

### What are Alcopops?

a.k.a: malt alternatives, ready-to-drinks (RTDs), flavored malt beverages (FMBs), flavored alcoholic beverages (FABs), low-alcohol refreshers

Alcopops – sweet-tasting, high-calorie alcoholic drinks – are the latest sensation to hit the alcoholic-beverage market. The introduction of Diageo’s Smirnoff Ice in the U.S. in January 2001 firmly established this sector of the alcohol beverage market, and by the end of that year, malt alternatives had captured 2.5 percent of the entire malt-beverage market. Since Summer 2002, however, their popularity seems to have waned: production of certain brands, such as Coors’ Vibe and Diageo’s Captain Morgan Gold, have ceased entirely. Industry sources maintain that, despite current controversies, the new category of malt alternatives will continue. At the end of 2002, the Bureau on Alcohol, Tax and Firearms (ATF) – now the Alcohol and Tobacco Tax and Trade Bureau (TTB) – launched an inquiry into the classification, labeling, and taxation of these drinks, fundamentally questioning their regulatory status as malt beverages.



#### What’s Inside:

- Alcopops contain some brewed alcohol, like beer.
- TTB proposed regulations for “flavored malt beverages” to limit the amount of alcohol derived from spirits-based alcohol flavorings to 0.5 percent alcohol by volume (ABV).<sup>1</sup>
- TTB found that the alcohol in most alcopops derives from the distilled spirits that make up the added flavorings.<sup>2</sup>
- The alcohol content of alcopops resembles beer, varying between 4.7 percent and 5.9 percent.
- Alcopop makers claim that without the alcohol from distilled flavorings, the drinks would lose their appealing taste.<sup>3</sup>



#### Cutting into the Alcohol Industry:

- The market share of alcopops grew 26 percent in 2001.<sup>4</sup>
- Malt alternatives accounted for about 2.5 percent (\$601 million) of all beer/malt beverage sales (\$33 billion) in 2001.<sup>5</sup>
- Alcopops cut into the beer market and expand the market for alcoholic-beverages. An estimated 65 percent of previous or current beer drinkers consume malt alternatives – 30 percent of malt alternative drinkers are new to all malt beverages.<sup>6</sup>

#### Advertising Issues:

*How much are companies spending?*

- Some companies invested a large portion of their advertising budgets to promote new alcopop brands.
  - In 2001, Diageo spent 80 percent (\$39 million) of its total \$49 million advertising budget to promote Smirnoff Ice.<sup>7</sup>
  - Miller Brewing Co. spent an estimated \$40 million to launch Skyy Blue.<sup>8</sup>
  - In 2002, Anheuser-Busch estimated spending \$50-60 million on advertising for Bacardi Silver.<sup>9</sup>

“Closer examination of Diageo’s premium drinks empire reveals that more than 65% of total net sales growth was generated by new products....The bulk of this innovation is derived from its RTD brands.” (Canadean Beverage Research Company, in “Diageo stands firm in tough market,” *just-drinks.com*, February 25, 2003)

“Miller’s \$40 million on Skyy Blue is like quadrupling our ad budget.” (Gerard Ruvo, senior vice president, sales at Skyy Spirits, in “Mad for Malt Alternatives,” *Beverage Dynamics*, May/June 2002)

### Who are they targeting?

- The alcohol industry claims to target 25- to 35-year-olds, yet industry sources admit that these drinks 'bridge' young, inexperienced drinkers from soft drinks to stronger alcoholic beverages. However, studies have shown that 14-16 year olds find alcopops particularly attractive.<sup>10</sup>
- CSPI released survey results in May 2001, showing that alcopops lure teenagers. This survey polled both teenagers and adults, recording their perceptions of alcopops and their exposure to advertisements for the products.<sup>11</sup>
- 81 percent of teenagers and 57 percent of adults reported that alcohol companies target underage persons or teenagers with their ads.<sup>12</sup>
- At the end of August 2003, FTC will report to Congress to examine the impact of liquor-branded alcopop advertising on underage consumers and assess the effectiveness of industry voluntary codes in avoiding underage audiences.<sup>13</sup>

### What's in a name?

- Alcopops may be malt/distilled hybrids, but many trumpet liquor brands. While they are taxed, distributed, and advertised as malt beverages, they serve to increase the visibility and availability of liquor brands.<sup>14</sup>
- Attaching the name of a distilled spirit brand to an alcopop enables product recognition and association while adhering to advertising standards (i.e., no liquor advertising on network television, yet commercials for malternatives are allowed).<sup>15</sup>
- CSPI found that millions of teens view alcohol advertisements, including ads for alcopops, after 9:00 pm. Teenagers have a high recall of many liquor-branded alcopops, and 42 percent of teens believe some brands are liquor instead of beer.<sup>16</sup>

#### What the Industry Says:

"With younger drinkers, their palates haven't quite matured yet to drinks like bourbon. Malternatives are a sweeter drink, they're easier to drink and it takes less time to mature to the taste." (Trish Rohrer, brand-development manager for Boston Beer Company, in "Malternative Universe," *Restaurants USA*, May 2002)

"The beauty of this category is that it brings in new drinkers, people who really don't like the taste of beer." (Marlene Coulis, A-B's director of new products, in "Beer Marketing: Brewers Binge on Malt Drinks. Some Warn Category is in for a Hangover," *Advertising Age*, April 22, 2002)

#### What Teens Say about Alcopops:

"For people who don't like the taste of alcohol, it is a way to get drunk without the bad taste."

"You got to crawl before you can walk," referring to the way malternatives can lead to other alcohol use.

(CSPI Focus Group, May 2001)

July 2003

### References:

- <sup>1</sup> U.S. Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau. *Federal Register*, March 24, 2003. Notice No. 4. Vol. 68, No. 56. Online: [http://www.ttb.gov/alcohol/rules/ttbnotice\\_no4.pdf](http://www.ttb.gov/alcohol/rules/ttbnotice_no4.pdf).
- <sup>2</sup> U.S. Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau. *Federal Register*, March 24, 2003. Notice No. 4. Vol. 68, No. 56. Online: [http://www.ttb.gov/alcohol/rules/ttbnotice\\_no4.pdf](http://www.ttb.gov/alcohol/rules/ttbnotice_no4.pdf).
- <sup>3</sup> Barry, K. "Party Poopers: ATF Aiming to shake up RTDs as category enters tough phase." *Impact*. 15 October & 1 November 2002, vol 32, no. 20 & 21.
- <sup>4</sup> Sherer, M. "Mad for Malternatives." *Beverage Dynamics*. Online: <http://www.beveragenet.net/bd/2002/0206/0206malt.asp>. May/June 2002.
- <sup>5</sup> AP. "Anheuser-Busch, Bacardi join forces for malt beverage." *Jefferson City News Tribute Online Edition*. Online: [http://newtribune.com/stories/020602/bus\\_0206020973.asp](http://newtribune.com/stories/020602/bus_0206020973.asp). 6 February 2002.
- <sup>6</sup> Rovito, R. "Miller to join 'malternative' craze." *The Business Journal of Milwaukee*. Online: <http://Milwaukee.bizjournals.com/Milwaukee/stories/2001/12/10/story1.html>. 10 December 2001.
- <sup>7</sup> *Adam's Beer Handbook 2002*.
- <sup>8</sup> Daykin, T. "Miller introduces 'malternative' drink." *Milwaukee Journal Sentinel Online*. Online: <http://www.jsonline.com/bym/news/jan02/9877.asp>. 3 January 2002.
- <sup>9</sup> Sherer, M. "Mad for Malternatives." *Beverage Dynamics*. Online: <http://www.beveragenet.net/bd/2002/0206/0206malt.asp>. May/June 2002.
- <sup>10</sup> Hughes, K., MacKintosh, A.M., Hastings, G., Wheeler, C., Watson, J. & Inglis, J. (1997). Young people, alcohol, and designer drinks: quantitative and qualitative study. *British Medical Journal*. 314:414-418.
- <sup>11</sup> CSPI. What teens and adults are saying about alcopops. Online: [http://www.cspinet.org/booze/alcopops\\_summary.htm](http://www.cspinet.org/booze/alcopops_summary.htm).
- <sup>12</sup> CSPI. What teens and adults are saying about alcopops. Online: [http://www.cspinet.org/booze/alcopops\\_summary.htm](http://www.cspinet.org/booze/alcopops_summary.htm).
- <sup>13</sup> See *Compulsory Process Order*, online: <http://www.cspinet.org/booze/CompulsoryProcessOrder.pdf> and *H.J. Res 2, page 776*, online: [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108\\_cong\\_reports&docid=f:hr010.108.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_cong_reports&docid=f:hr010.108.pdf).
- <sup>14</sup> Franson, P. "Malternatives pack punch in pop flavors." *The Broward Herald*. Online: <http://www.broward.com/mlb/browardherald/living/4564151.htm>. 24 November 2002.
- <sup>15</sup> Howard, T. "Stylish ads set some Skyy-high goals: Malt beverages have dual ambitions." *USA Today*. 24 June 2002.
- <sup>16</sup> CSPI. Teen television viewing after 9 PM. Online: [http://www.cspinet.org/booze/liquor\\_branded\\_summary.htm](http://www.cspinet.org/booze/liquor_branded_summary.htm).