

The impact of alcohol advertising: Distilling the arguments and the evidence

ABSTRACT: Although alcohol advertising has been the topic of substantial analysis and enquiry, a few key arguments and perceptions still pervade this debate – that alcohol advertising leads to increased consumption, and in turn increased alcohol abuse, by either stimulating demand and/or social conditioning. Within the space constraints of this article, the argument that advertising increases consumption, and the subsequent research, evidence and analysis, are examined. Regrettably, the impact of alcohol advertising on social conditioning (particularly amongst ‘vulnerable’ groups), which is still open to debate and further research, is not able to be addressed here. The article concludes that weight of thirty years’ research and evidence clearly proves that alcohol advertising does not increase overall consumption.

“Many people look for a black and white answer. If advertising does affect market size sometimes, then it does so always. Or, it never does. Much that has been written takes up one or the other of these extreme views.

This is largely because the contentious markets – alcohol and tobacco especially – are subjects of debate in which the political and adversarial mode dominates, rather than scientific enquiry. Issues of public policy are involved: fiscal, legal and social concerns. This implies advocacy and simplified positions.” (Ambler, Broadbent & Feldwick, 1998)

Introduction

The pros and cons of alcohol in society have long been the subject of contentious debate amongst many sectors of the community – particularly those concerned with health, welfare, religion, law enforcement and public policy, and those from the direct and indirect alcohol industry. Accordingly, the advertising or promotion of alcohol is regularly analysed and debated through the agendas of this broader debate, and within the context identified by Ambler et al (1998) above; seeking public policy responses and hence fierce advocacy of simplified positions.

Although alcohol advertising has been the topic of substantial analysis and enquiry over the last two decades or more, this ‘advocacy (or adversarial) scenario’ has resulted in a few key simplified positions pervading this debate, both within the public policy arena and particularly in the broader public perception. Within the space constraints of this article, these common arguments, and the subsequent research, evidence and analysis of each, will be briefly presented, to give a snapshot of the debate at a minimum, and hopefully sufficient coverage of the topic for the interested reader to reach a reasonably informed opinion.

The question of abuse

Unsurprisingly, given the public policy and advocacy nature of this debate, most critics of alcohol advertising arrive at (or come from) the proposition that advertising indirectly promotes the misuse and abuse of alcohol, either by increasing general consumption or by ‘social learning’ – the normalisation and glamourisation of alcohol consumption, and influence of the media on the social stimuli that shape human behaviour (Ambler, 1996, Bang, 1998, Calfee & Scheraga 1994, Nelson 2001). Each of these arguments warrants separate in-depth analysis. Regrettably, the constraints of this article limit its focus to the first argument.

The first argument relies on two propositions: firstly that alcohol advertising increases the community’s overall alcohol consumption; and secondly that any boost in general alcohol consumption leads to an increase in the misuse and abuse of alcohol. For the purposes of this article, with its focus on advertising, we will accept the overwhelming weight of evidence that increases in per capita consumption levels do

not lead to increased abuse (NHMRC, 2001, Single et al, 1999) and only focus on whether alcohol advertising increases overall consumption.

Advertising and consumption

At first glance, it seems common sense that advertising would increase consumption – otherwise why would businesses spend so much time and money on it? Hence, this simplified position becomes an entrenched starting point in this debate. (Hacker, 1998) In analyzing the impact of alcohol advertising on consumption levels, academics and practitioners have looked at a) the relationship between advertising expenditure and consumption, b) the effect of advertising bans, c) the impact of advertising on market size, and more recently d) advertising's direct impact on alcohol prices and any indirect impact on consumption.

a) Levels of advertising expenditure compared with levels of consumption

If alcohol advertising increases alcohol consumption, we would expect to find a relationship between advertising expenditure and consumption – i.e. the more money spent on advertising, the greater the increase in consumption. However, extensive reviews of the research do not support this. Locally, Smith's (1990) analysis of eighteen years of Australian data found the opposite – that significant increases in advertising were directly followed by significant decreases in consumption (p.39). Similarly, Dick's research, quoted in the DSICA position paper (1991), notes that while total alcohol advertising in Australia grew at 1.7% per annum throughout the 1980s, Australia's per capita alcohol consumption fell by more than 10% since the mid-seventies (and has actually declined by 20% over the last twenty years – WARC, 2002). Calfee (1996, p.3) found a similar result for France, where advertising expenditures increased more than three-fold during the 1970s and 1980s, but per capita consumption slumped. Of course, correlation does not mean causality, and it is likely that the falling consumption lead to increased advertising. However, the increased advertising did not stem the falling consumption.

Calfee & Scheraga (1994) conducted a review of more than ten different econometric analyses of the volume of alcohol advertising expenditure and subsequent alcohol consumption rates in the United States, Canada and the United Kingdom, which all concluded that alcohol advertising had very little, if any, effect on alcohol

consumption. In the same paper, Calfee & Scheraga (1994) reported the results of their own econometric analysis of alcohol advertising in France, Germany, the Netherlands and the UK, using at least twenty years' worth of data, and concluded that "advertising was not found to have any influence. Indeed, the lack of significant effect from advertising was striking." Nelson (2001) presents an even more comprehensive and up to date analysis of these and other econometric studies of alcohol advertising expenditures across a number of countries, including Australia, and concludes that, "despite numerous advances in data and econometric techniques, there is little or no evidence of a marketwide relationship between alcohol advertising and alcohol consumption". Preceding his analysis, Nelson (2001) states that "none of the studies reviewed in this section provides support for the null hypothesis that advertising expenditures increase marketwide alcohol consumption in a material way."

Ambler et al (1998) hold up the example of consumers seeing "heavy weights of advertising for products whose sales are growing" as also contributing to the "common-sense answer" that advertising increases consumption. However, even this does not stand up to analysis. The research shows that "advertising may follow consumption" (Ambler, 1996). Ambler (1996) quotes the World Health Organisation's finding that "when an apparent trend of expansion in one brand or product line is noted, each company tries to get in on the promising new bandwagon". This can perhaps be demonstrated in the Australian alcohol market today, where the increasing popularity of pre-mixed spirits (a 35 year old concept) with consumers is leading to increased product development and increased promotional activity. Smith (1990, p.39) found a similar effect in Australia twenty and thirty years ago, that increased alcohol consumption often leads to increased levels of advertising. As Ambler et al (1998) wryly note, eggs do produce chickens after all.

There are, of course, critics of these findings. Nelson (2001) notes Saffer's early to mid 1990s criticisms (which are often relied upon by other critics of alcohol advertising (Casswell, 1995, p.396, Hacker, 1998)), but suggests that more recent studies have satisfactorily dealt with Saffer's concerns. Casswell (1995, p.396) also argues that expenditure on advertising should not be used as a proxy for exposure to advertising, though Nelson (2001) also questions the validity and empirical integrity

of the exposure experiments conducted by Casswell and others. Bang (1998) suggests that although increases in advertising expenditure do not increase overall consumption, that studies have found “some small but positive relationships” with regard to specific advertising medium and specific beverage types, and that more studies are needed.

b) The effect of bans on alcohol advertising

If alcohol advertising leads to an increase in consumption, we would expect bans on alcohol advertising to lead to a reduction in alcohol consumption. However, the historical facts (from countries that have introduced or relaxed bans) do not support this simplified proposition. Horgan’s (1986, p.12) review of one hundred reports found that “there is little empirical support for the effectiveness of a ban on advertising”. Calfee & Scheraga (1994) state that “statistical examination of advertising bans imposed or relaxed by US States or Canadian provinces shows no effect on alcoholic sales as a result of advertising bans.” Ambler (1996) reviewed 7 studies of areas where bans on advertising have been imposed or lifted, and concluded that “restrictions on alcohol advertising are not a contributory factor which will influence the overall level of consumption, nor, more importantly, reduce alcohol abuse”. In the most recent (and comprehensive) analysis, Nelson & Young (2001) studied bans on broadcast advertising in seventeen OECD countries for the years 1977-95. They found that “the empirical results do not support the notion that bans of broadcast advertising of alcoholic beverages will reduce consumption or alcohol abuse” and that “a complete ban of broadcast advertising of all beverages has no effect on consumption relative to countries that do not ban broadcast advertising” (Nelson & Young, 2001).

It is worth noting here that there is some debate as to the effectiveness of advertising bans for vulnerable groups, particularly recovering alcoholics (Casswell, 1994, Hacker, 1998, Pittman 1996, Smart 1989). Conversely, there are suggestions that “there would be certain disadvantages arising from a ban, some of which might negate any hoped for effects”, such as impeding the development of new beneficial products (‘lite’ drinks, low-tar cigarettes) and the industry’s broader commitment to responsible promotions (Horgan, 1986, p.12). Hacker (1998) also makes the point that running community information commercials about the risks of alcohol

(counter-advertising) in balance to liquor advertisements may be more productive than no advertising at all.

c) The impact of advertising on market size

Another indicator as to alcohol advertising's effect on consumption is advertising's impact on market size. If advertising increases market size, then it must be increasing consumption. 'Common-sense' suggests that as advertising's purpose is to sell products, it must therefore move markets (Ambler et al, 1998). Again, this simplified position is often used against alcohol advertising (Hacker, 1998). Calfee (1996) debunks this as an "elementary fallacy in economic reasoning to assume that just because each firm does better with advertising than without, it must be true that the market as a whole does better".

Before focusing on alcohol, it is worth considering the impact of advertising in other mature consumer goods markets. In a recent work that both reviews the available literature and analyses 133 examples of highly successful advertising campaigns, Ambler et al (1998) found that although there is a vast array of factors influencing the size of a market, generally advertising (even an outstanding campaign) is not a significant factor, if at all. They further define the objectives of display advertising for brands as "to defend or increase brand *share* (emphasis added) within the market. The primary purpose of the advertiser is *not* about the size of the market" (Ambler et al, 1998).

With specific reference to alcohol, Calfee & Scheraga (1994) found that "extensive experimentation with econometric technique, including re-analysis of some of the path-breaking studies on alcohol advertising, has failed to reveal a substantial effect of advertising on sales". Nelson & Young (2001), in their review of alcohol advertising in seventeen OECD countries, found "considerable evidence that advertising primarily affects brand and beverage shares, with little or no impact on total alcohol consumption".

Therefore, as alcohol advertising does not increase the size of the market, why advertise at all? (Hacker, 1998) Calfee (1996) neatly answers this rhetorical question;

“Each firm advertises to increase sales for its own brands, not to increase its own sales plus that of its competitors. In mature markets such as that for alcoholic beverages, this competitive battle tends to yield roughly off-setting shifts in market shares among winners and losers. It is just like the markets for, say, toothpaste or laundry detergent, where there is little reason to believe that annual increases in advertising bring ever more frequently brushed teeth or more thoroughly washed clothes. Nonetheless, each firm continues to advertise in the belief (almost certainly true) that to cease advertising is to concede market to the competition.” (Calfee 1996, p.14,)

d) The impact of advertising on alcohol prices

A number of studies have identified price as a strong influence on alcohol consumption, along with income and other factors (Bang, 1998, Calfee & Scheraga 1994, Nelson 2001). Therefore, a more recent line of inquiry into advertising’s impact on consumption to emerge is advertising’s effect on competition and prices.

Tremblay & Okuyama (2001, p.319) argue that advertising restrictions lead to higher “equilibrium” prices, and that eliminating the broadcast ban on distilled spirits advertising in the United States will lead to an increase in alcohol consumption by way of reduced distilled spirit prices, and consequently reduced beer and wine prices.

However, this argument seems counter-intuitive. The author contends that advertising actually increases the unit cost as producers and distributors build the cost of their advertising into their prices. Furthermore, without advertising, one of the primary means of differentiating a product on the shelf is price, thus driving prices down. Both scenarios are currently demonstrated in the Australian pre-mixed spirits market, where one particular company, with no significant principal brand investment and extremely limited advertising expenditure (particularly broadcast) is able to undercut the better known (and more heavily advertised) brands by some 20-30%, and these prices are significantly influencing the market. Similarly, Nelson & Young (2001) argue that “broadcast bans can lead to price reductions due to reduced product differentiation and lower costs,” and that “hence, banning advertising could have the perverse effect of increasing alcohol consumption”.

According to Ambler (1996), “the main impact of advertising is to persuade customers to trade up to more expensive, higher quality brands”. Again, given the consumer’s limited discretionary dollars, by trading up to more expensive, premium brands they are purchasing less alcohol overall. As Ambler (1996) concludes, “where the *value* of the consumer market is constant, advertising will shift consumption to the more expensive products and thus reduce the *volume* consumed”.

Therefore, if alcohol advertising has any impact on alcohol prices, it is likely to be upward and/or move consumers up the quality scale, both of which would have a negative effect on alcohol consumption.

Reviewing the literature reviews

All the major reviews of the significant body of research literature reach a similar conclusion – that alcohol advertising does not lead to an overall increase in alcohol consumption. Horgan (1986, p.12) reviewed approximately one hundred reports and studies dealing with alcohol advertising, and concluded that “there appears to be a preponderance of evidence in the literature which supports the hypothesis that alcoholic beverage advertising has little if any effect on the total demand for alcoholic products or the level of consumption on a per capita basis”. Fisher (1993, p.150), citing some 150 references, concludes that advertising does not affect alcohol consumption or abuse. Pittman (1996) concludes that his earlier (1978) conclusion that “no scientific evidence exists that beverage alcohol advertising has any significant impact on the rate of alcohol abuse and alcoholism” still stands nearly twenty years later. Nelson (2001) concludes that the answer to whether there exists “a direct and material effect of advertising on the overall level of alcohol consumption or alcohol abuse” is no.

Conclusion

The significant body of research from the last two or three decades has clearly found that alcohol advertising has no significant impact on the community’s consumption of alcohol. It has been shown that increased advertising expenditure does not lead to increased consumption, and that per capita consumption has significantly and consistently decreased during times of sustained increased advertising expenditure in

some countries. It has also been shown that the imposition or relaxing of bans on alcohol broadcasting has made no difference to consumption levels within the jurisdiction concerned, or comparatively with other jurisdictions. Furthermore, it has been demonstrated that advertising generally has no significant impact on market *size*, only brand or beverage *shares* of the market. Finally, it has been argued that if alcohol advertising has any influence on consumption through an impact on alcohol prices, it is likely to be to reduce consumption.

In the quote at the beginning of this paper, Ambler et al (1998) lament that in response to these vexed public policy questions, people seek “black and white answers” and neglect “scientific enquiry”. However, in this case, scientific enquiry, extensive research and many real-life case studies appear to have delivered a black and white answer – that alcohol advertising has no significant impact on overall alcohol consumption.

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