing their responses will be monitored. Their actions could be supported by enabling legislation that touched on some aspects of marketing, pricing, and access issues.

At the same time, government should step up actions on effective messages related to alcohol control, visible monitoring of drunk driving, and engage with insurance companies on how they might support such efforts (through, for example, including incentives and penalties into motor vehicle policies).

APPENDIX A

Reasons why the advertising ban on the tobacco industry *cannot* be used as a proxy for the alcohol industry

1. Industry structures are very different, so the anti-competitive effects of such legislation is not directly comparable for the two industries

a. In terms of market shares, British American Tobacco South Africa (BATSA) owned more than 90% of the legal tobacco market before the ban was introduced, whilst the remainder of the competition was distributed with very small market shares mainly on the importer side (for example JTI, Philip Morris, etc). By comparison the alcohol industry has a bar-bell like structure, with more than 80% of the market's volume and value consolidated among three manufacturers and distributors and 10 brands, whilst the remainder is over a 1,000 brands, each whom have less than 1% share of market.

b. The whole "route to market" structure in South Africa (i.e. industry channels) for tobacco vs. alcohol industries is also very different – for example, it is estimated in 2000/01 when the tobacco advertising ban was introduced, the universe of outlets which stocked tobacco products in South Africa was over 100,000 and they were not limited to sell-in licenced outlets only (except for schools, youth establishments, etc).

By comparison, alcohol products can only be sold in licenced outlets in South Africa, which is estimated to be at 50,000-60,000. So the competitive space within which to compete for the legal alcohol industry is much more confined and consolidated – this is a real risk, given that brand visibility on shelf i.e. ownership of outlet space will become a major competitive edge for alcohol industry players should a complete advertising ban be implemented.

2. The economic impact is different given also vastly different levels and channels of ATL levels of advertising spend

Tobacco's ATL advertising expenditure was in decline 5 years prior to the tobacco advertising ban in South Africa. In 2000, it stood at just over R60 million (*refer page 176 – 'Economics of Tobacco Control'*). This is a very small percentage of what the alcohol industry spends today on ATL advertising, which also has a more diverse footprint in terms of media channels. (The BTL marketing expenditure is unknown for the tobacco industry at the time).

3. The economic impact is also different given that the tobacco industry is of a much more homogenous in nature

The tobacco industry's agricultural value chain is primarily derived from the tobacco plant, whereas the alcohol industry in South Africa has multiple agricultural primary production linkages – apples, grapes, distilling wine, barley, hops, maize, sugar, etc.

4. The tobacco advertising ban did not reduce the absolute volumes of cigarettes smoked in South Africa since 1999

This is one of the most common statements made by health policy advisors in South Africa. Whilst it is acknowledged that smoking incidence (i.e. the percentage of the above 18 population whom are smoking) has declined in South Africa since 1999, the *absolute volume* of cigarettes (including legal and illicit cigarettes) consumed did not decline. (*One caveat is that one should ideally compare that against what the volume growth of tobacco consumption would have been in the absence of an advertising ban)*.

From various South African tobacco industry press releases, one can develop a timeline of tobacco volumes (legal and illicit):

- in 2001 when the advert ban was implemented the SA market consumed 25 billion cigarette sticks,
- in 2011 it was estimated to have been 29 billion cigarette sticks.

In other words, in absolute volume terms, tobacco volumes did not decline.

Coupled with the significant decline in ATL advertising spend pre-tobacco advert ban (1995-2000), South Africa also implemented 15-30% excise hikes (in nominal terms) on tobacco products in the period leading up to the ban (1998-2000); it is therefore quite difficult to assess the exact impact of the tobacco advert ban on tobacco volumes consumed. In addition, given that the international evidence on the impact of advertising bans on alcohol volumes consumed is inconclusive, it is not correct to assume that, firstly, the tobacco advertising ban has resulted in lower volumes consumed, and, secondly, that a ban on alcohol advertising will reduce alcohol volumes and thereby reduce harmful use of alcohol.

5. **The most important factor of differentiation is that alcohol is not harmful if consumed responsibly and if used as intended**, i.e. for a consumer to remain within the recommended alcohol units of consumption as for example recommended by SANCA (South African National Council on Alcohol & Drug Dependence). By comparison tobacco cannot be responsibly consumed since all tobacco products are harmful from the onset of consumption.

APPENDIX B

Detailed use structure of selected industries in the economy that could be impacted by the advertising ban

(2011 prices of total use of products) R Million

Use of products	Beverages & tobacco	Publishing, printing, recorded media	Other business activities (advertising industry incl)	Recreational, cultural & sport activities
Agriculture	6 518.1	43.9	42.7	31.8
Live animal	69.8	-	-	-
Forestry	-	56.0	-	-
Fishing	-	-	6.2	4.1
Coal and lignite	123.8	24.0	-	13.9
Metal ores	-	0.5	-	-
Other minerals	0.1	144.8	-	161.5
Electricity and gas	6.7	12.0	-	-
Natural water	970.5	-	-	-
Meat	0.0	-	378.0	50.6
Vegetables	-	-	-	6.8
Fruit and nuts	904.9	-	-	3.9
Oils and fats	-	-	-	18.6
Dairy products	30.0	-	73.0	18.9
Grain mill products	23.7	-	37.7	7.2
Starches products	55.4	-	-	-
Bakery products	0.5	-	106.2	22.7
Sugar	1 050.3	-	120.6	5.6
Confectionary products	-	-	-	0.7
Food n.e.c.	272.2	-	181.3	18.7
Alcohol, beverages	14 102.9	-	-	1.8
Soft drinks	-	-	-	13.9
Tobacco products	-	-	-	4.2
Textile fabrics	216.5	327.7	-	11.5
Made-up textile, articles	-	-	-	55.9
Knitting fabrics	-	-	-	107.7
Wearing apparel	-	-	30.0	8.1
Leather products	-	1.5	-	29.3
Footwear	-	-	-	60.1
Wood products	1 796.2	58.7	85.2	130.1
Paper products	1 956.8	6 949.0	3 426.0	336.1
Printing	5.2	1 618.8	4 707.3	409.1
Petroleum products	-	33.8	5 204.5	258.1
Basic chemicals	947.6	100.2	5.5	137.8
Fertilizers, pesticides	-	-	161.9	131.5
Paint, related products	-	1 896.5	1 115.8	520.8
Pharmaceutical products	55.2	-	357.1	-
Soap, cleaning, perfume	0.9	92.3	125.9	122.7
Chemical products, n.e.c.	286.6	101.9	588.5	131.8
Rubber tyres	-	-	102.6	1.1
Other rubber products	-	29.5	-	31.4
Plastic products	2 833.5	295.1	106.3	8.4
Glass products	2 091.5	16.5	21.8	43.3
Non-structural ceramic	-	-	224.8	34.3
Plaster, cement	-	-	-	33.4
Non-metallic products n.e.c.	-	1.2	-	-
Furniture	-	-	389.8	81.4

Use of products	Beverages & tobacco	Publishing, printing, recorded media	Other business activities (advertising industry incl)	Recreational, cultural & sport activities
Manufactured products n.e.c.	1.4	85.8	829.1	70.4
Iron, steel products	-	1.5	-	7.7
Non-ferrous metals	-	74.0	-	-
Structural metal products	-	-	146.9	-
Tanks, reservoirs	-	-	-	70.5
Other fabricated metal	35.9	306.1	1 175.1	101.5
Pumps, compressors	-	-	938.3	-
Bearings, gears	-	-	223.7	138.5
Lifting equipment	-	-	370.9	-
General machinery	-	-	121.8	-
Special machinery	-	0.1	364.1	5.6
Domestic appliances	-	-	56.1	9.1
Office machinery	-	-	96.2	14.0
Electrical machinery	-	0.1	417.4	48.5
Radio, television	-	269.2	-	838.7
Medical appliances	-	-	825.8	32.7
Motor vehicles, parts	85.6	54.0	1 080.4	984.9
Other transport equipment	-	-	-	2.5
Construction	196.5	770.0	3 436.3	-
Construction services	202.3	792.9	2 328.7	120.8
Trade services	584.9	291.4	16 136.3	-
Accommodation	44.8	41.5	1 045.0	100.5
Catering services	22.1	49.9	725.9	66.5
Passenger transport	404.0	493.3	5 443.6	-
Freight transport	1 004.5	461.4	93.5	32.3
Supporting transp services	369.8	178.6	-	-
Postal, courier services	124.8	267.6	1 099.6	278.0
Electricity distribution	307.2	189.2	4 185.8	255.1
Water distribution	12.9	8.0	396.2	24.1
Financial services	531.6	662.7	10 492.5	151.6
Insurance, pension	82.5	91.5	1 069.7	73.9
Real estate services	492.3	658.1	8 421.8	885.4
Leasing, Rental services	109.7	127.6	1 371.6	210.4
Research, development	5.1	40.4	48.9	341.4
Legal, accounting	80.8	283.3	406.1	1 934.9
Other business services	1 837.0	1 754.0	7 678.5	5 720.3
Telecommunications	200.9	686.8	12 055.1	586.3
Support services	1 338.1	449.1	3 178.9	1 041.8
Manufactured services n.e.c.	6.0	126.9	204.5	9.0
Education services	14.7	9.0	364.8	20.2
Health, social services	-	-	8 309.8	1 095.4
Other services n.e.c.	4 303.3	2 144.2	6 071.2	322.1
Total Industry	**46 717.7**	**23 172.0**	**118 809.0**	**18 662.8**

Total gross value added/GDP	**24 085.1**	**11 300.0**	**96 606.0**	**6 826.1**
Compensation of employees	10 401.9	10 527.1	59 530.0	3 438.6
Taxes less subsidies	359.9	175.5	656.2	343.2
Taxes on products				
Subsidies on products				
Other taxes less subsidies	359.9	175.5	656.2	343.2
GOS / mixed income	13 323.3	597.4	36 419.8	3 044.3
Total output at basic prices	**70 802.8**	**34 472.0**	**215 415.0**	**25 488.9**

APPENDIX C

Background information to the Leontief methodology

Leontief won the Nobel Prize in Economics in 1973 for his work on explaining the economy using input-output modelling. There are two applications of his models, namely, one is an open model that estimates the amount of production needed to satisfy increase in demand, and the other a closed model that deals only with the income of each industry. The most common use of these models is to see how the economy will change if there is a change in one sector.

The basic Leontief methodology (see SNA 2008: 512; Jensen 2001) starts with the equation $\mathrm{D} = \mathrm{X} - \mathrm{AX}$ where demand is equal to total production minus the production needed by other industries as inputs. In this equation:

D = Demand vector (how much, in for example rand terms, of each type of output is demanded by consumers and the rest of the world).

X = the production vector (for internal and external demand).

AX = production needed by other industries as inputs (total amount of products needed in production) with A being the technology matrix or technical coefficient matrix (this matrix shows how much output from each industry a given industry requires to produce R1 of its own output). The goal of a Leontief-based economic impact model is to solve X from this equation, ie finding the total production for each of several type of goods and services needed to fill a certain demand.

Any matrix that is multiplied by an identity matrix is equal to itself, ie $\mathrm{IX} = \mathrm{X}$. This results in:

$$\mathrm{D} = \mathrm{IX} - \mathrm{AX}$$

By factoring out an X on both terms on the right hand side results in:

$$\mathrm{D} = (\mathrm{I} - \mathrm{A})\mathrm{X}$$

To solve X both sides are multiplied by: $(\mathrm{I} - \mathrm{A})^{-1}$:

$$(\mathrm{I} - \mathrm{A})^{-1}\mathrm{D} = (\mathrm{I} - \mathrm{A})^{-1}(\mathrm{I} - \mathrm{A})\mathrm{X}$$

A matrix multiplied by its inverse is equal to an identity matrix $(\mathrm{I} - \mathrm{A})^{-1}(\mathrm{I} - \mathrm{A}) = \mathrm{I}$ and by substituting I with $(\mathrm{I} - \mathrm{A})^{-1}(\mathrm{I} - \mathrm{A})$ results:

$$(\mathrm{I} - \mathrm{A})^{-1}\mathrm{D} = \mathrm{IX}$$

And since $\mathrm{IX} = \mathrm{X}$ as stated above, X can be substituted for:

$$\mathrm{IX},\ (\mathrm{I} - \mathrm{A})^{-1}\mathrm{D} = \mathrm{X},$$

this provides the equation to solve total production needed to satisfy an economy with a known demand vector $\mathrm{D}$and a known technology matrix A in:

$$X = (I - A)^{-1}D$$

Bibliography

African Business Review .(2012).The implications of SA's proposed ban on alcohol advertising

Ahlstrom S.K., and Esa L.O., (2004/2005), International Perspectives on Adolescent and Young Adult Drinking, Volume 28, No. 4

Alcohol Advertising Regulations, A Global Perspective, Distell,

Alcohol and public health in the Americas, A case for action, Chapter 3, 21-29

Ali B., Swahn M.H., et al, (2011), Alcohol Marketing, Drunkenness, and Problem Drinking among Zambian Youth: Findings from the 2004 Global School-Based Student Health Survey, Journal of Environmental and Public Health

Amoateng F., and Kofi P., (2013), The Impact of Advertising on Alcohol Consumption: A Case Study of Consumers in Bantama Sub-Metro, Volume: 3, No. 1, 28-36

Anderson, P., Angus K., et al, (2009), Impact of alcohol advertising and media exposure on adolescent alcohol use: a systematic review of longitudinal studies

Aspara J., and H. Tikkanen, (2013), Aalto University, Addiction researcher's studies on the effect of advertising on alcohol consumption: A critical meta-analysis

Authour unknown. (2008). The second South African national youth risk behaviour survey 2008.

BD Live (2012). MEC not convinced that alcohol ad ban will work.

BD Live. (2013). Alcohol advertising ban not feasible

BizComminity.com (2011). Proposed ban on alcohol advertising affects SME's most.

BizComminity.com . (2011). Ad industry meets to discuss ad banning.

BizComminity.com. (2011) Curbing alcohol abuse by banning ads is like trying to cure AIDS with beetroot.

BizComminity.com. (2011). Alcohol ad ban: Whose freedom of choice is served by the media industry?

BizCommunity.com (2012). Low cost alcohol increases deaths from alcohol related disease.

Blecher E., (2008), University of Capetown, The impact of tobacco advertising bans on consumption in developing countries

BMI Sport info (2012) Summary of potential cost from alcohol advertising ban

Brand Activity (n.d). Alcohol ad ban's effect on revenue, jobs significant.

Budelnder,D. (2009) National and provincial government spending and revenue related to alcohol abuse. South African Police Service liquor, diverse and miscellaneous services. Presentation regarding challenges in enforcing the liquor regulatory acts

Bureau for Economic Research, The Contribution of The South African Breweries Ltd, (2006), To the Van Der Westhuizen, Amanda, (2012), South African Economy, The Liquor Industry: Who Owns Whom

Bureau of Market Research (UNISA). (2012). Drug use and alcohol consumption among school learners in Gauteng.

Business Day (2012) War looms over alcohol ad ban.

Business Day Live. (2012). Battle looms over shock move to ban liquor ads.

Centre for Economic Research (CER), 2012

Clare, K, Ramatapa, E, Currin, B, (2004), Study of the Liquor Industry in South Africa, Reality Research Africa

Collins R.L., Ellickson P.L., et al, (2005), Does alcohol advertising promote adolescent drinking? Results from a longitudinal assessment

Collins R.L., Ellickson P.L., et al, (2007), Early adolescent exposure to alcohol advertising and its relationship to underage drinking

Conningarth Economists, (2009), Macro-Economic Impact of the Wine Industry on the South African Economy (also with reference to the Impacts on the Western Cape), South African Wine Industry Information and Systems (SAWIS)

Conningarth Economists, Macro-economic impact of the wine industry on the South African economy, SA Wine Industry Information & Systems (SAWIS),

Contributing to the economy of South Africa, The South African Liquor Industry: our contribution, ARA Industry Association for Responsible Alcohol Use

Cudderford-Jones, M. (2011). To the good times.

Daily Maverick.(n.d). Alcohol advertising ban, politically correct, short-sighted, wrong.
Department of Health, (2012), Control of Marketing of Alcoholic Beverages Bill
Department of Social Development.2012 Substance use and abuse in South Africa
Department of Trade and industry, (2012), Liquor Regulation Conference,
Department of Trade and industry, (2012), Liquor Regulation Conference, SARS South African Revenue Service
Distell. (2012). Distell sustainability report
Department of Trade and industry, Liquor advertising research report
Distell. (2012). Distell sustainability report
Donson, H, (2009), A profile of fatal injuries in South Africa 2008, Annual Report of the National Injury Mortality Surveillance System (NIMSS), MRC-UNISA Crime, Violence and Injury Lead Programme (CVILP)
Dring C., and Dr. Ann H., (2001), Department of Health and Children, The Impact of Alcohol Advertising on Teenagers in Ireland
Econometrix. (2011). Printing Trends.
Economics of Alcohol and Tobacco, Alcohol and Tobacco Advertising
Edward T. Popper, Northeastern University (1986), The effects of alcoholic beverage advertising and marketing practices: The Current State of Affairs, advances in consumer research volume 13, 442-445
European Alcohol Policy Alliance, Alcohol Marketing and Young People
Fin24. (2012). Ban on alcohol ads under discussion.
Financial Mail. (2012). Liquor licences.
Grenard, J.L., Dent C.W., and Alan W.S, (2013), Pediatrics: Official Journal of the American Academy of Pediatrics, Exposure to Alcohol Advertisements and Teenage Alcohol-Related Problems
Gunter B., Hansen A., and Maria T., (2008), University of Leicester: Department of Media and Communication, The Representation and Reception of Meaning in Alcohol Advertising and Young People's Drinking
Haw, P., (2011), Alcohol advertising: To ban or not to ban
Human Sciences Research Council (2011). Alcohol and HIV: epidemiology in Africa & research updates
Industry Association For Responsible Alcohol Use (ARA, (n.d), Impact of advertising.
Industry Association For Responsible Alcohol Use (ARA), ARA Code of Commercial Communication
Industry Association For Responsible Alcohol Use (ARA), (2012), Industry models to mitigate liquor abuse, DTI Liquor regulation convention
Institute of alcohol studies, (2005), Alcohol Policies
Institute of alcohol studies, (2010), Adolescents and alcohol
Institute of alcohol studies, (2010), Alcohol and advertising
International Center for Alcohol Policies, 2009, Alcohol Marketing and Young People
International Center for Alcohol Policies, ICAP Reports 9, (2001), Self-Regulation of Beverage Alcohol Advertising
International centre for alcohol policies (n.d) Industry views on beverage alcohol advertising and marketing, with special reference to young people
IOL business (n.d). Booze ad ban: Panic over jobs.
Jernigan, Dr. D.H., (2010), The extent of global alcohol marketing and its impact on youth
Kasolo.F (n.d) Global Status on alcohol abuse: How is South Africa rated and the implications for policy
Kirkman, A, (2010), The role of wine tourism in the marketing of wineries in the Stellenbosch Wine Route of South Africa, University of South Africa
Koordeman, R. Anschutz D.J., and Engels R.C., (2011), The effect of alcohol advertising on immediate alcohol consumption in college students: an experimental study
Mail & Guardian, (2011), The economics of alcohol
Mail and Guardian. (n.d) State gets tough on alcohol.
Manson H., (2011), Bizcommunity, Framing the alcohol advertising regulation debate
Moerdyk C., (2011), Bizcommunity, Impact assessment of a ban on alcohol advertising
Marklives!.com. (n.d). Framing the alcohol advertising regulation debate.

Matzopoulos, R,, Cassim, M,, Seedat, M, (2003), A profile of fatal injuries in South Africa, Fourth Annual Report of the National Injury Mortality Surveillance System 2002, MRC-UNISA Crime, Violence and Injury Lead Programme
Medical Research Council, (2010), Health promotion research and development unit, The second South African national youth risk behaviour survey 2008 report
Minutes of meeting with Rajeev Batohi, Benedict Maaga, Nozicelo Ngobo
Moore, G., Free Market Foundation, Stricter Liquor Laws will not cure social ills
MRC South Africa. (2007). Estimating the burden of alcohol abuse in South Africa in 2000.
Nelson Jon P., (2006), Pennsylvania State University: Department of Economics, Alcohol Advertising Bans, Consumption, and Control Policies in Seventeen OECD Countries, 1975-2000
Nelson, J.P. and Young, D.J. (2001). Do advertising bans work? An international comparison. International Journal of Advertising.
Netitenzhe,M.(n.d) Liquor regulation conference. Presentation on the liquor Act 59 of 3002: The highlights and gaps
Norman, Mitropoulos et al (n.d). The high burden of injuries in South Africa
Parry Charles, Burnhams Nadine Harker, London Leslie, (2012), A total ban on alcohol advertising: Presenting the public health case, South African Medical Journal, Vol 102, No 7, Issues in Public Health
Peter A, Chisolm D. and D.C. Fuhr, (2009), The Department of Health, Alcohol and Global Health 2: Effectiveness and cost-effectiveness of policies and programmes to reduce the harm caused by alcohol, Volume 373, 2234-2243
Pretoria News. (2012). Step closer to booze ad ban.
Prof Freeman M. and Prof Parry C., (2006), Alcohol Use Literature Review
Ramsoomar L. and N.K. Morojele, (2012), Trends in alcohol prevalence, age of initiation and association with alcohol-related harm among South African youth: Implications for policy, South African Medical Journal, Vol 102, No 7, Issues in Public Health
SA Wine industry ‘driving jobs, GDP’, (2010), South African info/business/economy/wine
Saffer H, (2000), National Bureau of Economic Research, Alcohol Consumption and Alcohol Advertising Bans
Saffer H, (2003), Econstor, NBER, The effect of advertising on tobacco and alcohol consumption
Saffer H, and Dave, D. (2006), National Bureau of Economic Research, Alcohol Advertising and Alcohol Consumption by Adolescents
Saffer H, National Bureau of Economic Research, Alcohol Advertising and Youth
Singh S.A., The Department of Health, Intersectoral action on healthy lifestyles and non-communicable disease control
Smith, L.A., and David R.F., The effect of alcohol advertising and marketing on drinking behaviour in young people: A systematic review
Snyder L.B., Frances, F.M., et al (2006), Effects of Alcohol Advertising Exposure on Drinking Among Youth, Volume 160, 18-24
South African Medical Journal (2012). Trends in alcohol prevalence, age of initiation and association with alcohol related harm among South African youth: Implications for policy
South African Medical Journal.(2001). The South African National non-natural mortality surveillance system-rationale, pilot results and evaluation
Sowetan Live (n.d). Ban on booze ads will cost R2.6bn.
Spirits Europe, Getting the facts right on alcohol advertising and consumption
Stacy A.W., Zogg J.B, et al, (2004), Exposure to televised alcohol ads and subsequent adolescent alcohol use
Statistics South Africa, (2012), Income and Expenditure of Households Survey 2010/2011
Telegraph (n.d). Ban on alcohol adverts should be considered.
Telegraph. (2012). Doctors call for ban on TV adverts for alcohol.
The Daily Telegraph, www.news.com.au, Parents blamed for underage binge drinking, January 29, 2007
The Economist (2011).Global alcohol consumption drinking habits
The Leg of Wine (2011) The impact of the ban on alcohol advertising
The New Age. (n.d). Booze ad ban
The Weekly.(n.d) Shebeens lash impending alcohol advertising ban.

The Witness (2012) Will stricter legislation on alcohol make a difference?
Truan, S., Yash R., et al, (2011), DNA Economics, Department of Trade & Industry, Baseline study of the liquor industry, including the impact of the National Liquor Act 59 of 2003
Van der Spuy T., (2011), University of Stellenbosh, Advertising effectiveness in the alcoholic beverage industry of South Africa: Measuring the influence of branded liquor advertising on consumption levels
Wilcox G.B., Kim K.K., and H.M. Schulz., (2012), Liquor advertising and consumption in the United States/; 1971-2008, International journal of advertising, Volume 31(4), 819-834
Who owns Whom (2012). Activities of advertising agents
World Health Organisation (2011). World life expectancy.
World Health Organisation, (2011), Addressing the harmful use of alcohol: A guide to developing effective alcohol legislation
World Health Organisation, (2011), Global status report on alcohol and health
World Health Organisation, (2011), Global strategy to reduce the harmful use of alcohol
World Health Organisation. (2004), Global status report
World Health Organisation. (2007, The high burden of injuries in South Africa
World Health Organization's (WHO), (2011), The Cost of harmful alcohol use in South Africa1, "Global status report on alcohol and health"
World Health Organization's (WHO), Country alcohol consumption measured in liters of pure ethyl alcohol per capita in a given year
World Health Organisation, International, country profile – health profile – risk factors – alcohol (for each country)

Econometrix (Pty) Ltd

Econometrix is South Africa's largest independent macro-economic consultancy based in Johannesburg. We are privately owned and therefore totally independent of any official organisation or pressure groups. Econometrix – which has a successful track record of close to 30 years - is committed to on-going research and analysis of economic fundamentals thereby ensuring a sound basis for future business decisions. These services are provided through a range of complimentary products and to more than 150 South African and international organisations.

Our approach is to empower our clients with quality decision support intelligence and assistance regarding the economic and financial environment, and assist them in their strategic and financial planning processes. Our in-depth analysis of economic fundamentals aims to assist our clients in commanding the economic environment and in identifying opportunities and risks.

Disclaimer

Contact Details

Econometrix Park

8 West Street • Houghton

Johannesburg • 2198

P.O. Box 87510

Houghton

2041

Tel • +27 11 483-1421

Web • www.econometrix.co.za

sales@econometrix.co.za