



**ALCOHOL ADVERTISING IN SOUTH AFRICA:  
A TREND AND COMPARATIVE ANALYSIS**

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## EXECUTIVE SUMMARY

This study was commissioned by the World Health Organisation and describes trends in alcohol advertising expenditure in South Africa. It is hoped that the study will inform the debate on the Control of Marketing of Alcoholic Beverages Bill. The report is primarily based on statistics collected by AC Nielsen, a well-respected global market research company.

The study only considers “above-the-line” advertising expenditure, which is the direct cost of displaying advertisements on television, radio, billboards and in the printed media and cinemas. Expenses related to the creation of the advertisements themselves and “below-the-line” marketing (which includes marketing activities such as in-store promotions, product tastings, point-of-sale advertising in-store, social media campaigns and sports sponsorships) are not considered in this study.

To remove distortions caused by inflation, all data are presented in real terms, using December 2012 as the base period.

Total alcohol advertising expenditure increased from around R550 million per year between 1997 and 2003, to more than R1.7 billion in 2011 and 2012, all expressed in December 2012 prices. Based on data for January to September 2013, total real alcohol advertising expenditure is projected to decrease by about 8% in 2013.

Total alcohol advertising expenditure is projected to be 4.4% of aggregate advertising expenditure in 2013. It has increased from between 3% and 4% in 1997-2008 to a peak of 5.2% in 2010. It decreased to 5.1% in 2011 and 5.0% in 2012.

74% of total alcohol advertising expenditure was spent on television, followed by radio (8%), cinema (7%), out-of-home (5%), print (5%), and internet advertising (1%) in 2012. The share of television advertising in total alcohol advertising expenditure has increased sharply since 2006.

Television has become substantially more dependent on alcohol advertising. Between 2009 and 2013 alcohol advertising made up 7-8% of total television advertising revenues, compared to less than 5% in most years before 2008. In the past 15 years radio and out-of-home advertisers have become significantly less dependent on alcohol advertising. In 2012 alcohol accounted for 2-3% of radio’s total advertising revenue and about 6% of out-of-home advertisers’ revenue. The print media has traditionally not been very dependent on alcohol advertising; in 2012 alcohol advertising contributed less than 1% of its total advertising expenditure. Alcohol’s share in internet advertising is increasing rapidly, but from a very low base. In 2012 alcohol advertising made up about 2% of total internet advertising expenditure. Even though cinema advertising is not large in the context of total advertising expenditure, it is fairly dependent on alcohol advertising. Between 1997 and 2008, alcohol advertising comprised 8-16% of all cinema advertising. The share is projected to be about 14% in 2013.<sup>1</sup>

Beer, with nearly 50% of total alcohol advertising expenditure, is the most advertised alcohol category, followed by spirits (about 30%) and ciders (about 12%). For television and radio

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<sup>1</sup> AC Nielsen did not publish advertising data for cinema for 2009-2012 because of a data collection problem. This problem has apparently been resolved.

advertising, this pattern holds as well. For print media advertising, the dominant alcohol category is spirits, followed by wine. Beer is not advertised much in the print media. For out-of home advertising, the dominant category is also spirits, followed by beer and, since 2009, corporate (i.e. not product-branded) advertising.

The alcohol industry in South Africa is highly concentrated, with SABMiller and, to a lesser extent Brandhouse, dominating the beer market and Brandhouse and Distell dominating the spirits market. The advertising expenditures of these three companies currently comprise 85% of total alcohol advertising expenditures. For all alcohol categories, other than beer, advertising expenditure has generally become more concentrated at the brand ownership (“house”) level between 1997 and 2012. The entry of Brandhouse into the beer market after the Amstel debacle explains the decreased concentration at the “house” level. Advertising expenditure on individual brands has become more concentrated for liqueur, wine and brandy but less concentrated for the beer, cider, ready-to-drink beverages, and whisky. For the latter categories, advertising expenditure is spread across a greater number of brands.

Sponsorship advertising in South Africa, as defined in this study, is dominated by firms from the banking/insurance/finance and telecommunication sectors and, since 2010, the alcohol industry. Sponsorship advertising expenditure by the alcohol industry amounted to R20 million in 2009, but increased to R84 million in 2010, and peaked at R137 million in 2011. It dropped to R115 million in 2012. As a share of all sponsorship advertising it increased from 4.3% in 2009 to 30.1% in 2012. In 2012 sponsorship advertising made up 6.7% of total alcohol advertising expenditure, substantially up from 1.4% in 2008.

Many parallels have been drawn between the tobacco advertising ban implemented in 2001, and the proposed alcohol advertising ban. The tobacco advertising ban was strongly opposed by the tobacco and advertising industries, on the grounds that (1) that it curbed the industry’s right to freedom of commercial speech, (2) that the government has no right to interfere in citizens’ decisions, (3) that tobacco advertising is not intended to increase the total tobacco market, but rather to get consumers either to remain brand loyal or to switch to the advertised brands, (4) that there was no empirical proof that cigarette consumption is influenced by advertising expenditure, (5) that the advertising ban would reduce competition in the tobacco sector and entrench the existing dominant firm, (6) that firms that want to enter the market would do so purely on price (and possibly poorer quality), undermining the government’s policy to reduce smoking and its negative impacts, and (7) that it would have very detrimental consequences, not only to the affected industries, but to the economy as a whole.

Although we are not aware of any study that comprehensively evaluated the consequences of the tobacco advertising ban, previous studies by one of the authors of this report indicate that, by and large, the ominous predictions of detractors of that legislation did not materialise.

Opponents to the proposed legislation banning alcohol advertising have raised many of the same issues as were raised by opponents to the legislation banning tobacco advertising.

At its peak in 1994, tobacco advertising made up 4.9% of aggregate advertising expenditure. At its peak in 2010, alcohol advertising made up 5.2% of aggregate advertising expenditure. The tobacco industry spent the largest proportion of its advertising budget on print media advertising, followed

by radio and out-of-home advertising. In contrast, the alcohol industry's advertising is focused mainly on television. Tobacco advertising was more diffused among the various advertising media, which made the opposition to the legislation particularly fierce and broad-based. Amongst the various advertising media, the strongest opposition to the proposed alcohol advertising ban is likely to come from television, given how dependent they are on alcohol advertising.

Between 1994, when a democratically-elected government came to power and made tobacco control a public health priority, and 2001, when the tobacco advertising ban was implemented, the share of tobacco advertising in aggregate advertising expenditure decreased consistently. As a result, media companies had time to adjust. In 2010 the Minister of Health raised the possibility of restrictions on alcohol advertising. Alcohol advertising, as a percentage of aggregate advertising expenditure, peaked in that year, and has fallen slowly but consistently ever since. If the tobacco advertising ban proves precedential, advertisers and media dependent on alcohol advertising are likely to be weaned off alcohol advertising slowly but surely before the ban becomes effective.

## 1. INTRODUCTION

Alcohol has been part of South African culture, lifestyle, economy and history for centuries, as it has in many other countries. It makes an important contribution to the economy. Many people work in the alcohol industry across a range of economic sectors: agriculture, manufacturing, wholesale, retail and the hospitality sector, amongst others. Alcohol excise taxes are also a source of government revenue, providing about 1.7% of total government revenue each year.

On the other hand, harmful alcohol use has been responsible for much misery. Some of that misery can be quantified in monetary terms, e.g. the cost of drunken driving incidents, alcohol-related medical costs, and policing and judicial costs associated with alcohol-induced crimes. Many costs, however, can never be accounted for in monetary terms, e.g. alcohol-induced domestic violence, loss of limb or life because of drunken driving and patients' pain, suffering and premature death caused by alcohol-induced illnesses.

South Africa has a peculiar drinking profile. South Africa's adult per capita alcohol consumption in 2005 was 9.5 litres of absolute alcohol (WHO, 2011). This is higher than the world average, but lower than the average in Europe. At the same time, South Africa has one of the highest proportions of abstainers in its population: 65% of South African adults (aged 15 and older) indicate that they have never consumed alcohol in their lives and another nearly 8% indicate that they have not consumed alcohol in the past 12 months. To the extent that respondents answer truthfully, this indicates that only 27% of South African adults drank alcohol in the past year. The average consumption per drinker is about 35 litres of absolute alcohol, which is amongst the highest in the world, and much higher than in Europe, where alcohol prevalence is much more widespread.

South Africa has been categorised as a country with a particularly hazardous "pattern of drinking", together with countries like Kazakhstan, Mexico, Russia and the Ukraine. The "pattern of drinking" does not primarily consider *how much* alcohol is being consumed, but *how* the alcohol is being consumed. A hazardous "pattern of drinking" would be associated with the consumption of large quantities of alcohol in a short time period, drinking outside of mealtimes and drinking with the intention of getting drunk.

Heavy episodic drinking (currently defined by the WHO as having 60 grams of absolute alcohol on at least one occasion in the past seven days) is common in South Africa. The WHO estimates that in 2005 45% of South African drinkers were weekly heavy episodic drinkers. This is amongst the highest in the world.

In 2010 the World Health Assembly of the WHO endorsed a *Global Strategy to Reduce the Harmful Use of Alcohol* (WHO, 2010). The strategy identifies ten policy options that countries are encouraged to adopt in order to reduce the impact of harmful alcohol use. One is to reduce the impact of marketing, especially on young people and adolescents. The *Global Strategy* argues that “alcohol is marketed through increasingly sophisticated advertising and promotion techniques, including linking alcohol brands to sports and cultural activities, sponsorships, and product placements, and new marketing techniques such as e-mails, SMS and podcasting, social media and other communication techniques” (WHO, 2010: 15). The *Global Strategy* identifies low-and middle-income countries with low rates of alcohol prevalence and high rates of abstinence, as well as children and young people in all countries, as especially vulnerable to appealing marketing. The content of alcohol marketing and the amount of exposure of young people to that marketing are regarded as crucial in addressing alcohol marketing appropriately. While not explicitly calling for a complete ban of alcohol advertising the *Global Strategy* calls for strong regulation of the various forms of advertising and marketing and for a “precautionary approach to protecting young people against these marketing techniques” (WHO, 2010: 15).

In 2010 the Minister of Health of South Africa raised the option of restricting alcohol advertising. The matter receded from public attention in subsequent years, but surfaced strongly in 2013 when the Minister of Health, together with the Minister of Social Development, indicated that the bill would be submitted to parliament. The Control of Marketing of Alcoholic Beverages Bill has not yet been gazetted, but, based on a version leaked to the press, aims to, amongst other things, prohibit the advertising of alcoholic products, 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 (Paton, 2012). The proposed legislation is part of the government’s public health agenda, and an acknowledgement that South Africa has a particularly hazardous pattern of drinking. South Africa’s success in reducing smoking prevalence rates, from more than 30% in the mid-1990s to 20-21% presently, is ascribed to a comprehensive tobacco control strategy, which included the banning of tobacco advertising and sponsorship in 2001. This experience has not gone unnoticed, and would have informed the Minister’s decision to restrict alcohol advertising.

The alcohol and advertising industries have responded strongly against the proposed legislation. Their argument is essentially that the economic costs of the legislation are substantial and it is not clear that the legislation will achieve what it aims to achieve. The Industry Association for Responsible Alcohol Use commissioned a study by Econometrix to investigate the likely impact of

the proposed legislation. The report, published in March 2013, is comprehensive and thorough. It considers the economic contribution of the alcohol industry to the South African economy, and finds that, through various upstream and downstream linkages and multiplier effects, the liquor industry has an economy-wide impact of 4.4% of GDP. The report indicates that nearly 90 000 people are directly employed in the industry, but through the various linkages, more than 500 000 employment opportunities can be directly or indirectly traced back to the production and sale of liquor (Econometrix, 2013: 11).

The main focus of the Econometrix study is on alcohol advertising. The study distinguishes between above-the-line (ATL) and below-the-line (BTL) advertising. ATL advertising is the obvious form of advertising, i.e. products advertised on television, radio, billboards, in the printed media and in cinemas, while BTL advertising includes marketing activities such as in-store promotions, product tastings, point-of-sale advertising in-store and social media campaigns. Using the same data source as we use in this report (AC Nielsen) they find that ATL advertising expenditure by the alcohol industry in 2012 was R1.8 billion.

Econometrix also estimated the BTL marketing expenditure and find that total marketing expenditure (i.e. the sum of ATL and BTL marketing) was about R4.4 billion in 2011. They acknowledge that a ban on alcohol advertising would not affect the BTL marketing expenditure, and may even increase it (pages 64-65), but then subsequently perform the analysis on the assumption that the full R4.4 billion will not be spent if the legislation gets implemented. Even though they indicate that “this is the most pessimistic scenario” (page 65), the numbers quoted in the press are unlikely to include this caveat.

Whereas the Econometrix study considered both ATL and BTL marketing expenditure, the current study considers only ATL marketing (advertising) expenditure, and in particular, publication and broadcasting costs.

Sports sponsorship is also part of BTL marketing. For example, if SABMiller were to sponsor a cricket competition, they would pay the governing body, Cricket South Africa, an agreed amount and in return they would then get naming rights to that event. This would be recorded as BTL marketing expenses. Should SABMiller advertise the fact that they are sponsoring the event, the advertising expenditure would be regarded as ATL advertising.

The Econometrix study concludes that a ban on alcohol advertising would not have a significant impact on overall alcohol consumption. Alcohol is a “mature” product category, with stable consumption patterns. The study argues that, in such a market, the aim of advertising is to create



brand loyalty, on the one hand, and to encourage existing consumers to switch to the advertised brand, on the other. Advertising expenditure is a zero-sum game; the gain of one brand will be at the expense of another.

Using South African annual time-series data (1999-2011), they regress aggregate alcohol consumption on aggregate advertising expenditure and find a highly significant positive relationship between the two. A similar regression specification, but based on per capita consumption and advertising expenditure data, yields an insignificant coefficient. There is no a priori reason why one approach is necessarily better than another, yet in the synopsis, in which both these results are presented in the same paragraph, the authors claim rather heroically that “*there is no relationship between advertising expenditure and the consumption of alcohol*” (Econometrix, 2013: 105, emphasis in the original).

While much of the content of Econometrix report is sound, statements like these cast doubt on the objectivity of the report. The Econometrix report was commissioned by an industry body, whose recently-retired director repeatedly spoke against the proposed legislation in the press.

This study has been funded by the World Health Organisation and as such could be open to a similar charge. We believe that such a charge would be unfair. This is a technical study that aims looks at advertising data in a dispassionate manner. The study aims to inform the debate by presenting well-accepted advertising expenditure statistics in a variety of ways, rather than making any policy prescriptions.

The report has three main sections. The first section considers trends in alcohol advertising expenditure between 1997 and 2013. We consider trends in advertising expenditure, in both absolute and relative terms, by alcohol category (e.g. beer, wine and spirits), by medium (e.g. television, radio, out-of-home and print advertising), by manufacturer (or “house” e.g. SABMiller, Brandhouse, and Distell) and by some of the most important brands (e.g. Castle Lager in the beer market, Richelieu in the brandy market and Amarula in the liqueur market).

The second section considers trends in the concentration in advertising expenditure in the various alcohol categories.

The third section compares alcohol advertising expenditure with tobacco advertising in the years before it got banned in 2001. We present an overview of the arguments that were raised against the tobacco advertising ban in 1998, and analyse developments in the tobacco industry after the implementation of the ban. We also consider the relative importance of alcohol and tobacco in

aggregate advertising, and similarities and differences in the media composition of alcohol and tobacco advertising.

A note on the terminology used in this report. We try to be as precise as possible in the way we describe the data. While this sometimes makes for tedious reading, we hope that the greater precision compensates for this. We use the following conventions throughout: “Aggregate advertising expenditure” refers to above-the-line advertising expenditure on everything that AC Nielsen monitors, i.e. not only alcohol. “Relative shares” are defined such that the sum of the “relative shares” add up to 100%. For example, the relative share of beer in total alcohol advertising expenditure in 2012 was 48.5%. This relative share, together with the sum of the relative shares of the other categories in total alcohol advertising, would equal 100%. “Shares” are defined as a percentage of something much larger, and the sum of the shares do not necessarily add up to 100%. For example, the share of beer advertising expenditure in aggregate advertising expenditure in 2012 was 2.3%.

## **2. THE DATA**

All advertising expenditure data were obtained from AC Nielsen, a well-respected global market research company. AC Nielsen has been monitoring advertising expenditure in South Africa since 1968, although in the early years the media coverage was limited. We have obtained comprehensive electronic data for print, radio, out-of-home (typically billboards), cinema and television advertising expenditure since 1997. Internet advertising has been monitored since 2001.

AC Nielsen collects the data in one of two ways. For print, television and radio advertising, they monitor the relevant medium and record the value of the advertising for all products and services advertised. This means they subscribe to all newspapers, magazines and journals, and their personnel listen to all radio stations and watch all television channels. To calculate the print media’s advertising expenditure, each publication is scrutinised, the size of the advertisement is measured, its location (e.g. back page, cover page, etc.) is noted, and the details are captured electronically. The value of the advertisement is calculated by applying the relevant publication’s published rates.

For radio and television advertising AC Nielsen employees listen to and watch all stations and record the details of the advertisement (station, time of day, length of advertisement, product, etc.). For out-of-home, cinema and internet advertising, AC Nielsen obtains copies of invoices from the main service providers.

The data are not confidential or subject to anonymity conditions because, with the possible exception of out-of-home, cinema and internet advertising, anyone with enough time and money can replicate AC Nielsen's work.

Although the data are comprehensive and detailed, they only cover a proportion of the total costs of advertising. For example, the production costs of the advertisements are not included in these figures. These data only refer to publication and broadcasting costs. Other forms of marketing, typically called below-the-line advertising/marketing, are not included in this analysis.

Large advertisers would typically negotiate better rates than the published rates on which the expenditure figures are based, and as such the spending data reflected in AC Nielsen's reports would be larger than the true amounts that companies pay. Of course, the discounts offered by the various advertising firms are not in the public domain.

The quality of the data depends very much on the data collecting process. This is something that cannot be readily verified, especially not retrospectively. However, one can take comfort from the fact that, given AC Nielsen's reputation in the collection of management information, it seems unlikely that systematic and serious errors will be made.

The data we received from AC Nielsen indicated zero cinema advertising for the period 2009-2012, which is clearly incorrect. According to AC Nielsen, it appears that an outdated reporting model caused the cinema advertising expenditure data to become unreliable (Prince Tladi, AC Nielsen, personal communication). That has been corrected in 2013. However, the Econometrix report does report cinema advertising for alcohol for 2009-2013, and we used their cinema advertising expenditure data for alcohol for these four years. According to AC Nielsen these data may be subject to error, so we urge caution in interpreting trends in cinema advertising expenditure data. We do not have access to total cinema advertising expenditure, which means that aggregate advertising expenditure is somewhat understated in these four years. This would slightly overstate the shares of alcohol in these four years as well (but probably by no more than 0.1 percentage point).

AC Nielsen collects the data in nominal terms. Increases in nominal advertising expenditure can be caused by inflation or by real increases in spending. To prevent inflation from distorting the trends in real advertising expenditure, all nominal figures were deflated by the Consumers' Price Index (CPI),

published by Statistics South Africa (Statistics South Africa, 2013). The base period, chosen by the statistical authorities, for this series is December 2012.<sup>2</sup>

Groups opposed to the proposed legislation have a tendency (and the incentive) to present trend analyses in nominal terms (e.g. Econometrix, 2013, BMI Sports Information, 2013 and ARA, 2013). A nominal time series creates the illusion that the variable of interest (in this instance, advertising expenditure) grows rapidly, often at rates of 10% or more. In most instances the growth in the nominal series is driven primarily by inflation and to a lesser extent by the real growth of the variable of interest. Inflation reflects the general increase in prices; it says nothing about the real variable (i.e. the number of advertisements published or aired). By expressing the data in constant prices, the impact of inflation is removed, and one gets a much better understanding of the true underlying trend in the variable of interest.

The data were available up to September 2013. In order to obtain an estimate for the whole of 2013, we calculated seasonal factors for each of the months from January to December, based on the data of the previous years (typically 1997-2012), and extrapolated the advertising expenditure for the first nine months to the whole year, using the seasonal factors for October through December. We did this because advertising expenditure is not evenly spread over the year and, especially for alcohol, there is typically a surge in advertising in October and November. Had we extrapolated the previous nine months into the last months, rather than accounting for these seasonal effects, we would underestimate the advertising expenditure for the whole year.

### **3. TRENDS IN ADVERTISING EXPENDITURE**

#### **3.1 Trends in aggregate advertising expenditure**

The South African advertising industry has experienced substantial, albeit somewhat irregular, growth over the past 16 years, as indicated in Figure 1. Aggregate advertising expenditure, expressed in constant December 2012 prices, grew from R13.7 billion in 1997 to R34.7 billion in 2012 and a projected R36.1 billion in 2013. This equates to a compounded annual growth rate of 6.3%, which is substantially higher than the GDP growth rate over this period. In fact, in 1997 aggregate advertising expenditure, as defined by this measure, comprised 0.84% of total GDP, and grew to 1.08% of GDP in 2012.

While the general trend in aggregate advertising expenditure has been upward, three of the 16 years have seen a decrease in the advertising spend relative to the previous year. In 2001 aggregate

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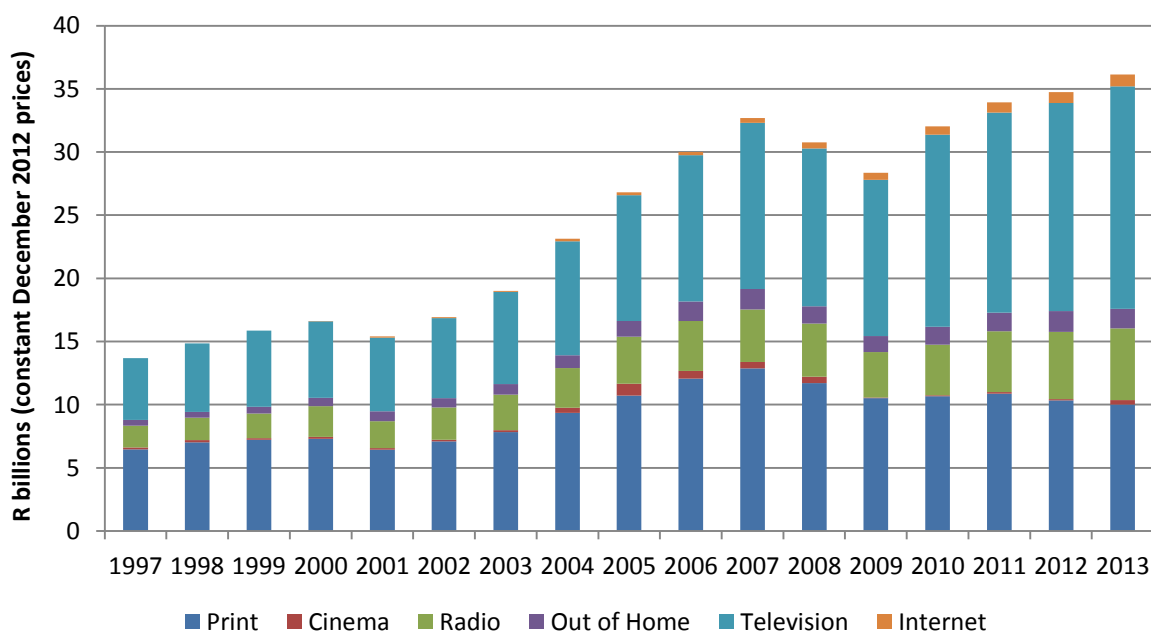
<sup>2</sup> The choice of this base period is arbitrary. Should any other base year be chosen, it would have no impact on the relative shares of the variables under scrutiny or on the trends in advertising expenditure.

advertising expenditure decreased by 7.4%. In that year the economy grew at a modest 2.7% and it was also the year in which the ban on tobacco advertising came into effect.

In 2008, aggregate advertising expenditure decreased by 5.8%, followed by another 7.9% decrease in 2009. This is explained largely by developments in the macro-economy. Research in other countries has shown a strong positive relationship between economic growth and advertising expenditure (Van der Wurff, Bakker and Picard, 2008). In 2008 South Africa’s GDP growth rate slowed from an average of 5.5% in the previous three years to 3.6%. By the end of 2008, the economy was in recession. The recession lasted into 2009, with GDP decreasing by 1.5% that year.

Since 2009, aggregate advertising expenditure has been increasing at an average compounded rate of about 6.3%, substantially higher than the rather anaemic GDP growth rate of 3%.

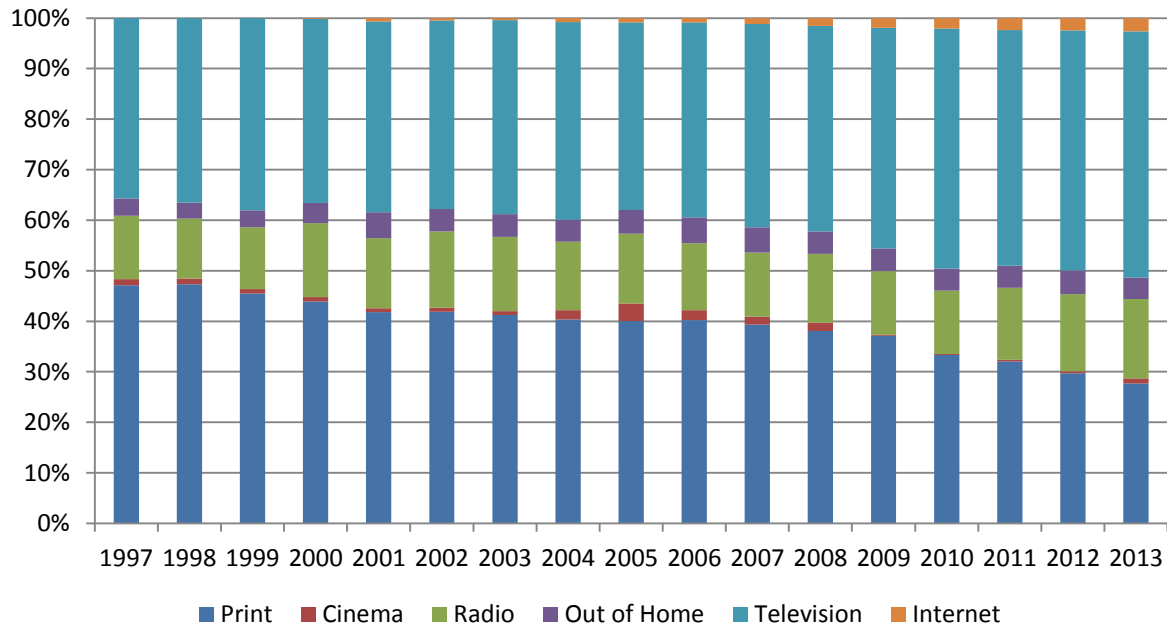
**Figure 1: Aggregate advertising expenditure across all goods and services**



The media composition of South Africa’s aggregate advertising expenditure is illustrated more clearly in Figure 2. In 2012, television (47.5%) and print (29.7%) advertising comprised the bulk of aggregate advertising expenditure, followed by radio (15.3%), out-of-home (4.7%) and cinema advertising (0.3%, when only alcohol-related cinema advertising is measured). Internet advertising (2.5%) forms a small but rapidly growing component of total advertising expenditure. Since 1997 the relative share of print advertising has decreased from 47.1% to 29.7% of total advertising expenditure, primarily at the expense of an increase in the relative share of television advertising (from 35.7% to 47.5%).

Youth, in general, spend more time watching television than reading newspapers and magazines. This makes television a particularly powerful medium to communicate with the youth. Also, new technologies (specifically internet and smartphones) have high uptake amongst the youth, compared to “old media” like newspapers and magazines. Shifting advertising from print media to television thus makes a lot of sense, especially if one aims to target the youth.

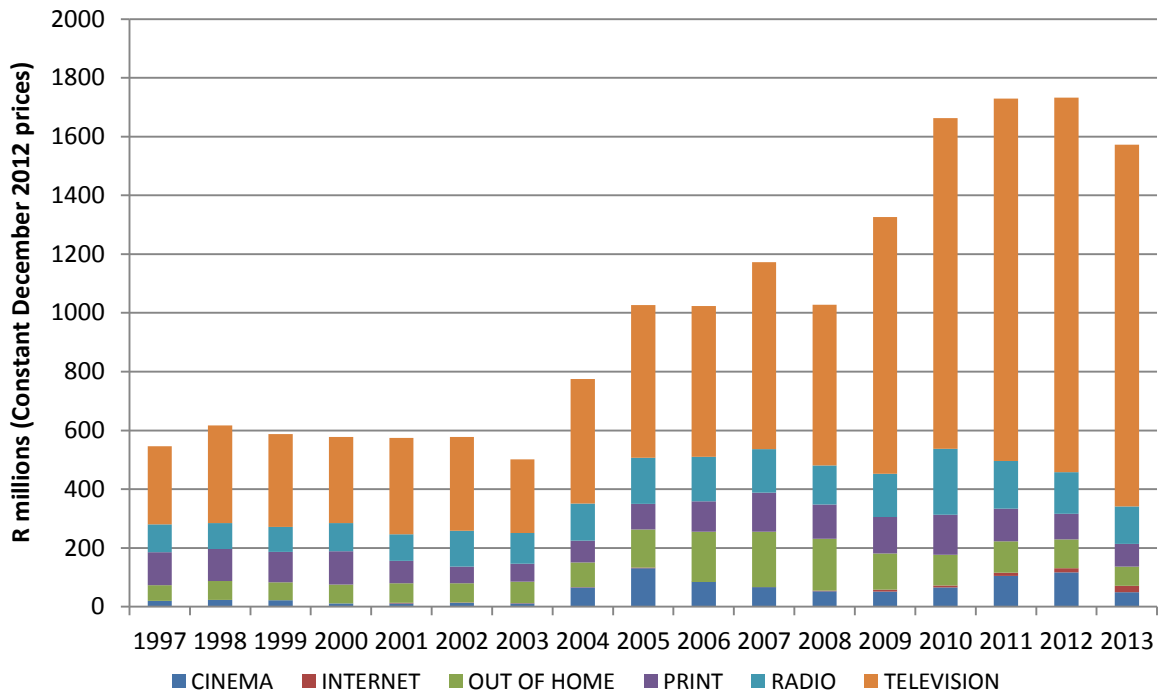
**Figure 2: Relative shares of different media in aggregate advertising expenditure**



### 3.2 Trends in alcohol advertising expenditure

Total advertising expenditure on alcohol, expressed in constant December 2012 prices, is shown in Figure 3. Two very clear trends are identified: (1) a period of no growth between 1997 and 2003, and (2) a period of very rapid growth subsequently. Between 1997 and 2003 alcohol advertising expenditure averaged about R550 million and increased to more than R1.7 billion in 2011 and 2012. The big surge in alcohol advertising after 2004 was driven primarily by an increase in television advertising. After 2005 the expenditure on the other media remained largely constant, and after 2010 decreased somewhat.

**Figure 3: Alcohol advertising expenditure by type of media, 1997-2012**



The share of alcohol in aggregate advertising expenditure is shown in Figure 4. For most of the period between 1997 and 2008 alcohol advertising expenditure comprised between 3% and 4% of aggregate advertising expenditure. In 2009 the share of alcohol increased substantially and peaked at 5.2% in 2010. It seems reasonable that the peak in alcohol advertising can be ascribed to the 2010 FIFA Soccer World Cup that was held in South Africa. Television channels focusing on sport have a disproportionately large share of alcohol in their total advertising revenue. Alcohol advertising expenditure as a percentage of aggregate advertising expenditure decreased to 5.1% in 2011 and to 5.0% in 2012. The share is projected to be 4.4% in 2013; in nominal terms this is slightly more than R1.6 billion.

**Figure 4: Alcohol advertising as a percentage of total advertising expenditure, all media**

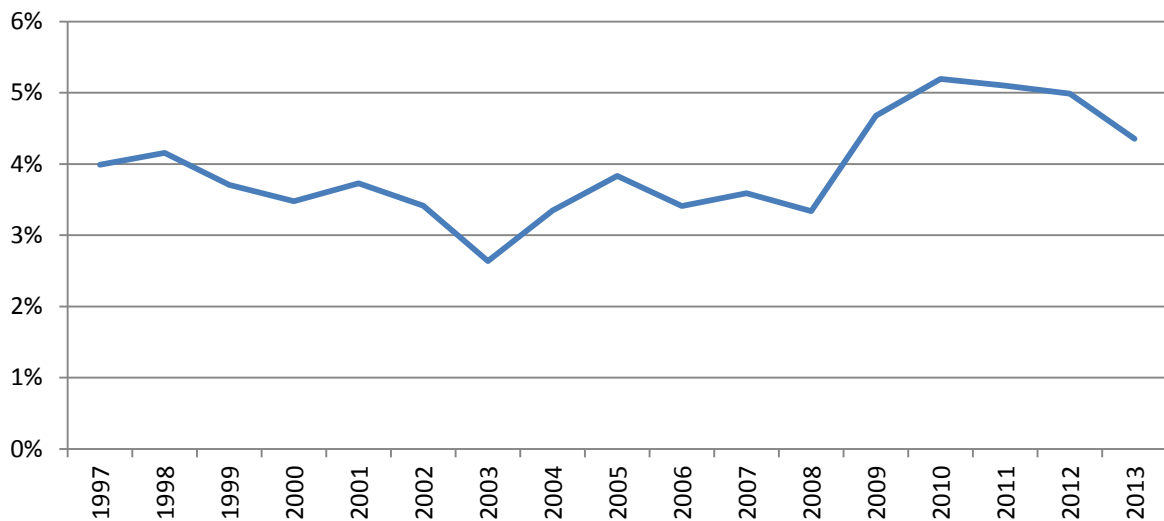


Figure 5 indicates the relative shares of the different categories of alcohol, expressed as a percentage of total alcohol advertising expenditure for each year from 1997 to 2013. Traditionally, alcohol is generally divided into three main categories: beer, wine and spirits (UCT report, 2014). Within these three main categories there are typically a number of subcategories. Thus for beer, for example, a distinction is often drawn between lager and dark beer. Wine is typically categorised into red, white and rosé wine. Spirits have the most categories, including whisky, brandy, gin, rum, vodka and cane. Other than these three traditional categories, ciders (fermented beverages typically made from apple juice) and ready-to-drink (RTD) beverages (the latter especially in the past two decades) are also popular. We have used the categorisations used by AC Nielsen in this report, i.e. beer, cider, RTD, spirits, wine and corporate advertising.<sup>3</sup> In 2012 nearly 50% of all alcohol advertising was for beer, followed by 30% for spirits, and 12% for cider.

The advertising expenditure shares of the two main alcohol categories (beer and spirits) have been subject to fairly substantial changes over time. Beer made up about 50% of all alcohol advertising expenditure between 1997 and 2003, but this dropped sharply to 30% in 2008. Subsequently it rose again to its current level of just below 50%.

Spirits comprised between 25% and 30% of all alcohol advertising expenditure between 1997 and 2002, after which its share increased rapidly, peaking at 48% in 2006. Since then its share has decreased again.

<sup>3</sup> Corporate advertising, within this context, refers to advertising by the alcohol industry which is not product-specific or brand-specific. Typical examples would be advertisements warning against harmful use of alcohol or drinking and driving. They are ascribed to the manufacturers (e.g. SAB) rather than a particular brand.



Between 1997 and 2006, cider comprised an average of about 6% of total alcohol advertising expenditure, but this increased to 10% in 2007. Since then the relative share of cider in total alcohol advertising has remained fairly constant at between 10% and 12%.

Despite the fact that the sales of ready-to-drink beverages (RTDs, see SAWIS, 2013) has increased sharply over the past 17 years, the relative share of advertising of these categories has remained relatively small. The advertising expenditure share of RTDs in total alcohol advertising increased from negligible levels in 1997 to 8.6% in 2004, but has subsequently decreased, and has generally been less than 5% since 2006.

It seems likely, however, that RTD sales have benefitted from the advertising of brands in other alcohol categories. For example, Smirnoff Spin is an RTD that would have benefitted from the branding, advertising and brand recognition of Smirnoff vodka.

**Figure 5: The relative share of alcohol categories in total alcohol advertising expenditure**

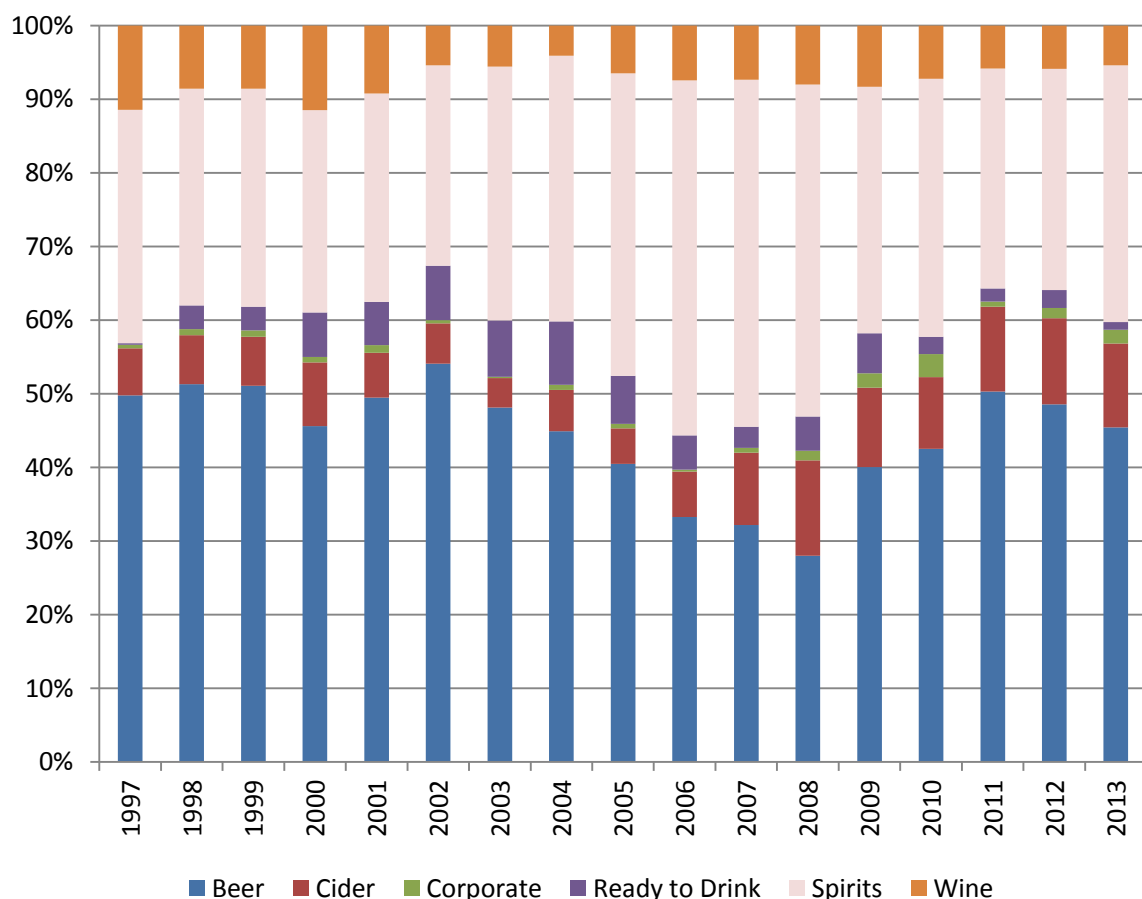
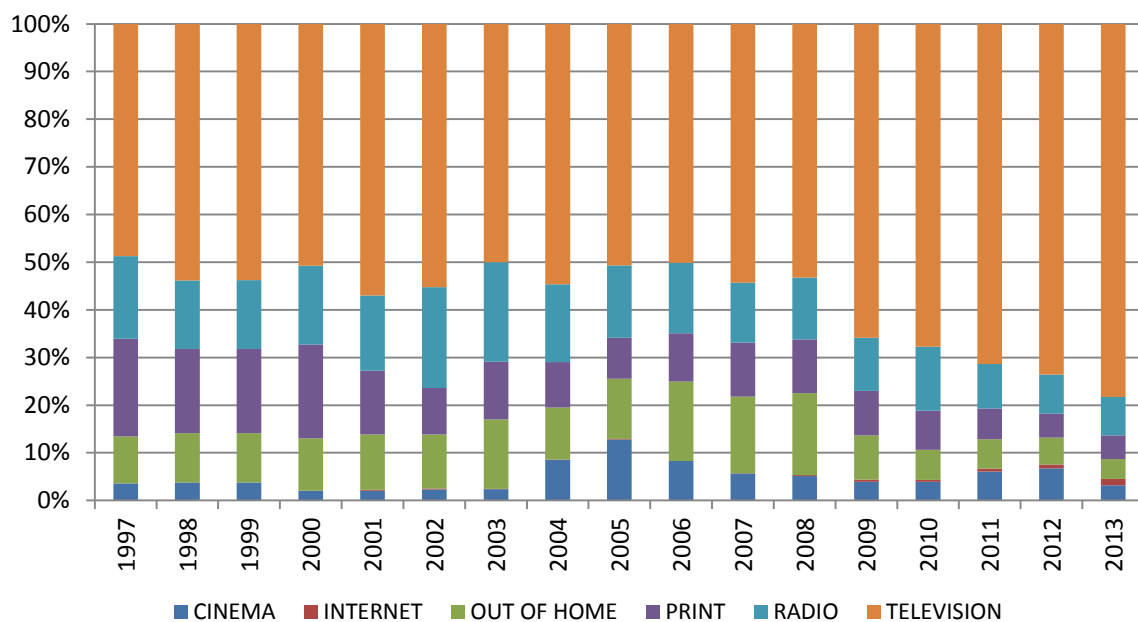


Figure 6 breaks down total alcohol advertising by medium. Television advertising, which comprised between 50% and 55% of total alcohol advertising expenditure between 1997 and 2008, greatly

expanded its relative share since 2009 and currently comprises more than 75% of all alcohol advertising expenditure. The shares of all other media have been reduced as a result, in broadly equal proportions.

In 2012, television was the most important advertising medium for alcohol, accounting for 73.6% of total alcohol advertising expenditure, followed by radio (8.2%), cinema (6.7%), out-of-home (5.6%), print (5.0%), and internet advertising (0.8%).

**Figure 6: The relative share of different media in total alcohol advertising expenditure**



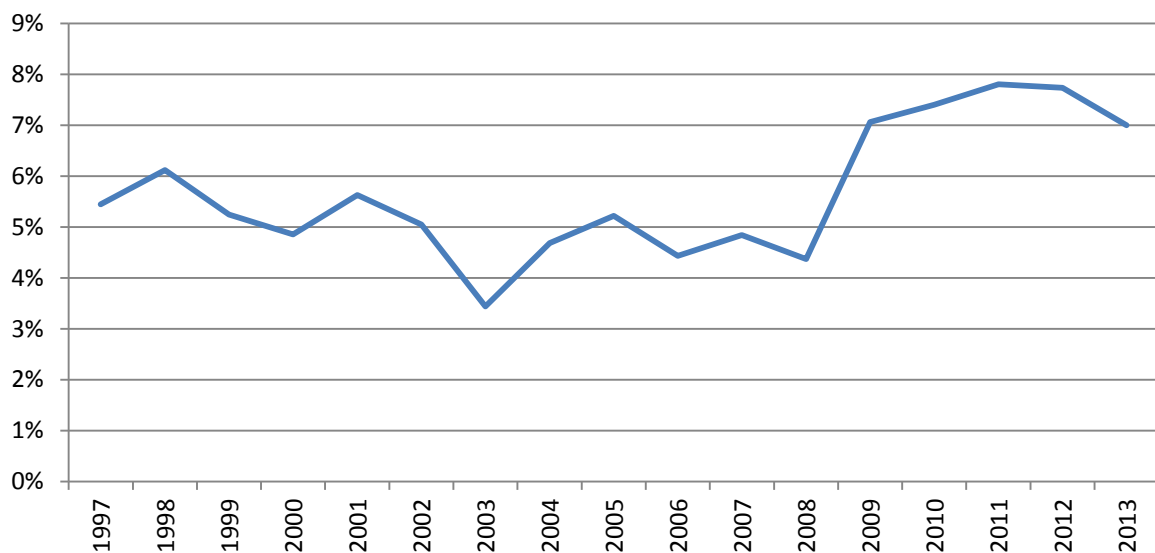
There are substantial differences in individual media’s dependence on alcohol advertising. These are shown in the diagrams below. Figure 7 illustrates the relative share of alcohol in the total expenditure on television advertising.

Between 1997 and 2007, alcohol’s share of television advertising varied, mostly between 4% and 6%, but with a clear downward trend over that period. However, in 2009, alcohol’s share of total television advertising expenditure increased to 7%, peaking in 2011 and 2012 at just below 8%. Provisional numbers for 2013 indicate that alcohol’s share in total television advertising expenditure is down to 7%.

At a presentation to members of parliament on 29 October 2013, BMI Sports Information indicated the revenues received by the largest media companies, and according to that information, the SABC received 43% of television-based alcohol advertising revenues in 2012, Multichoice Africa received

38% and E-TV received 19%. There has been a substantial shift in this expenditure in the past five years, primarily in favour of Multichoice Africa and at the expense of the SABC. In 2008, the SABC still commanded 58% of the television-based alcohol advertising expenditure, compared to 24% for Multichoice Africa and 17% for E-TV (BMI, 2013).

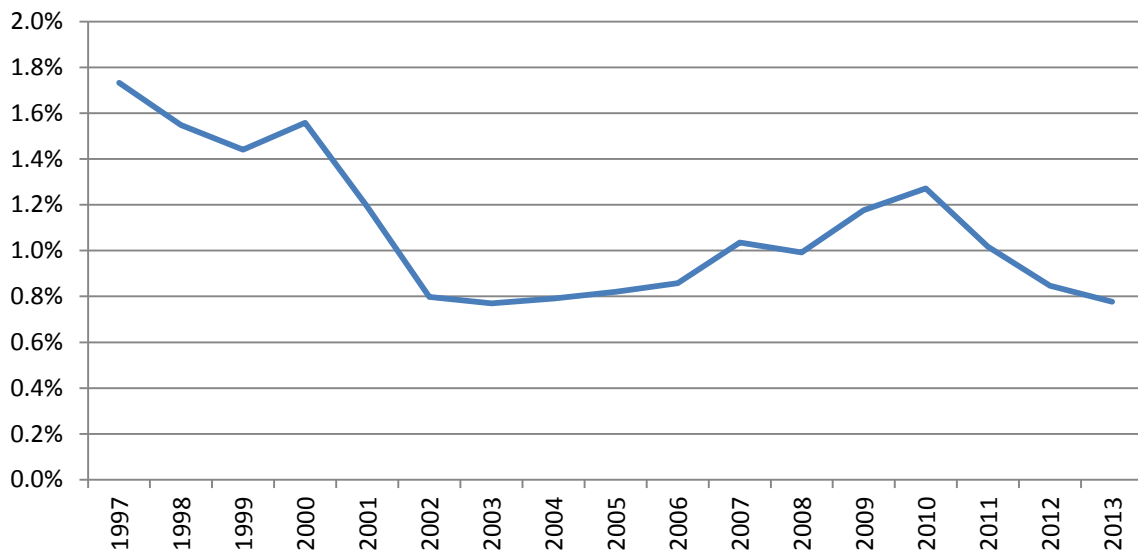
**Figure 7: Alcohol advertising as a percentage of total advertising expenditure on television**



Print is an important advertising medium, but it is not very dependent on alcohol, as indicated in Figure 8. Currently less than 1% of advertising revenues received by the print media is derived from alcohol. Between 1997 and 2001 the relative share was somewhat higher, but was decreasing. Since 2002, the share of alcohol has remained mostly below 1%, except for a modest increase in 2009-2010.

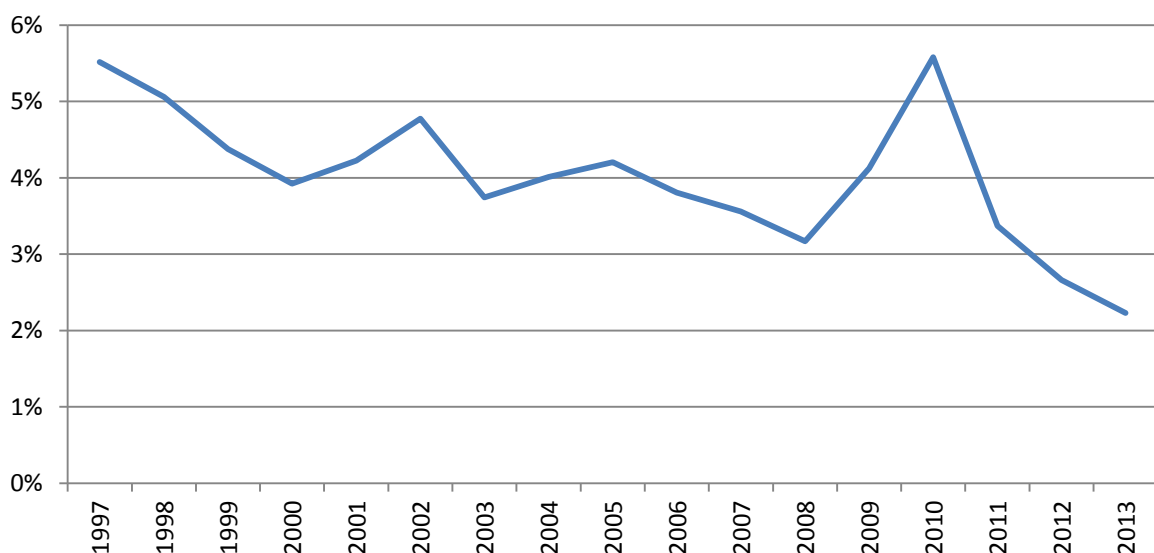
According to BMI Sports Information, Times Media was the single largest recipient of alcohol advertising revenue in 2012, with R28.8 million, followed by Media24 with R22.4 million.

**Figure 8: Alcohol advertising as a percentage of total advertising expenditure in the print media**



Alcohol advertising is becoming relatively less important for radio, as indicated in Figure 9. Based on provisional 2013 figures, the share of alcohol in all radio advertising revenues is 2.2%. Other than a pronounced spike in 2010, when the share of alcohol increased to 5.6% of total radio advertising revenues, the share of alcohol in total radio advertising has been decreasing at a rate of about 0.2 percentage points per year.

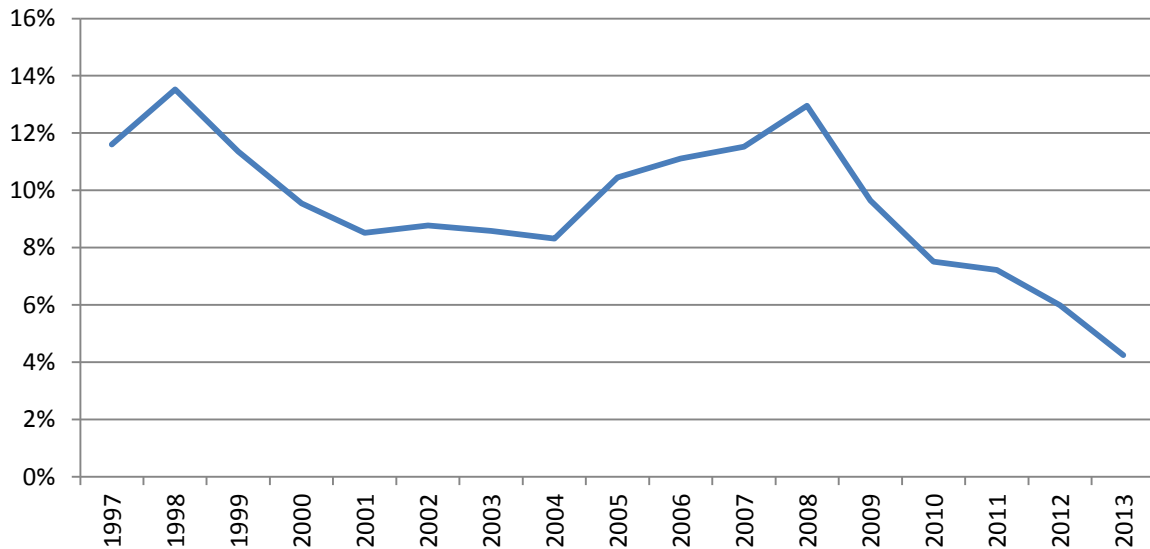
**Figure 9: Alcohol advertising as a percentage of total advertising expenditure on radio**



A very similar pattern is found for out-of-home advertising. Out-of-home advertising is primarily billboard advertising. The share of alcohol in this advertising medium decreased from more than

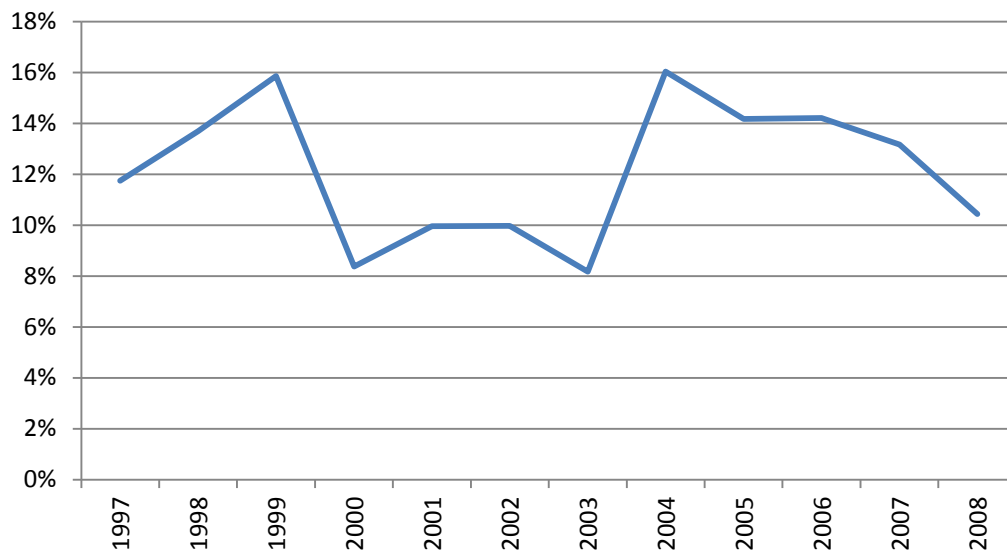
13% in 1998 to less than 10% between 2000 and 2004. It subsequently picked up substantially, peaking in 2008 at 13%, but decreasing sharply thereafter. For 2013 the share of alcohol in total out-of-home advertising expenditure is projected to be 4.2%.

**Figure 10: Alcohol advertising as a percentage of total expenditure on out-of-home advertising**



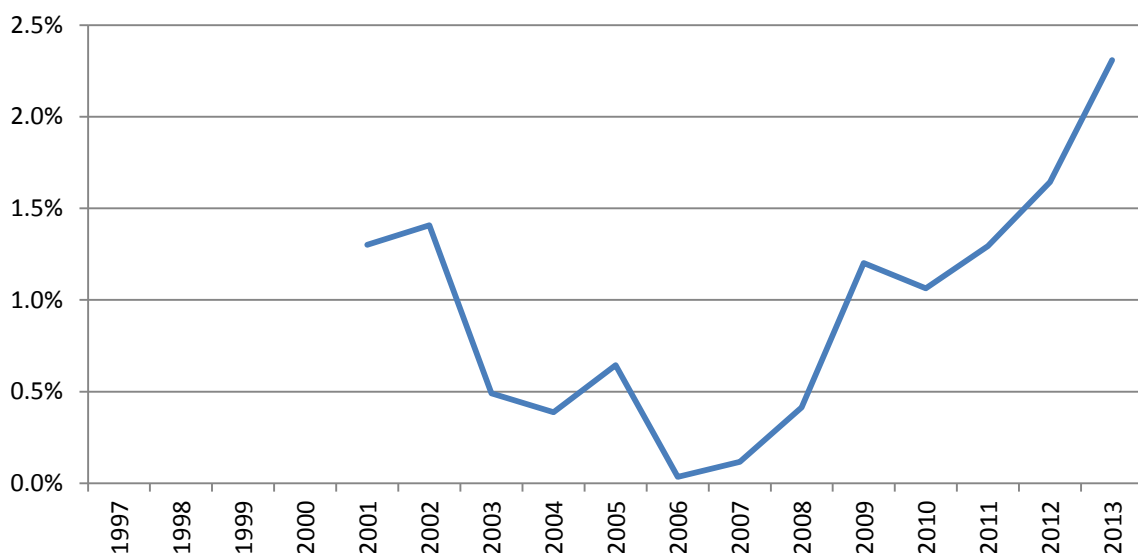
As explained in section 2, AC Nielsen withdrew the cinema data for 2009-2012 because it had become unreliable. We were able to obtain cinema advertising data for alcohol from Econometrix (2013), although AC Nielsen's withdrawal of the cinema advertising data suggests that care should be taken in interpreting this data. However, there is no way that we can derive the data for total expenditure on cinema advertising for 2009-2012. Cinema advertising is not large in the context of total advertising expenditure, but it is fairly dependent on alcohol advertising. Between 1997 and 2008, alcohol advertising comprised between 8% and 16% of all cinema advertising. The share is projected to be about 13.7% in 2013.

**Figure 11: Alcohol advertising as a percentage of total expenditure on cinema advertising**



Internet advertising is still a relatively new and unimportant medium, and, given the way the data are collected, the data may be subject to greater measurement error than advertising expenditure on other media. Alcohol's share of internet advertising expenditure is modest, but has been growing rapidly since 2006, as illustrated in Figure 12. Currently more than 2% of all internet advertising revenues is derived from the advertising of alcohol, according to a projection for 2013.

**Figure 12: Alcohol advertising as a percentage of total expenditure on internet advertising**



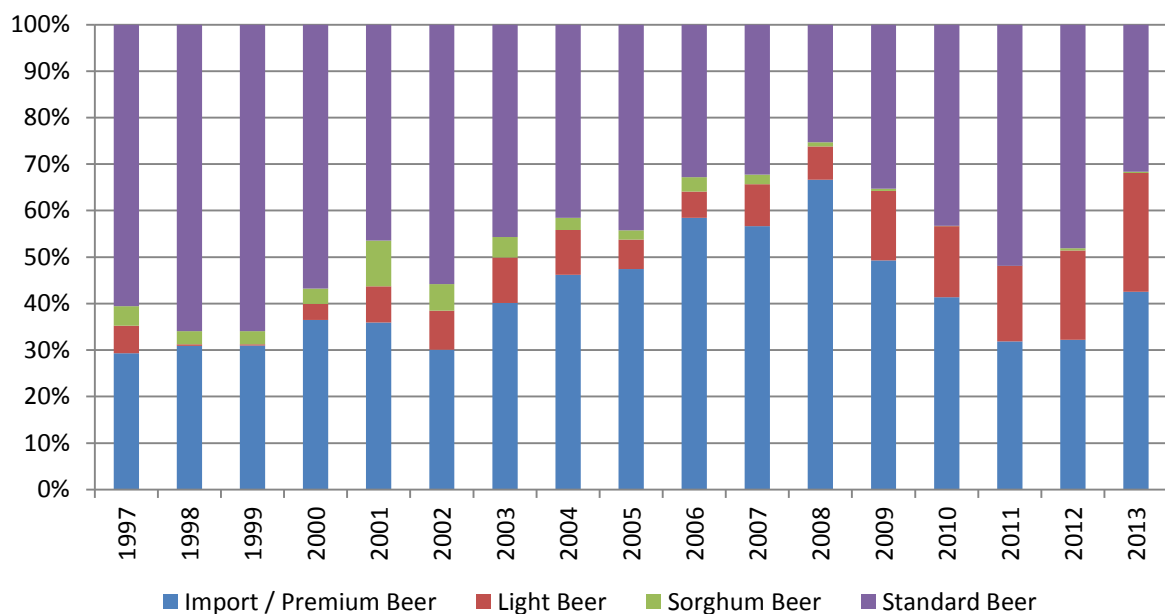
### 3.3 Trends in advertising expenditure of different alcohol categories

In this section the focus is on the advertising expenditure's relative shares of the various subcategories within three main alcohol categories as defined by AC Nielsen (i.e. beer, wine and spirits). The data are presented as stacked bars, in each year summing up to 100%. This allows one to observe trends in the relative share of each of the subcategories quite carefully over time.

Beer advertising expenditure in 2012 comprised 48.6% of total alcohol advertising and 2.3% of total advertising expenditure in South Africa. Figure 13 indicates that currently about 80% of total advertising expenditure on beer is on import/premium beer (32%, on brands such as Amstel, Grolsch and Heineken) or standard beer (48%, on brands such as Castle and Carling Black Label). The relative shares of both these beer subcategories have been subject to substantial fluctuations over the past 17 years. In the past two years the share of standard beer has decreased from 51.9% to 31.6%, while the share of import/premium beer has increased from 31.8% to 42.5%. Advertising spending on light beer has increased from a negligible share in the late 1990s to 16.3% of total beer advertising expenditure in 2011, 19.2% in 2012 and a projected 25.6% in 2013. Sorghum beer has never been much advertised, comprising less than 5% of total beer advertising expenditure in most years (but with a 10% spike in 2001). However, since 2008, sorghum beer advertising has all but disappeared. The decrease in the advertising of sorghum beer corresponds with the decrease in commercial sorghum beer production (Van Walbeek and Blecher, 2014).

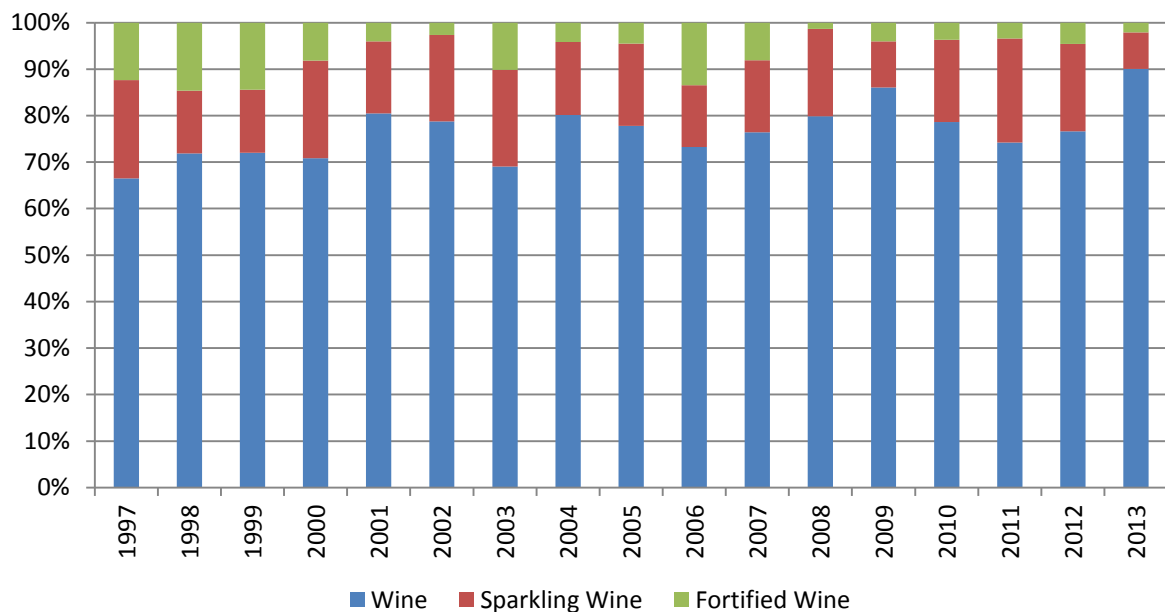
Sorghum beer has never been much advertised, comprising less than 5% of total beer advertising expenditure in most years (but with a 10% spike in 2001). However, since 2008, sorghum beer advertising has all but disappeared. The decrease in the advertising of sorghum beer corresponds with the decrease in commercial sorghum beer production (Van Walbeek and Blecher, 2014).

**Figure 13: Relative shares of different beer types in total beer advertising expenditure**



AC Nielsen subdivides wine into three components: (natural) wine, sparkling wine and fortified wine. In 2012 wine advertising expenditure comprised 5.9% of all alcohol advertising expenditure and 0.27% of aggregate advertising expenditure. Natural wine is by far the most important subcategory in this category of alcohol, with a relative share typically between 70% and 80%. Sparkling wine comprises 10% to 20% of the total advertising expenditure on wine. There has been some volatility in the share of sparkling wine, but no clear trends. Similarly, there has been some volatility in the relative share of fortified wine in the broader wine category.

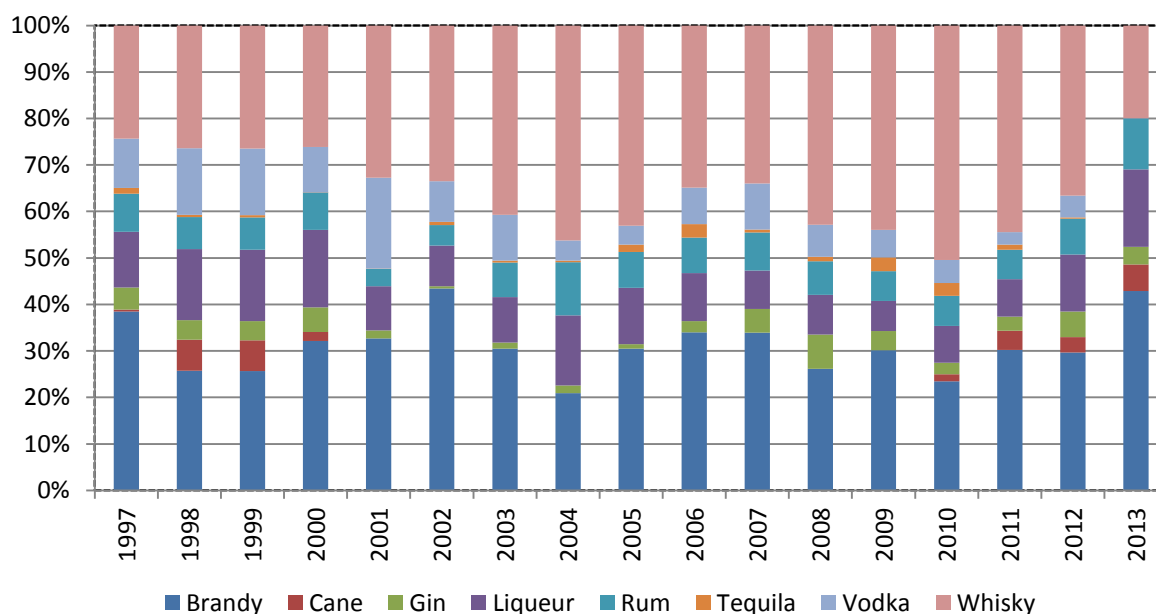
**Figure 14: Relative shares of different wine types in total wine advertising expenditure**



In 2012 the advertising of spirits comprised 30% of total alcohol advertising and 1.4% of aggregate advertising expenditure. AC Nielsen identifies eight subcategories of spirits. The relative shares of total spirits advertising in 2012 are shown in parentheses and in decreasing order of importance: whisky (36.6%), brandy (29.6%), liqueur (12.2%), rum (7.7%), gin (5.5%), vodka (4.7%), cane (3.3%) and tequila (0.4%). Both whisky and brandy have experienced sizeable changes in the relative share of advertising expenditure. Since its peak in 2010 of 50%, the share of whisky has decreased quite sharply. Whisky's loss of advertising share is ascribed mainly to the increasing advertising shares of vodka, liqueur, cane and brandy.



**Figure 15: Relative shares of different spirit types in total spirits advertising expenditure**



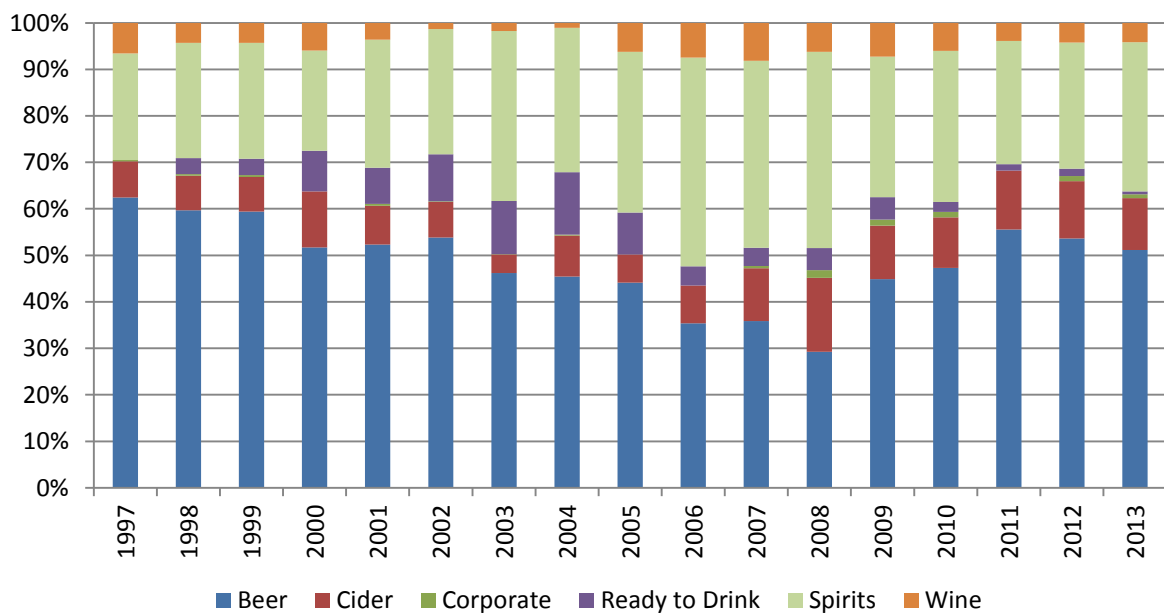
### 3.4 Trends in the relative shares of different alcohol categories by advertising media

Because of economies of scale, the degree of brand concentration in certain alcohol categories, the financial muscle of the producers of the various beverages, and advertisers' ability to identify and target certain groups of (potential) consumers, some media are more suited to advertise some alcohol categories, while other media are more suited for other categories. In principle, one would expect the alcohol industry to use media with a wide range (e.g. television and national radio) for products that have widespread use, while it would use more focused media (e.g. regional newspapers, regional radio and billboards) to advertise products to more niche markets. For example, one would expect that beer, which is consumed by a large numbers of people throughout the country and is produced by a powerful, highly concentrated industry, would primarily be advertised by means of mass media. In contrast, we show below that wine is not advertised much on television, radio or on billboards, but is advertised extensively in the print media. Cider is advertised increasingly more on television and radio, but not much on billboards or in the print media.

This section considers differences in the relative shares of different alcohol categories across four advertising media and changes in the relative shares of these categories for these media. The media considered are television, radio, print and out-of-home. We use the alcohol category definitions used by AC Nielsen, namely beer, cider, corporate, ready-to-drink (RTD), spirits and wine. For each of the diagrams below, the same colour coding is used for the various categories, which should help in comparing the product composition of the various categories.

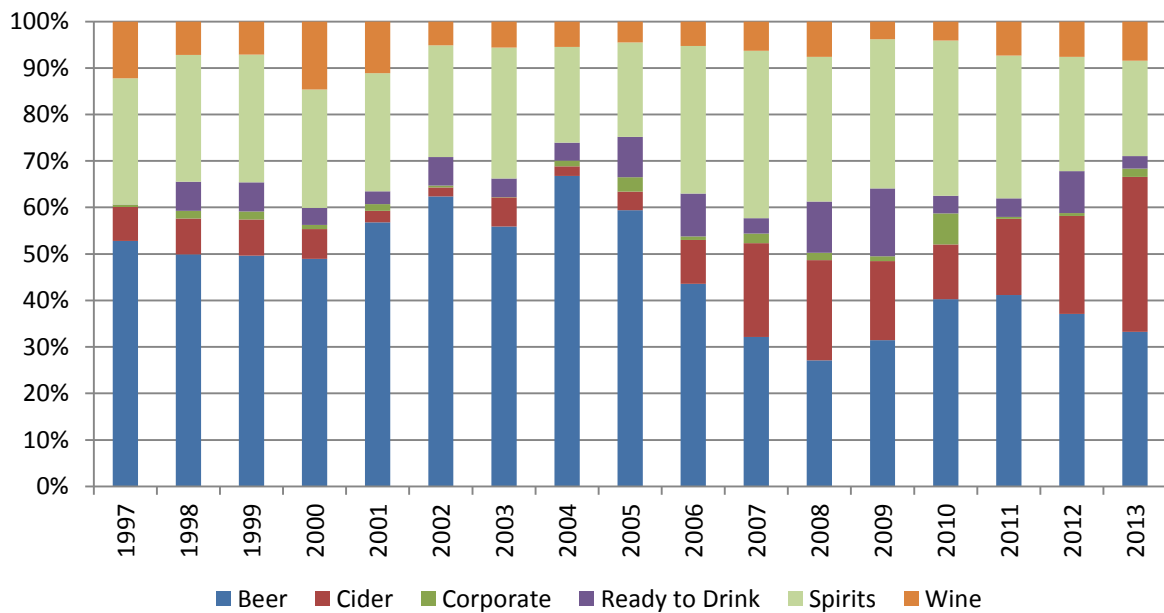
For television advertising, the most important category by far is beer with a 53.7% share of total alcohol advertising in 2012, followed by spirits (27.1%) and cider (12.3%). RTD's share of television advertising grew rapidly from 1998 to 2004 (peaking at more than 10% in that year), but subsequently decreased to insignificant levels. The share of wine has traditionally been low and has been decreasing in the past five years, currently making up about 4% of total television alcohol advertising.

**Figure 16: Relative shares of different alcohol categories in television advertising expenditure**



A broadly similar profile emerges for the category composition of alcohol advertising on radio. In 2012 beer comprised 37.1% of all alcohol advertising expenditure on radio, followed by spirits (24.6%) and cider (21.1%). In the past four year the relative importance of cider has increased strongly (from 17% in 2009 to a projected 33.3% in 2013), primarily at the expense of spirits (from 32.1% in 2009 to a projected 20.5% in 2013). The share of wine (7.6% in 2012) in total radio alcohol advertising expenditure is modest, but higher than its share in television alcohol advertising expenditure (4.2%).

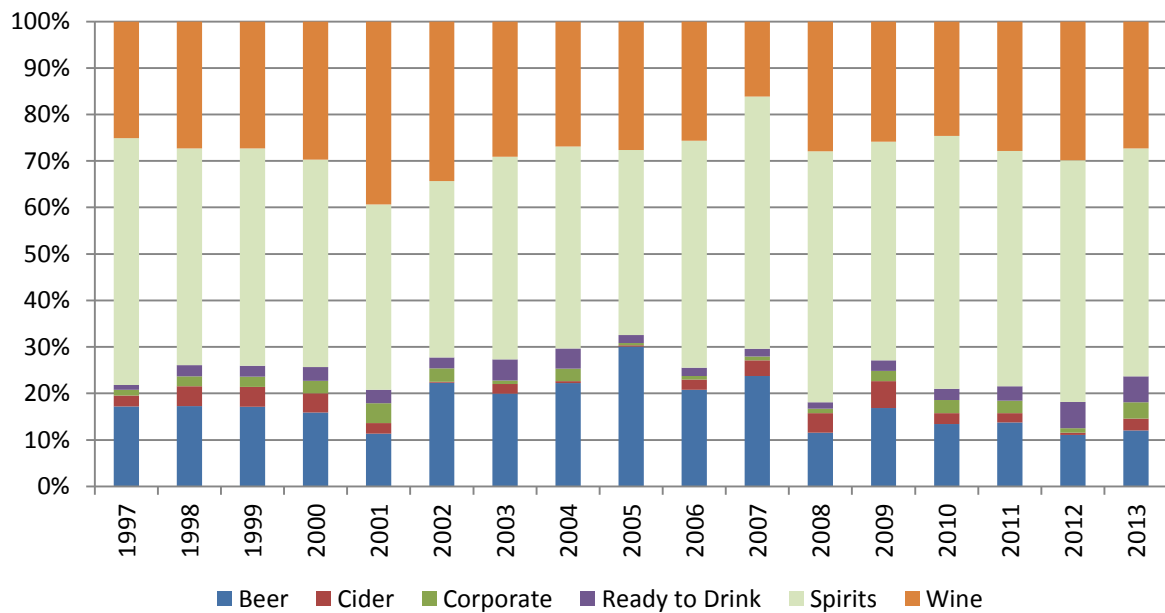
**Figure 17: Relative shares of different alcohol categories in radio advertising expenditure**



A very different picture emerges for the advertising of alcohol in the print media (Figure 18). By far the most important alcohol category for the print media is spirits (52% in 2012), followed by wine (29.9%). Although the relative shares of these two categories have been subject to some variation over time, between 1997 and 2013 the two categories combined have been responsible for between 70% and 80% of total print advertising expenditure over this period. Beer advertising is relatively unimportant for the print media and, since its peak in 2005, its share has been decreasing.

Print advertising is less expensive than television advertising, and is more focused, both geographically and in terms of readership. For products that do not necessarily have mass appeal but are targeted towards niche markets, like wine and certain types of spirits, print is the more appropriate advertising medium.

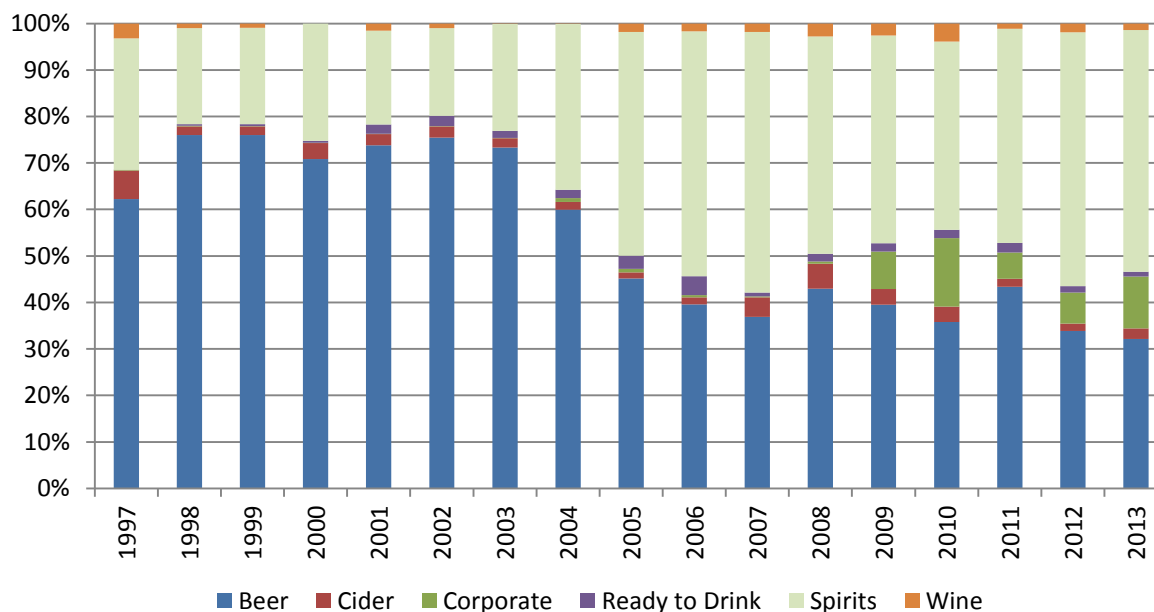
**Figure 18: Relative shares of different alcohol categories in print advertising expenditure**



Out-of-home advertising is dominated by spirits (54.7% share in 2012) and beer (33.9%). Since around 2005 this has been the broad pattern. However, from 1998 to 2003 beer had about 75% of out-of-home advertising expenditure, while spirits had approximately 20% of this medium. Between 2004 and 2007 the share of spirits greatly increased at the expense of beer.

In 2009 “corporate advertising” came onto the scene, and has been responsible for about 10% of total out-of-home alcohol advertising expenditure since then. In the context of alcohol, corporate advertising would typically be billboards warning motorists about the detrimental consequences of alcohol abuse (e.g. drunken driving). The advertisements are not associated with a particular alcohol brand, but rather with the manufacturer, e.g. SAB.

**Figure 19: Relative shares of different alcohol categories in out-of-home advertising expenditure**



### 3.5 Trends in the shares of different alcohol categories by advertising media

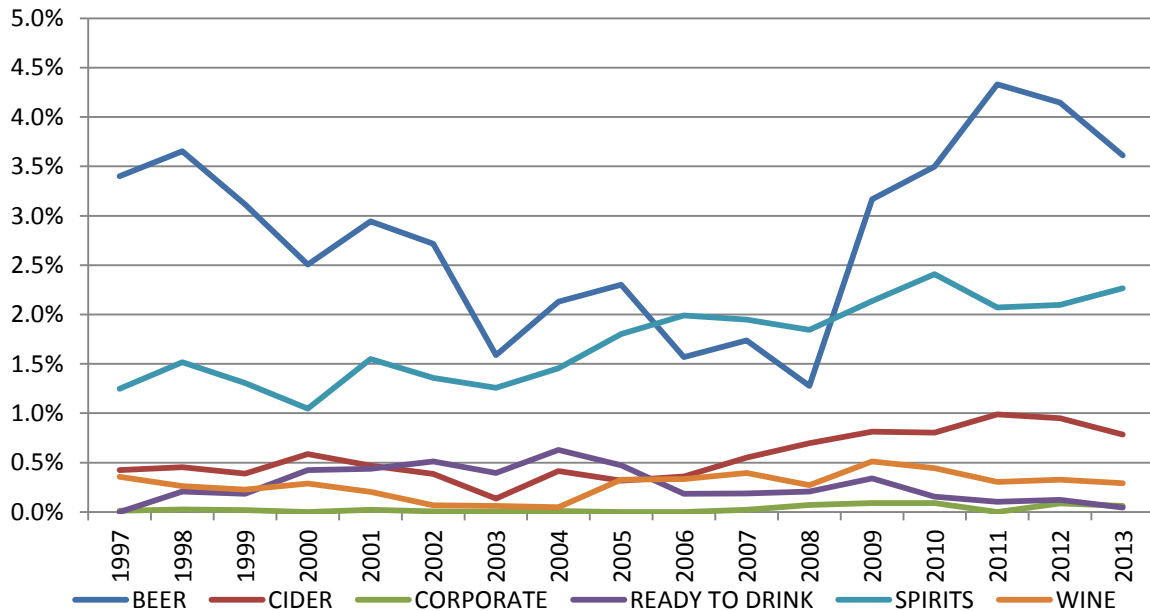
Figures 20 through 23 consider the shares of the different alcohol categories in the various advertising media, but express it as a percentage of the total advertising expenditure of these media (i.e. not simply as a percentage of the total alcohol expenditure). These diagrams combine information about the relative shares of the different alcohol categories the various media (Figures 16-19), information about the relative importance of the different alcohol categories in overall alcohol advertising (Figure 5), and information about the share of total alcohol advertising in aggregate advertising expenditure (Figure 4).

The diagrams are largely self-explanatory, and the main trends have been discussed in section 3.4. The same colours are used for the alcohol categories in the different figures to enable easier comparison. The salient findings are the following:

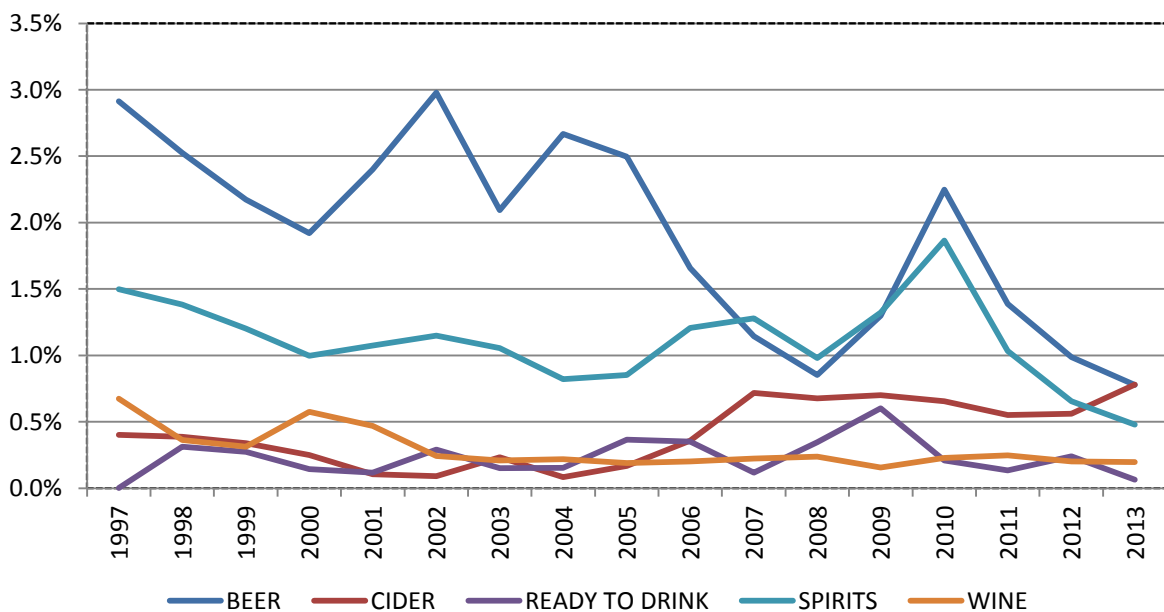
- Currently about 4% of television advertising revenue is derived from the advertising of beer, followed by spirits at just more than 2% and cider at just under 1%.
- For radio advertising expenditure, no alcohol category has a share larger than 1%.
- For print advertising expenditure the shares of individual alcohol categories are currently all less than 0.4% of the total. Alcohol advertising has become relatively less important to the print media for all alcohol categories since 2010.

- For out-of-home advertising the share of beer has decreased consistently from 10% in 1998 to less than 2% at present. The share of spirits increased from less than 2% in 2001-2002 to more than 6% in 2007 and has subsequently fallen back to 2%-3% at present.

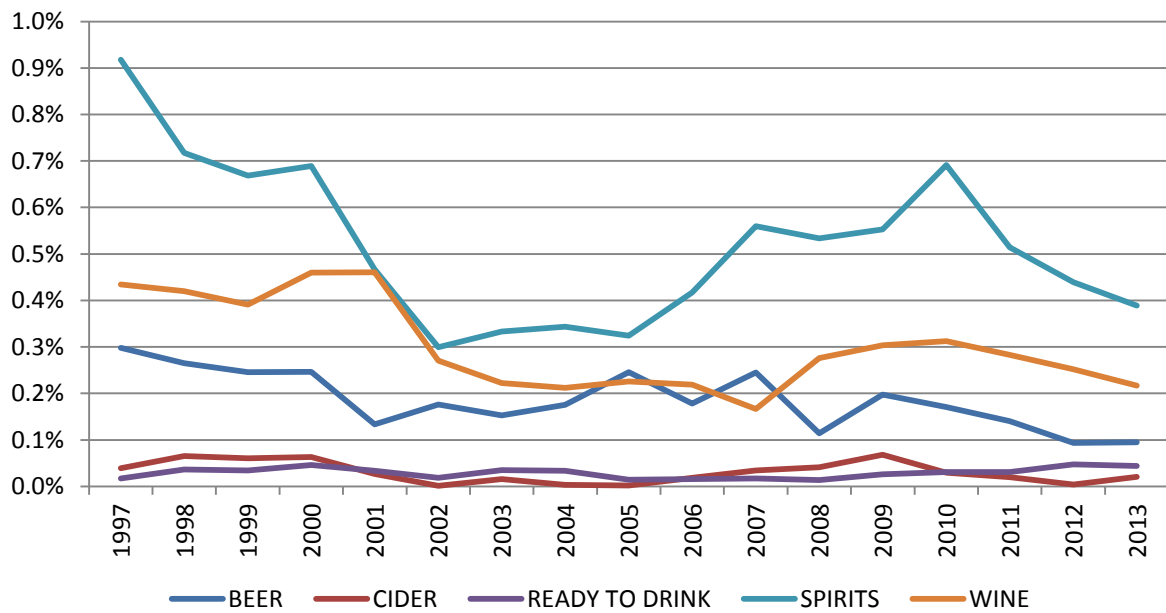
**Figure 20: Shares of different alcohol categories in television advertising expenditure**



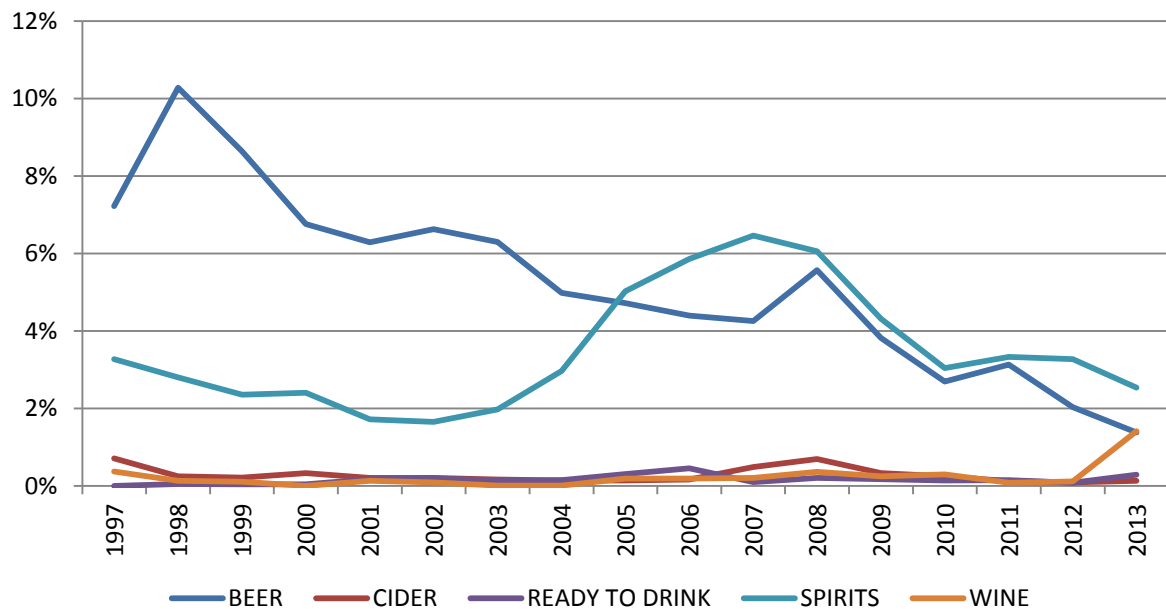
**Figure 21: Shares of different alcohol categories in radio advertising expenditure**



**Figure 22: Shares of different alcohol categories in print advertising expenditure**



**Figure 23: Shares of different alcohol categories in out-of-home advertising expenditure**



### 3.6 Key advertisers and key brands

The alcohol industry in South Africa is highly concentrated, with SABMiller and, to a lesser extent Brandhouse, dominating the beer market and Brandhouse and Distell dominating the spirits market.

The top ten brands, for each of these three companies (henceforth called “houses”), ranked in terms of total advertising expenditure from 2009-2012, are shown in Table 1. All these brands are well recognised and are typically leaders in their subcategories. The wine industry is not dominated by any particular “house”.

**Table 1: Top ten advertised brands of the three largest alcohol companies in South Africa**

SABMiller brands	Average annual advertising expenditure as percentage of total SABMiller advertising expenditure 2009-2012	Brandhouse brands	Average annual advertising expenditure as percentage of total Brandhouse advertising expenditure 2009-2012	Distell brands	Average annual advertising expenditure as percentage of total Distell advertising expenditure 2009-2012
Carling Black Label	21.1%	Amstel Lager	13.9%	Hunters Dry Cider	12.8%
Hansa Pilsener	19.2%	Heineken Lager	13.8%	Savannah Dry Cider	9.5%
Castle Lite	18.3%	Windhoek Lager	8.9%	Richelieu Brandy	7.1%
Castle Lager	17.2%	Bells Whisky	8.2%	Amarula Cream Liqueur	6.0%
Castle Milk Stout	7.3%	J & B Whisky	8.0%	Three Ships Whisky	5.4%
Redds Cider	6.8%	Captain Morgan Spiced Gold Rum	5.5%	Klipdrift Premium Brandy	5.0%
Castle Draught	4.6%	Johnnie Walker Black Label	5.4%	Flight of the Fish Eagle Brandy	4.3%
Miller Draft Beer	2.3%	Strongbow Cider	4.6%	Klipdrift Export Brandy	4.3%
Brutal Fruit	0.8%	Guinness Beer	3.7%	JC Le Roux Sparkling Wines	4.0%
Peroni Nastro Azzurro	0.6%	Smirnoff Vodka	3.5%	Oude Meester Brandy	3.8%
Other	1.8%	Other	24.5%	Other	37.8%

In Figure 24 the television advertising expenditure by the three most important “houses” is shown for the period 1997-2013. Of particular interest is the sharp increase in advertising expenditure by SABMiller since 2009. In 2012, 49% of television alcohol advertising expenditure was for SABMiller brands, 23% for Distell brands, 17% for Brandhouse brands, and 11% for other houses’ brands.

Between 2001 and 2008 the other houses had been increasing their market share at the expense of SABMiller. Whereas SABMiller’s share was 58% of total television advertising in 2001, it had decreased to 28% in 2008. Over the same period Distell’s share increased from 16% to 32%, and Brandhouse’s share increased from zero to 31%. (Brandhouse was founded in 2004 but many of its brands were in existence before then).



**Figure 24: Television advertising expenditure of the three largest alcohol houses in South Africa**

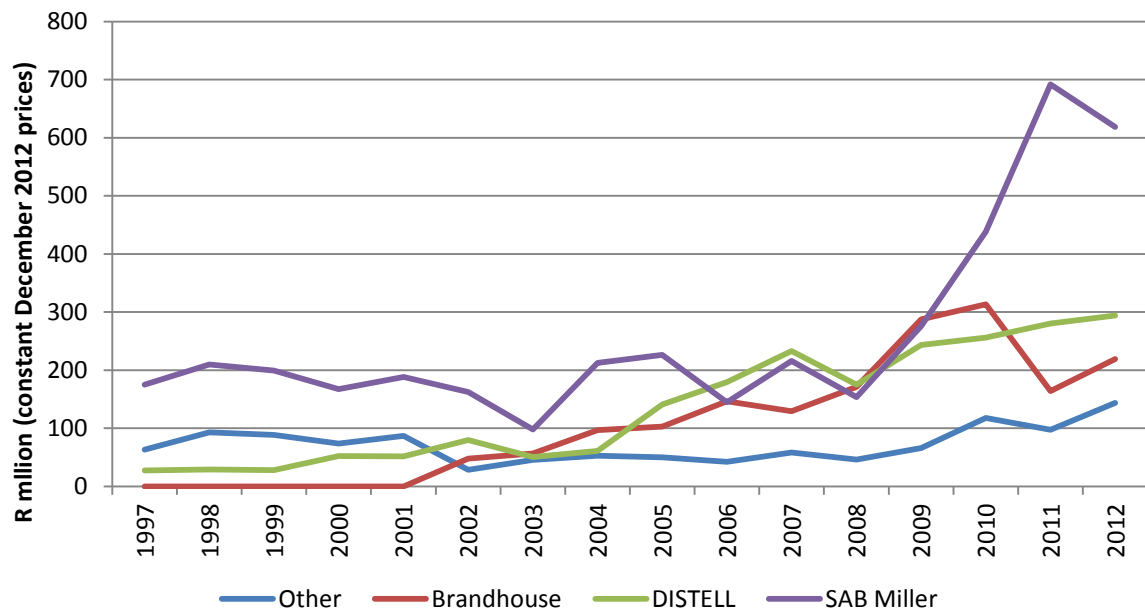
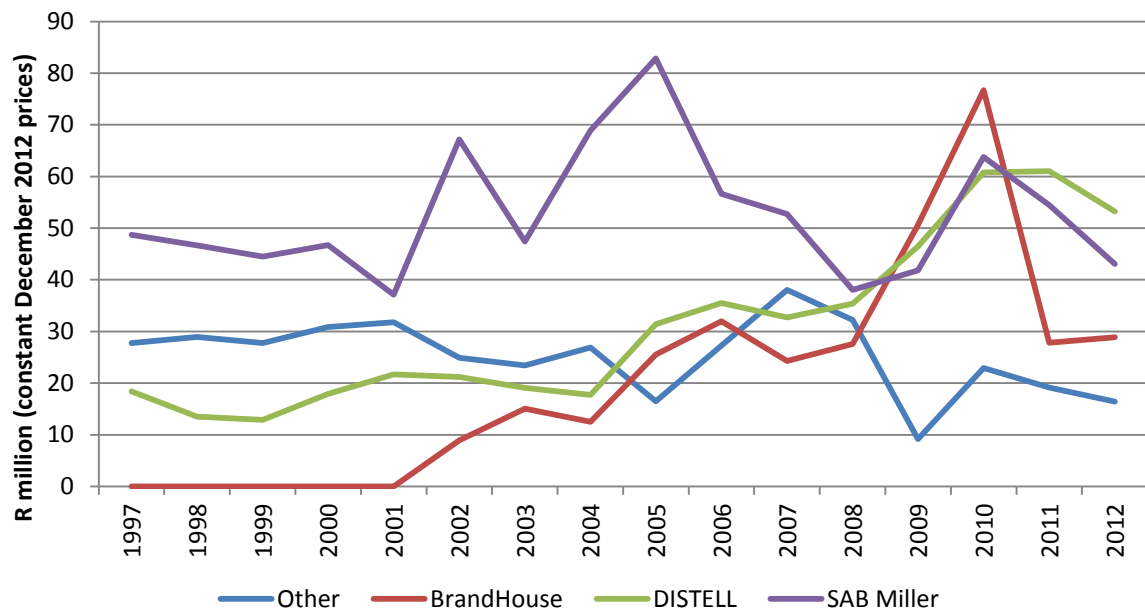


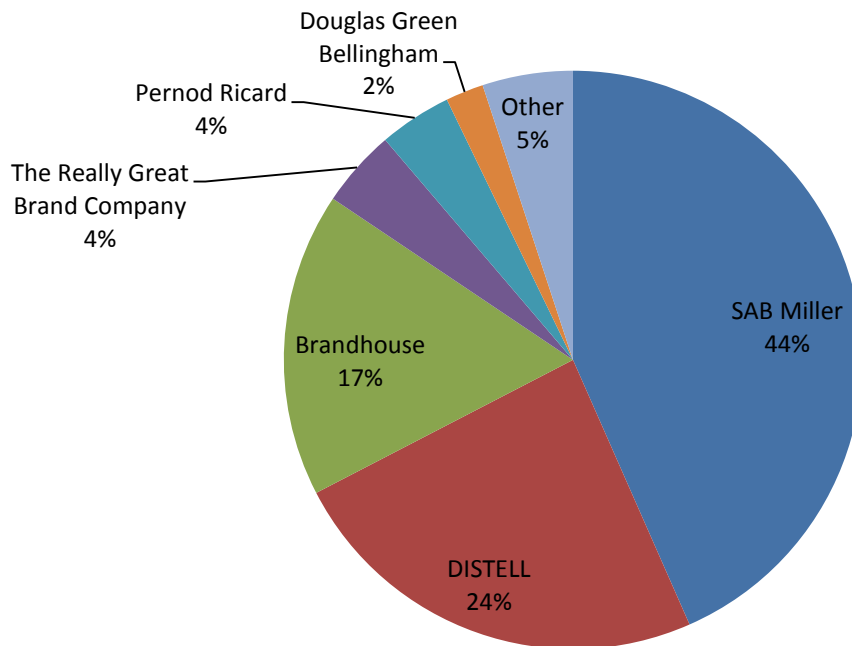
Figure 25 shows the radio advertising expenditure of the same houses. A somewhat different picture emerges for radio than for television. In 2012 the most important house for radio advertising was Distell (with 38% of total alcohol advertising expenditure), followed by SABMiller (30%), Brandhouse (20%) and other houses (12%). Expenditure on this medium has been volatile (e.g. the large decrease in Brandhouse’s radio advertising expenditure in 2011), suggesting that alcohol advertising is not a predictable source of revenue for radio broadcasters. As with television, there was a sharp decrease in SABMiller’s share of radio advertising expenditure between 2002 and 2008, but unlike television advertising, it did not pick up subsequently to the same extent.

**Figure 25: Radio advertising expenditure of the three largest alcohol houses in South Africa**



Trends in real advertising expenditure by the main alcohol houses for the other advertising media (print, out-of-home, cinema and internet) are not shown because these media are relatively unimportant in the broader advertising scene. However, the total advertising expenditure of the largest six houses for all advertising media combined is shown in Figure 26. Unsurprisingly, the three dominant houses have a combined share of 85% of all advertising expenditure. The house with the fourth highest advertising expenditure is The Really Great Brand Company (with brands like Jack Daniels, Hennessy Cognac and Southern Comfort Liqueur), followed by Pernod Ricard (with brands like Jameson, Chivas Regal and Red Heart Rum) and Douglas Green Bellingham (with brands like Jagermeister and Douglas Green Wine).

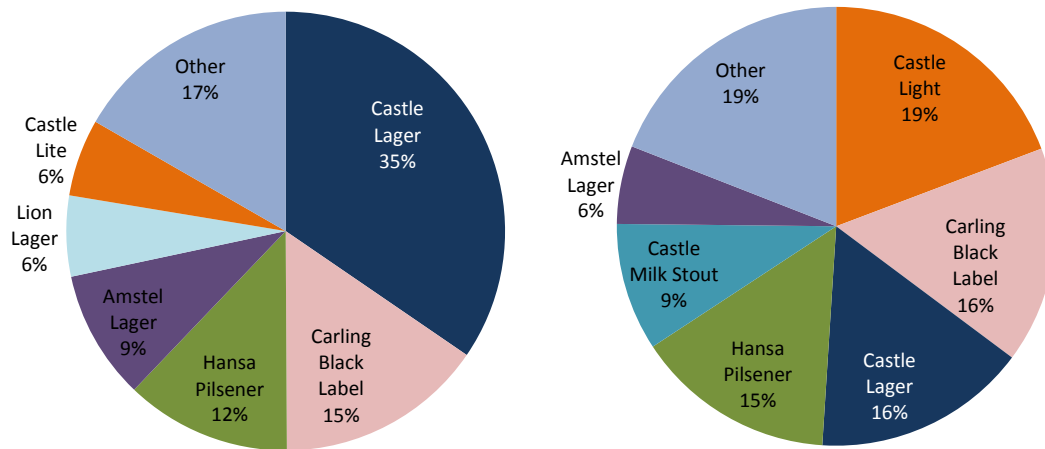
**Figure 26: House shares of total advertising expenditure, across all media, 2012**



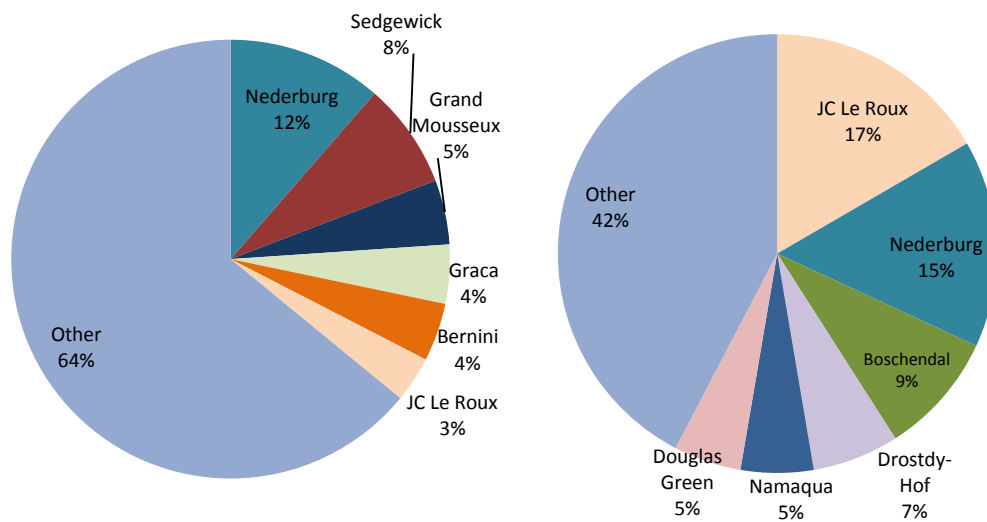
Figures 27 to 29 indicate the relative importance of the six largest brands per category (i.e. beer, wine and spirits) by total advertising expenditure. Figures 30 to 32 consider the relative importance of the six largest brands in three important subcategories of spirits, namely whisky, brandy and liqueur.

The data are presented for 1997 and 2012. There have been major changes in the advertising expenditure shares of individual brands over this period. We have used the same colour for the same brand if they appear in the pie chart in both 1997 and 2012, although the order in which they appear might be different. The “slices” of the pie are presented in decreasing order of magnitude.

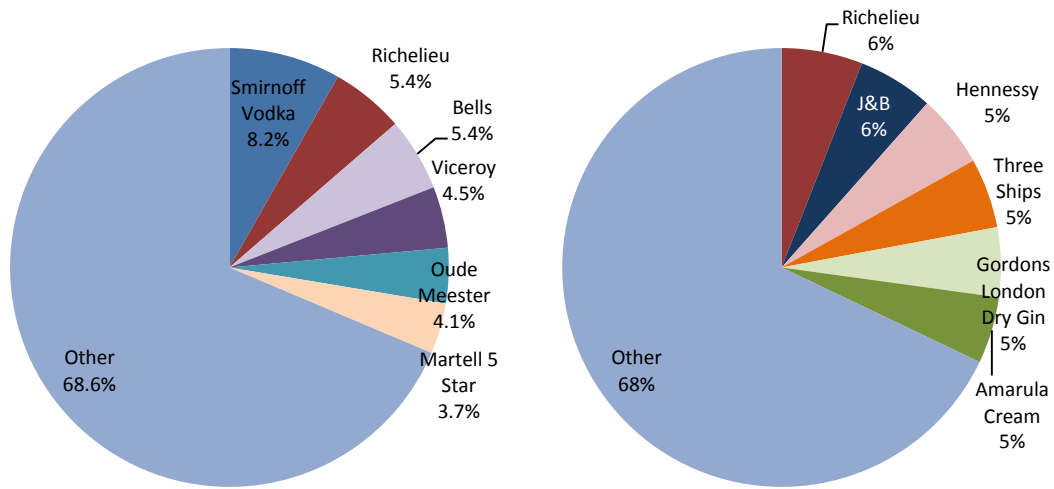
**Figure 27: Brand composition of the six most advertised beer brands, 1997 (left) and 2012 (right)**



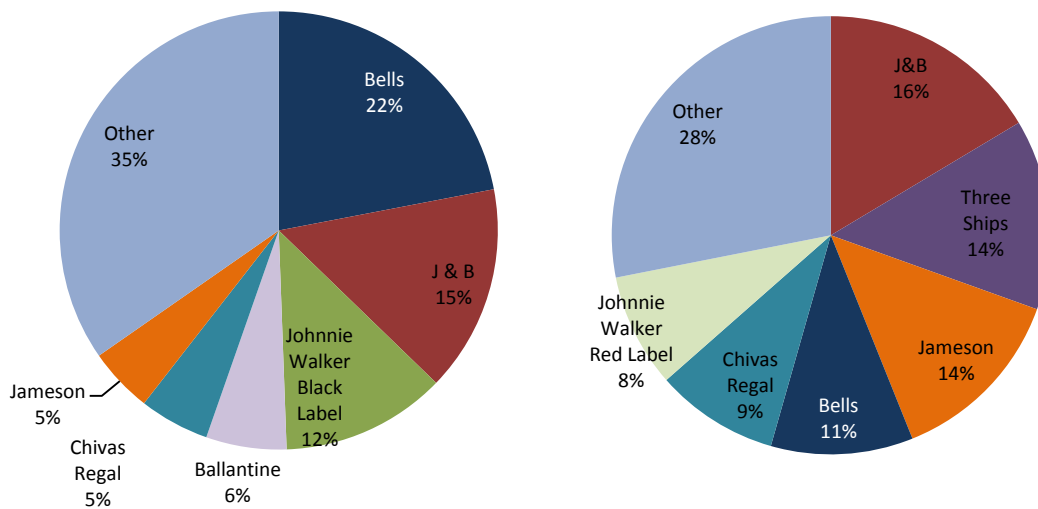
**Figure 28: Brand composition of the six most advertised wine brands, 1997 (left) and 2012 (right)**



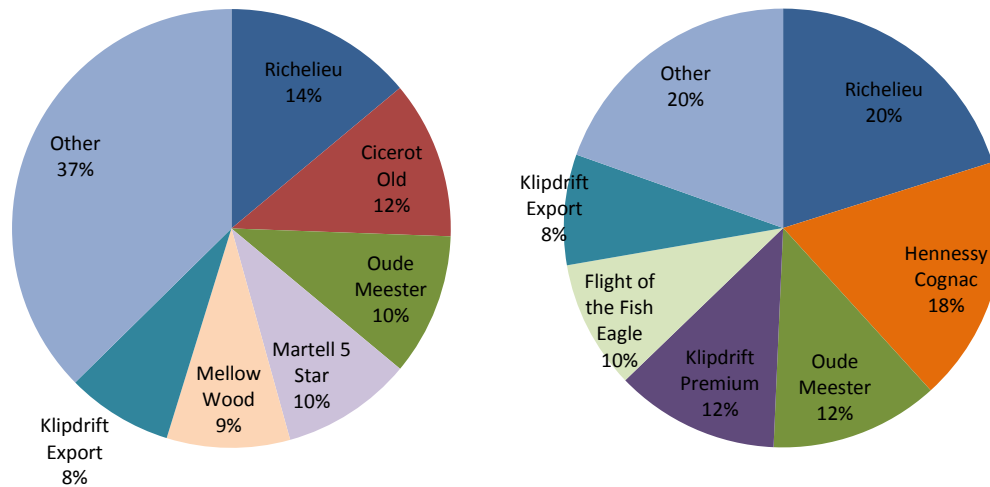
**Figure 29: Brand composition of the six most advertised spirits brands, 1997 (left) and 2012 (right)**



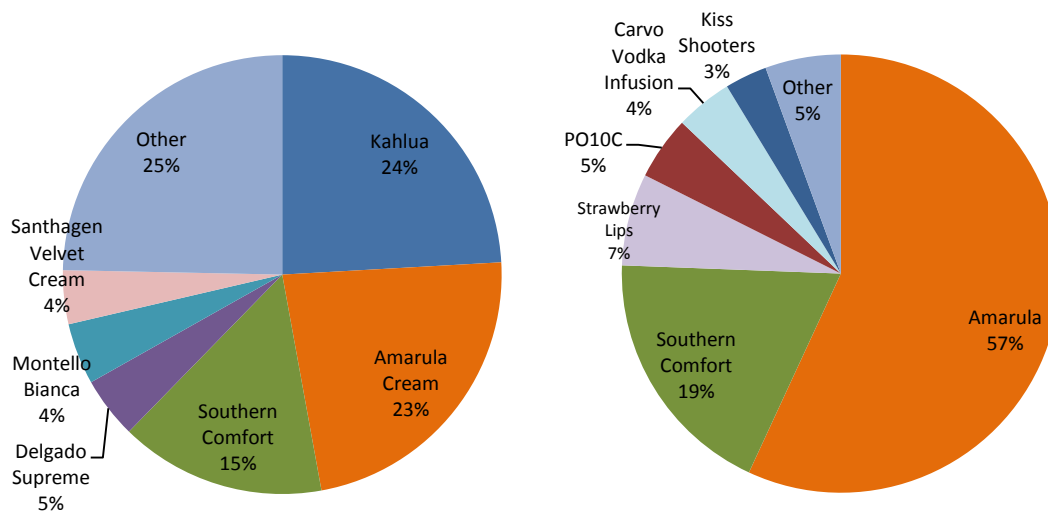
**Figure 30: Brand composition of the six most advertised whisky brands, 1997 (left) and 2012 (right)**



**Figure 31: Brand composition of the six most advertised brandy brands, 1997 (left) and 2012 (right)**



**Figure 32: Brand composition of the six most advertised liqueur brands, 1997 (left) and 2012 (right)**



### 3.7 Sponsorship advertising

Opponents to the proposed legislation have raised concerns that the legislation would eliminate sponsorship of sports, cultural and other events by the alcohol industry. Many companies spend substantial amounts of money leveraging their sponsorship through advertising. Well-known examples are banks who advertise their sponsorship of sporting events, e.g. the Absa Currie Cup and the Nedbank Challenge. This section does not analyse the amounts of money that companies provide to sponsorship recipients (this is classified as below-the-line advertising and is not investigated in this report), but rather the amount of money that companies spend on advertising the events that they sponsor.

Figure 33 provides an overview of the sponsorship advertising terrain. Between 1998 and 2007 sponsorship advertising increased by a compounded annual growth rate of 15% per year. Between its peak in 2007 and 2012 it decreased at a compounded growth rate of 10% per year.

Despite the rapid growth between 1998 and 2007, sponsorship advertising remains a modest proportion of aggregate advertising expenditure. At its peak in 2008 sponsorship advertising expenditure made up 2.1% of aggregate advertising expenditure. In 2012 this dropped to 1.1%.

The increase in total sponsorship advertising between 1998 and 2007 was driven primarily by large increases in sponsorship advertising by banking/insurance/finance firms, and (especially in 2006 and 2007) firms in the telecommunications sector. The decrease in total sponsorship advertising since then was also driven by sharp decreases in sponsorship advertising by these two groups of companies.

Sponsorship advertising by alcohol companies varied between 9% and 27% of all sponsorship advertising between 1998 and 2002, but slumped to less than 5% between 2003 and 2009. In 2010, sponsorship advertising by the alcohol industry increased sharply, even while total sponsorship advertising was decreasing. Expressed in real terms, sponsorship advertising expenditure by the alcohol industry increased from R20 million in 2009 to R84 million in 2010, and R137 million in 2011, after which it dropped back to R115 million in 2012. As a share of all sponsorship advertising it increased from 4.3% in 2009 to 30.1% in 2012.

**Figure 33: Total expenditure on sponsorship advertising by all industries**

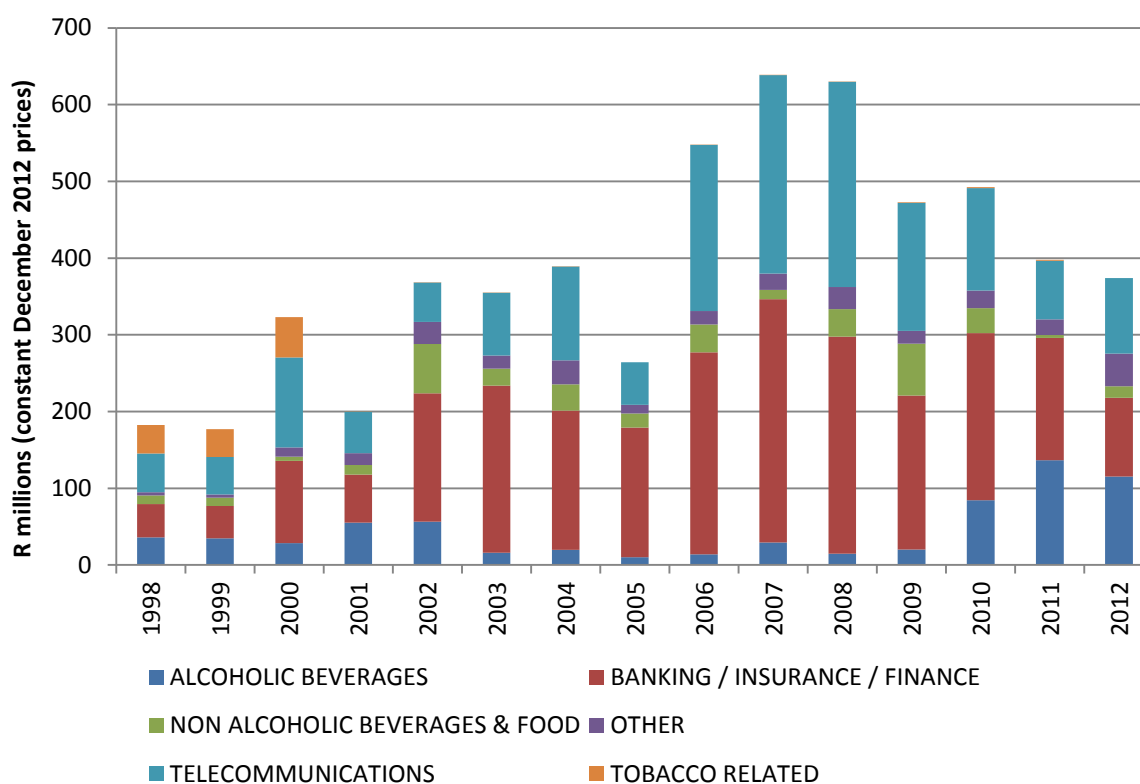


Figure 34 indicates that sponsorship advertising has traditionally been dependent on television as its advertising medium. In most years television had a more than 50% share of total sponsorship

advertising expenditure. The spike in sponsorship advertising between 2006 and 2009 was driven primarily by an increase in the share of the print media.

**Figure 34: Total expenditure on sponsorship advertising by all industries, broken down by medium**

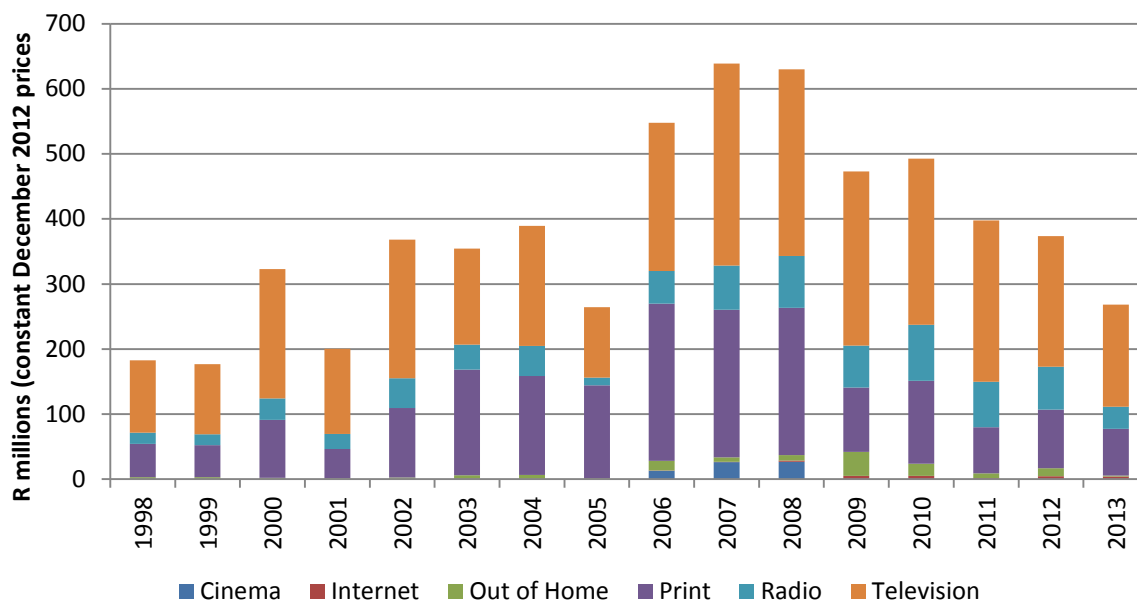
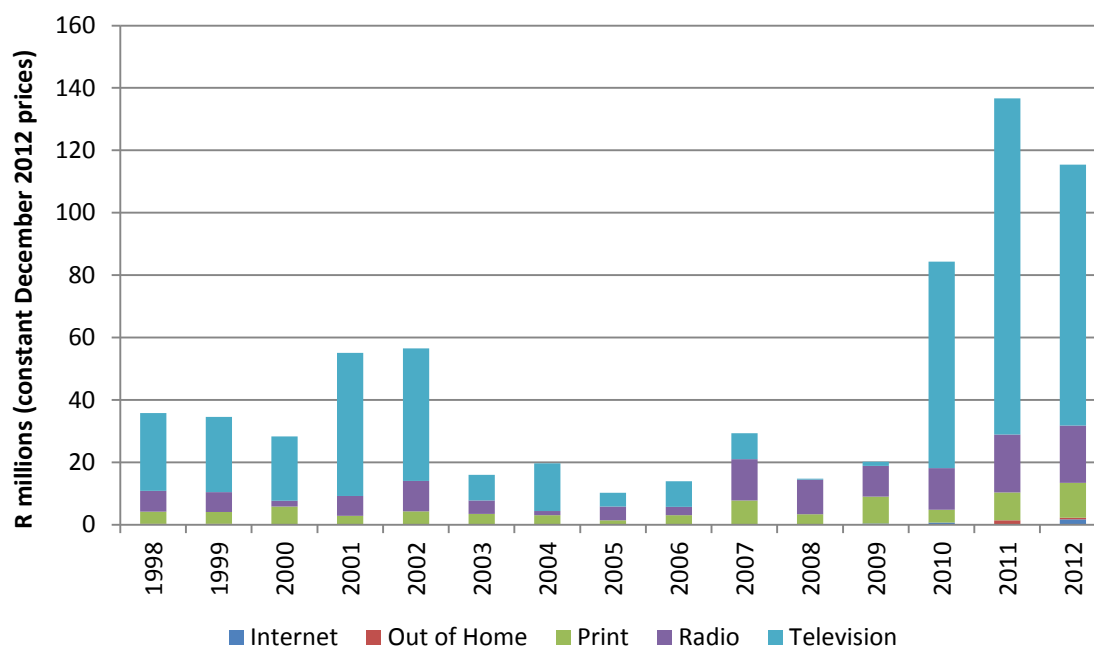


Figure 35 considers sponsorship advertising by the alcohol industry in more detail. Between 2003 and 2009 sponsorship advertising expenditure was consistently less than R30 million, comprising less than 2.5% of total alcohol advertising expenditure. In this period the main media types were print and radio. The large increase in sponsorship advertising by the alcohol industry in 2010 was driven nearly exclusively by an increase in television advertising. In 2011 sponsorship advertising made up 7.9% of total alcohol advertising expenditure. In 2012 this percentage decreased slightly to 6.7%, but was still much higher than the 1.4% share of sponsorship advertising in total alcohol advertising expenditure in 2008.

As an aside, and as will be discussed in section 5 in greater detail, the tobacco industry also increased its sponsorship and corporate advertising after the Minister of Health announced her intentions to impose a ban on tobacco advertising. It seems plausible that the tobacco industry at the time, and the alcohol industry currently, have decided to move some of their advertising budget away from pure product advertising to sponsorship advertising in order to create greater awareness of and public support for the sponsorships that they do provide.



**Figure 35: Sponsorship advertising by the alcohol industry, by media**



#### 4. MARKET CONCENTRATION ANALYSIS

Section 3.6 indicated that alcohol advertising is highly concentrated among a relatively small number of “houses” and brands, especially in the beer and spirits categories. This section takes that discussion further, by calculating Herfindahl-Hirschman Indices (HHIs) at the firm ownership “house” level and at the brand level.

HHIs are used regularly in a branch of economics called industrial organisation, and specifically in the evaluation of mergers and acquisitions. A merger or acquisition may be turned down by the competition authorities if it is felt that it would undermine competition in that industry.

The HHI index is defined as the sum of the squared market shares of all the firms in a particular market. Thus an industry consisting of four firms, with market shares of 50%, 20%, 20% and 10% respectively, would have an HHI of  $(0.5)^2 + (0.2)^2 + (0.2)^2 + (0.1)^2 = 0.34$ . A high HHI value (i.e. close to 1) indicates a highly concentrated market, while a low HHI value (i.e. close to zero) indicates a competitive or highly diffused market. Cut-off values are necessarily arbitrary, but according to the US anti-trust authorities an industry is not concentrated if the HHI is less than 0.10, moderately concentrated if the HHI is between 0.10 and 0.18 and highly concentrated if the HHI is more than 0.18 (US Department of Justice, n.d). The South African competition authorities follow the same guidelines.

The HHI numbers in this analysis do not represent sales market shares (which is the metric on which HHI numbers are usually calculated), but rather brand and firm share of total alcohol industry advertising expenditure. Advertising expenditure may be a good proxy for a firm’s market competitiveness, since advertising is used by firms to compete against each other. Changes in the HHI of brand shares may reveal how firms reposition their brands by advertising them more or less.

For example, a firm that decides to concentrate its advertising expenditure on three core brands, rather than ten brands, is presumably becoming more focused in its marketing efforts.

To illustrate how the HHI is calculated, consider Table 2 below. There are ten “houses”, ranging from SABMiller with total advertising expenditure on beer of R622 million, to Coopers SA Ltd with R8300. SABMiller’s share of the total advertising expenditure is 79.27% (or 0.7927) and Cooper SA Ltd’s share is 0.001% (or 0.00001), with all other firms’ shares of total advertising expenditure somewhere in between. The shares of all ten firms are squared and added together, and the HHI is calculated as 0.666. This suggests a very high level of advertising expenditure concentration in the beer industry. With the largest firm having a share of nearly 80% of all advertising expenditure, this is not a surprising result.

**Table 2: Estimation of the Herfindahl-Hirschman Index for beer at the brand ownership (“house”) level, 2012**

<b>Advertiser</b>	<b>Advertising expenditure (R 000's)</b>	<b>Market Share</b>	<b>Market Share Squared</b>
SABMiller	622033.40	79.270%	0.628371
Brandhouse	151931.76	19.362%	0.037487
Bavaria Brau	7054.55	0.899%	0.000081
United National Breweries	3506.50	0.447%	0.000020
Brauerei Beck & Co	61.49	0.008%	0.000000
Awethu Breweries	59.01	0.008%	0.000000
Cockpit Brewery	24.49	0.003%	0.000000
Central TLV Dev Board	24.10	0.003%	0.000000
Coopers SA Ltd	8.30	0.001%	0.000000
<b>Total advertising expenditure</b>	<b>784703.59</b>		
<b>Herfindahl-Hirschman index</b>			<b>0.666</b>

“House” concentration (not to be confused with brand concentration) with regard to alcohol advertising expenditure is high, particularly for beer and brandy. See Table 3 below. Despite being the highest in 2012 of the various alcohol categories, the HHI of beer advertising expenditure was much lower than in 1997. This is because of the entry of Brandhouse into the market.

If only clear beer (lager) is considered (for example Carling Black label, Castle Lager etc.) the HHI numbers are significantly higher. In this case the HHI for 1997 was 0.995, decreasing to 0.98 in 2012. This illustrates the dominance of SABMiller in this part of the market.

**Table 3: Herfindahl-Hirschman indices of advertising expenditure for different alcohol categories at the brand ownership level, 1997 and 2012**

	1997	2012
Beer	0.89	0.67
Brandy	0.34	0.61
Cider	0.36	0.50
Wine	0.36	0.36
Ready to Drink	0.32	0.27
Liqueur	0.16	0.33
Whisky	0.13	0.26

Most “houses” have a number of different brands, which are advertised at different intensities. The HHIs at the brand level are much lower than at the “house” level. In Figures 36 through 42 we present trends in the HHIs at both the “house” and the brand level for the various alcohol categories. The graphs are largely self-explanatory and will not be discussed in detail.

The vertical axes are the same for each of the various alcohol categories (i.e. minimum of 0 and maximum of 1) to enable easier comparison of the HHIs, both over time and between categories. Also, we have included a linear time trend for each of the HHIs. The brief discussion below refers to the time trend, rather than the actual numbers.

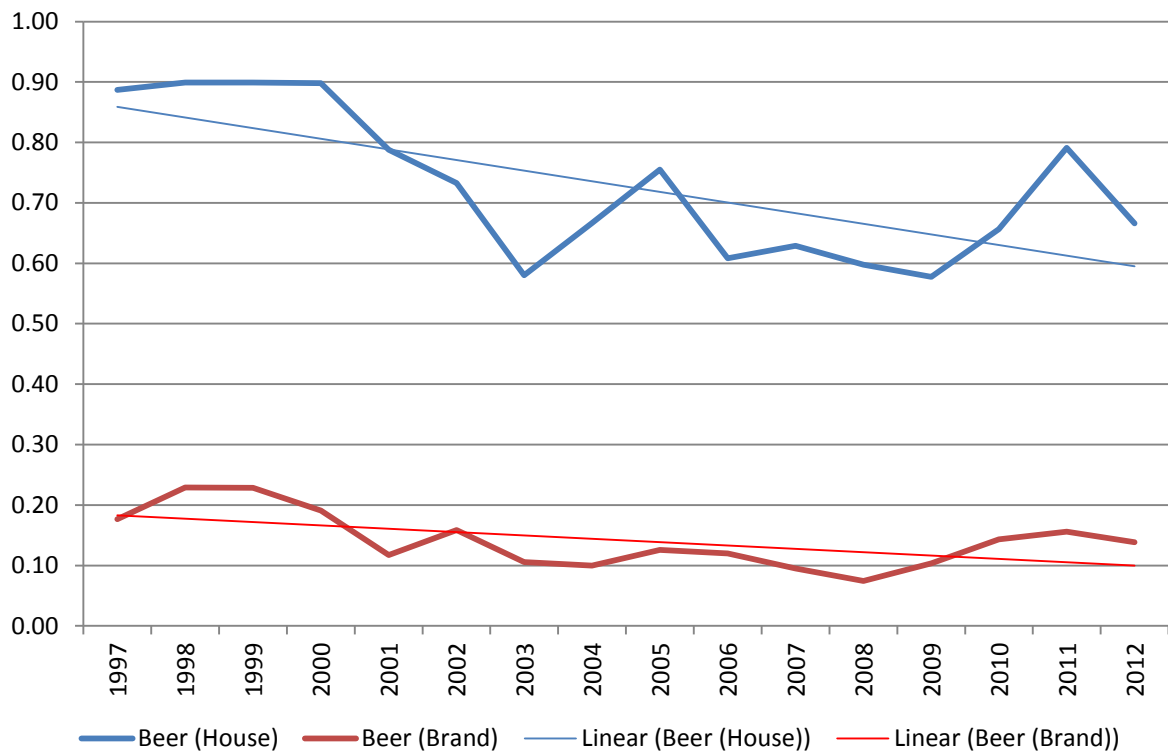
Where the “house” level HHI is substantially higher than the brand level HHI, this implies that the “houses” each have a large number of brands. This is particularly true for beer, but also many other categories. On the other hand, if the “house” level HHI is only marginally higher than the brand level HHI, this implies that each “house” in that sector has only one or two brands that it advertises. The liqueur market falls in this category.

At the “house” level, the advertising expenditure concentration has increased for cider, wine, brandy liqueur and whisky. The “house” level HHI for RTDs was flat, while it was decreasing for beer.

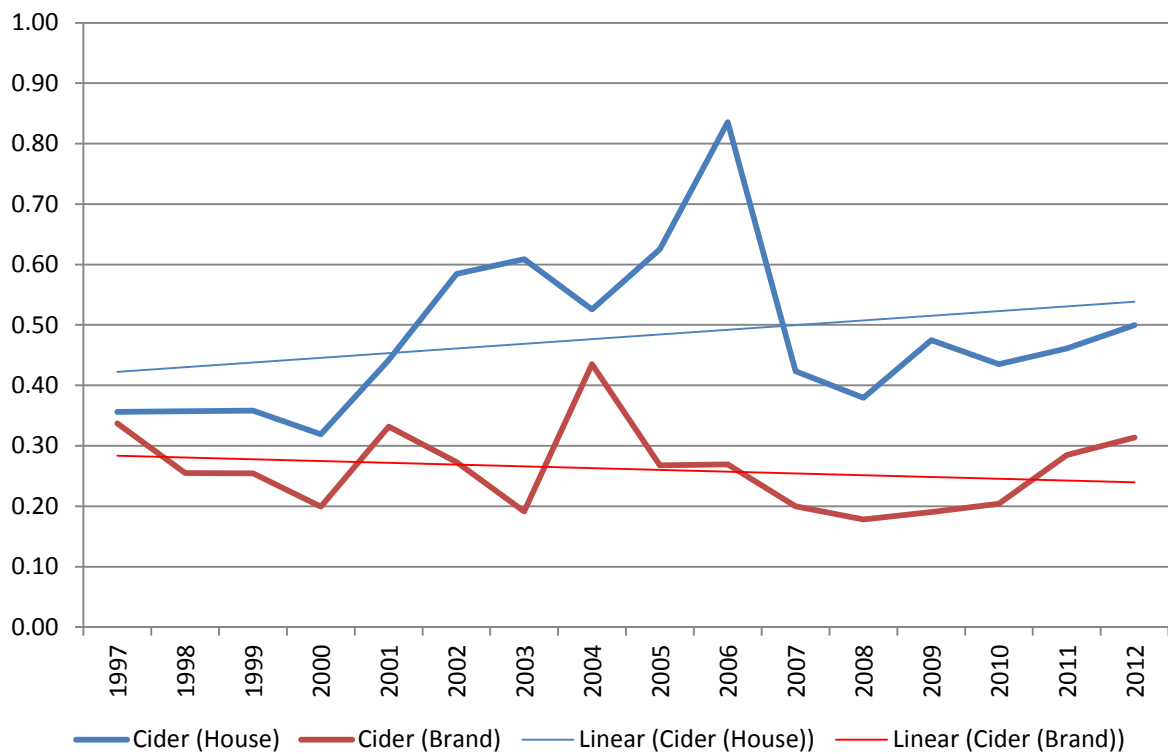
At the brand level, the degree of advertising expenditure concentration increased substantially for liqueur and moderately for wine and brandy. For the other four categories – beer, cider, RTDs, and whisky, the concentration in advertising decreased. Thus the advertising expenditure is spread across a greater number of brands.

In the cider, ready-to-drink beverages, and whisky segments, the trends in advertising expenditure concentration at the “house” and brand levels are in opposite directions: advertising expenditure concentration at the house level is increasing, but at the brand level it is decreasing. This suggests that these “houses” are diversifying their advertising expenditure across more brands. Whereas previously a small number of brands were advertised to large groups of potential customers, the data suggests that the market is being segmented more carefully. The trends in the data are congruent with the idea that firms are trying to target different market segments with different products, rather than taking a mass production (and associated advertising) “one size fits all” approach.

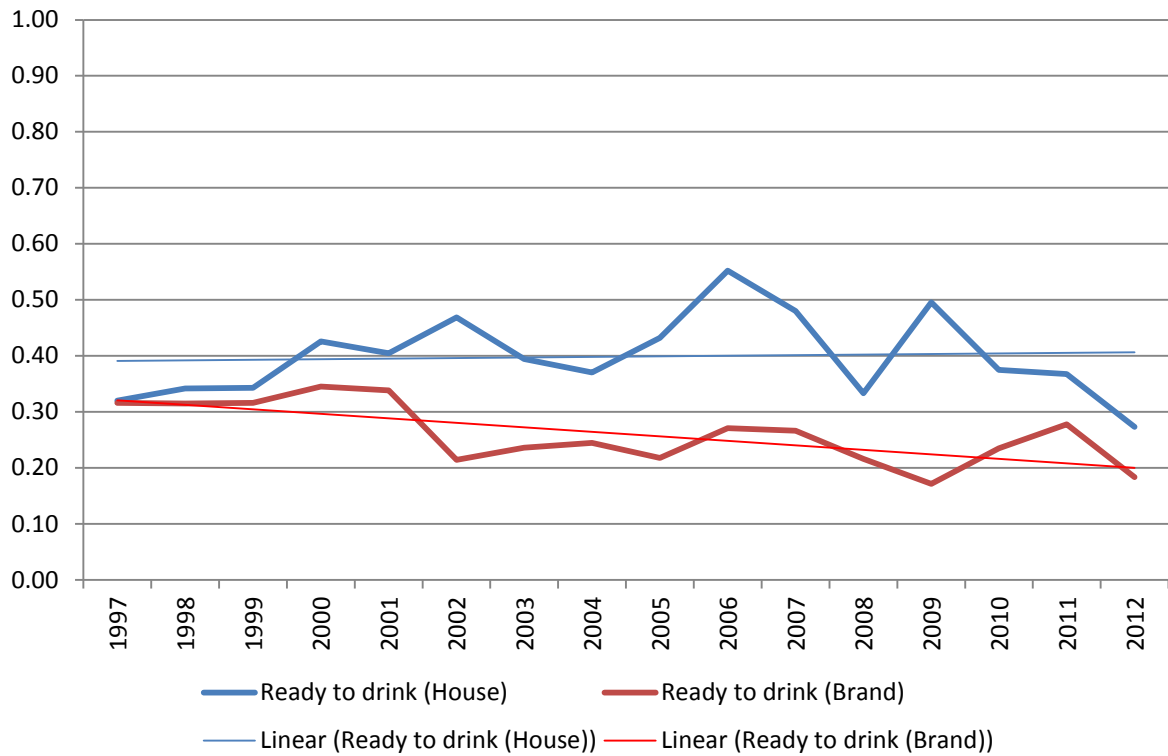
**Figure 36: Herfindahl-Hirschman indices for beer at the "house" and brand level, 1997-2012**



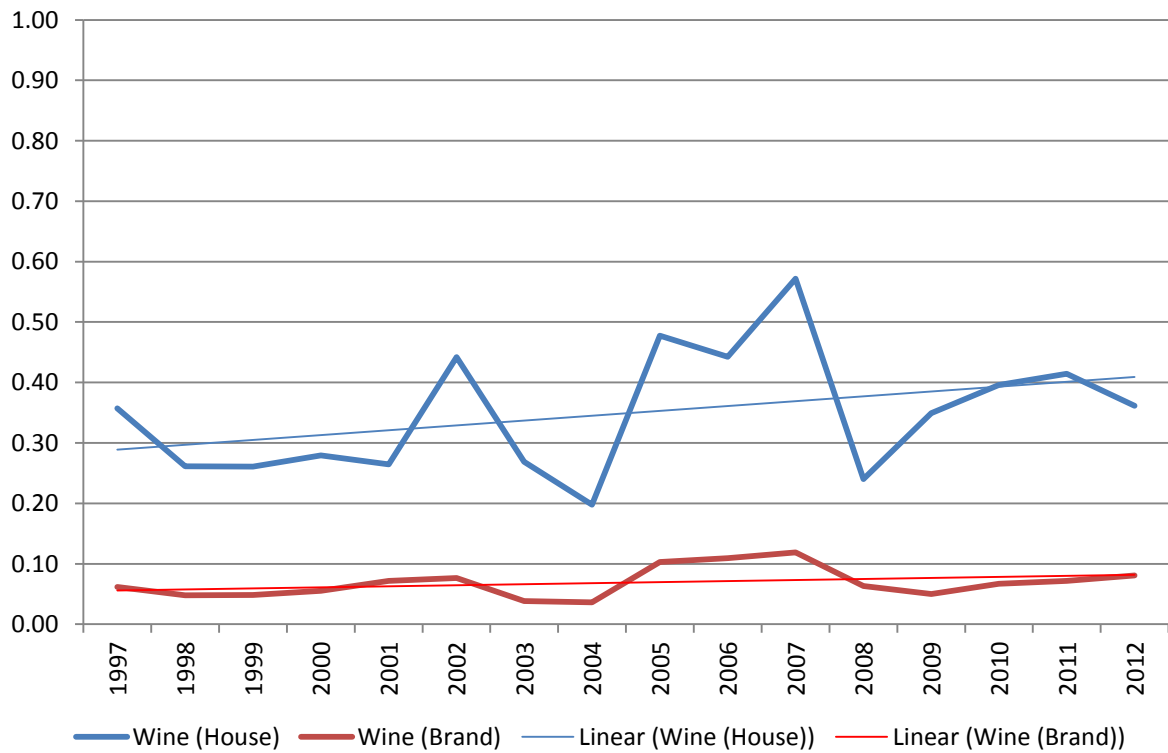
**Figure 37: Herfindahl-Hirschman indices for cider at the "house" and brand level, 1997-2012**



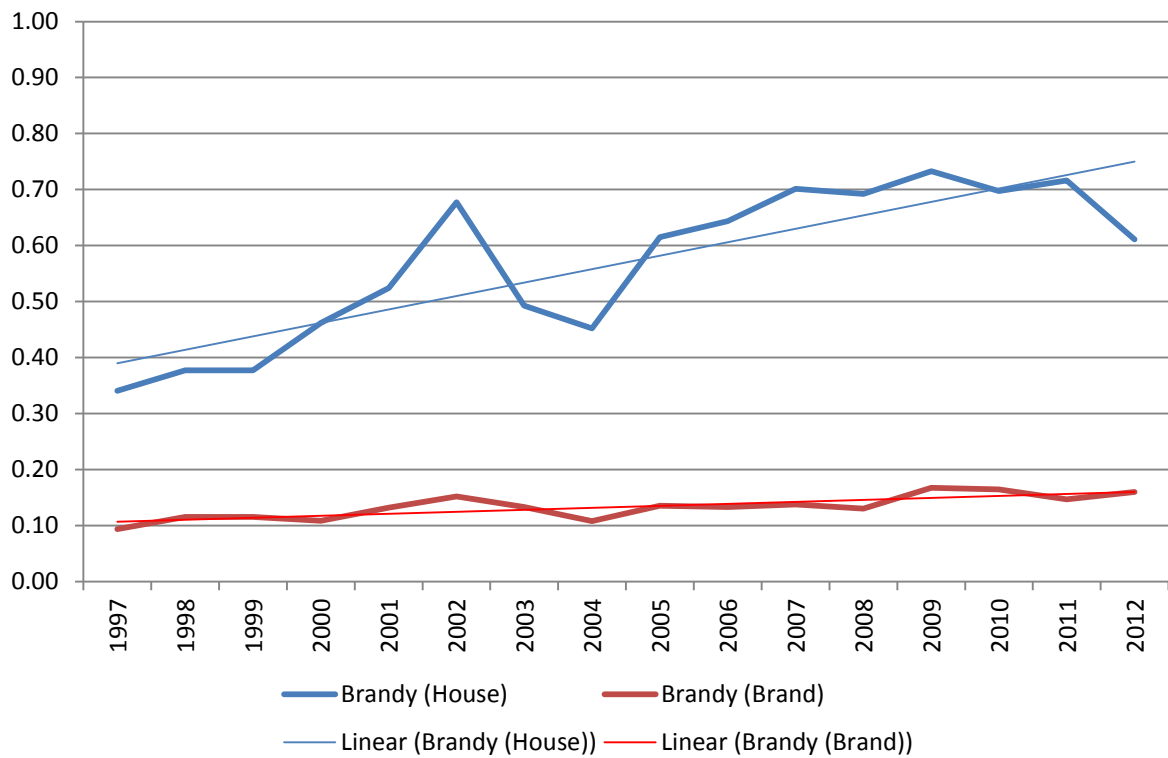
**Figure 38: Herfindahl-Hirschman indices for ready-to-drink beverages at the “house” and brand level, 1997-2012**



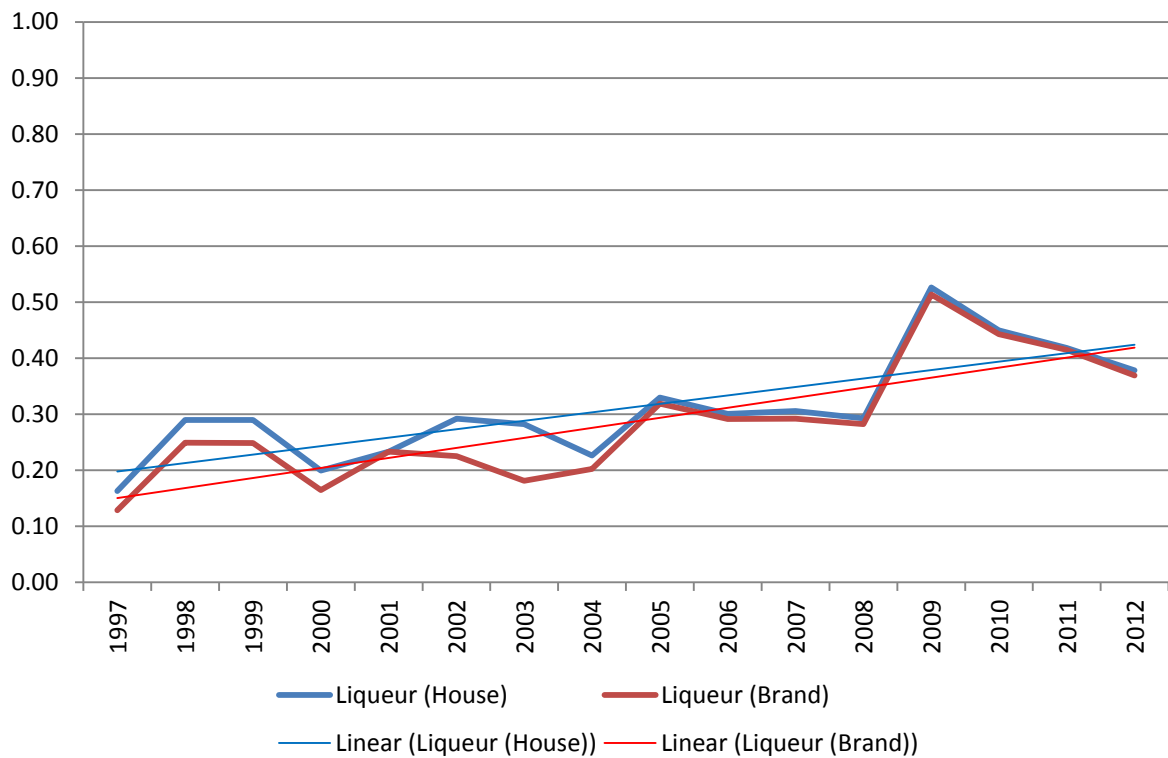
**Figure 39: Herfindahl-Hirschman indices for wine at the “house” and brand level, 1997-2012**



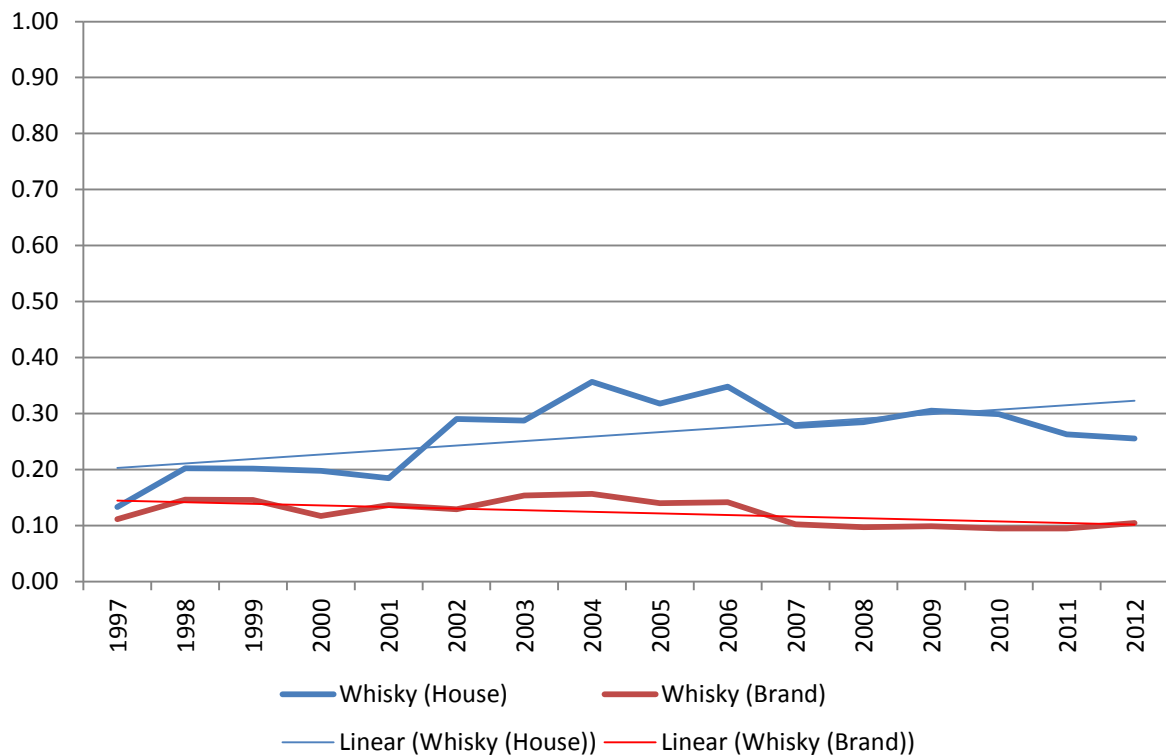
**Figure 40: Herfindahl-Hirschman indices for brandy at the "house" and brand level, 1997-2012**



**Figure 41: Herfindahl-Hirschman indices for liqueur at the "house" and brand level, 1997-2012**



**Figure 42: Herfindahl-Hirschman indices for whisky at the “house” and brand level, 1997-2012**



## 5. TOBACCO ADVERTISING BEFORE THE PASSING OF THE ADVERTISING BAN

Many commentators on the proposed legislation restricting alcohol advertising have referred to Tobacco Products Control Amendment Act of 1999 that outlawed tobacco advertising in 2001. Proponents of the proposed legislation generally indicate that the tobacco legislation offers a good example of how the proposed alcohol legislation could play itself out, whereas detractors typically indicate that there is not much to learn from tobacco, and that it is meaningless to try to compare them. In an appendix in the Econometrix report, for example, the authors argue that one should not draw parallels between the two industries.

We beg to differ. There are substantial commonalities between tobacco and alcohol. Both products have psychoactive properties and are addictive. Both products are subject to excise taxes because they impose substantial negative externalities on society. For tobacco, the detrimental health impact typically takes a long time to manifest itself. For alcohol, the impact can either be as a result of long-term use, or it can be acute (e.g. drunk driving crashes or alcohol-induced homicide). In the latter case, the cost is often borne by innocent third parties.

There is substantial overlap in ownership in the large tobacco and alcohol conglomerates. Alcohol firms are learning from the experience of tobacco firms. As will be shown below, the arguments made by opponents to the current legislation are very similar to the arguments made by opponents to the legislation banning tobacco advertising 15 years ago.

This section is different in tone to the rest of the report. It aims to show that there are many commonalities in the arguments that are currently being made and those that were made in 1998 and 1999 with respect to the Tobacco Products Control Amendment Bill. Also, we show briefly what transpired in reality after the legislation became effective in 2001.

## **5.1 Historical background**

In 1999 the Tobacco Products Control Amendment Act was passed. The Act tightened the Tobacco Products Control Act of 1995. Amongst other things, the Amendment Act outlawed all tobacco advertising and sponsorship. The Amendment Act was strongly opposed by the tobacco and advertising industries.

The arguments below were distilled from the many submissions that were made to the parliamentary commission on the tobacco control legislation in October 1998. A more comprehensive report (Van Walbeek, 2001) is available on request.

One line of argument was that, given that tobacco is a legal product, companies that produce it should be allowed legally to advertise it. The ban on advertising would constitute a breach of the right to free (commercial) speech, a right entrenched in the Constitution. If companies were not allowed to advertise, smokers would not be informed of product developments, e.g. less harmful substitutes for existing cigarettes.

Closely related to the first line of argument was the argument that a ban on tobacco advertising and sponsorship would move South Africa along the road to a “nanny state” and “state paternalism”, where the government would eventually ban anything that it deemed unsafe or unhealthy. If tobacco advertising were to be banned, next in line would be alcohol advertising, the advertising of fizzy drinks and fast foods, etc. People should be able to make their own decisions.

Banning advertising denies the population the opportunity to make “informed decisions based on factual information” and is in fact “an affront to the population’s maturity and intelligence”. Rather than banning the advertising of tobacco products, government should educate the population about the detrimental effects of smoking. Also, the government should allow advertising agencies to regulate themselves.

The tobacco industry argued that the relationship between advertising and tobacco consumption was not strong. They argued that tobacco companies advertise to gain or maintain market share, not to increase the total number of smokers. Tobacco advertisements were aimed at existing smoking adults, not at non-smokers. Academics sympathetic to the tobacco industry argued that a survey of international studies that investigated the relationship between tobacco advertising and tobacco consumption was ambiguous at best. According to these academics, studies that found a positive relationship were flawed in their data and/or methodology and were, at best, merely suggestive of some relationship. Because of these flaws, these studies should be discredited. A South African study that found a marginally positive relationship between cigarette consumption and advertising expenditure (ETCSA Project, 1998) was derided as being significantly flawed (High, 1999).

Another argument, made by BAT South Africa, which at the time was an affiliate of British American Tobacco, with a 10% market share and in competition with Rembrandt (85% market share), was that a ban on advertising would entrench the incumbent, as new entrants and small existing firms would



be unable to compete through advertising. Profit margins on the brands of smaller producers would decrease and smaller companies would eventually be forced out of the market. According to BAT South Africa “these monopolistic tendencies are not in the country’s interests and are, in fact, against the proposed new Competition Act”. At the same time, it was argued that the proposed legislation would encourage foreign firms to break into the local market, with inferior quality cigarettes, purely on the basis of price. This might increase cigarette consumption, as it was recognised that the South African cigarette market was sensitive to price changes.

At the time when the ban on tobacco advertising was debated, tobacco advertising comprised just less than 3% of total advertising expenditure. This was down from a consistent 4%-5% each year in the previous 15 years. Cinema and out-of-home advertising (and previously radio) had a greater dependency on tobacco advertising than the print media and television. Opponents to the legislation argued that, despite the modest dependency on tobacco advertising, some advertising agencies were substantially more dependent on tobacco advertising than the industry average, and that the ban would have a very negative impact on their businesses. The ban would cause financial problems, result in retrenchments and was predicted to place the viability of some agencies at risk. It was acknowledged by some representatives of the advertising industry that the tobacco advertising could be replaced, but that this would take time.

Some of the claims seem overdramatized. For example, the print media, which received about 3%-4% of its advertising revenues from tobacco advertising, argued that the proposed ban would “cause cover prices to rise, which will reduce reading in South Africa and increase the level of illiteracy”. Similarly, the cinema industry (which derives 30%-40% of its advertising expenditure from tobacco advertising), argued that the ban would force marginal cinemas to close, increase ticket prices, deny poorer people the opportunity to go to the cinema, and reduce the ability of employers to pay their staff better.

Like the alcohol industry, the tobacco industry was a major sponsor of sport and cultural organisations before the ban came into effect. The most well-known sponsorships at the time were the Peter Stuyvesant music extravaganzas, the Rothmans Durban July Handicap in horse racing, the Rothmans Cup in soccer, the Benson & Hedges Night Cricket series and the Dunhill Cup in golf. According to one presentation, the total value of sponsorship was R40 million (about R90 million in 2012 prices). It was argued that some organisations were completely dependent on tobacco sponsorship and that the ban would cause such organisations to shut down.

Although the proposed legislation restricting alcohol advertising has not yet been gazetted, and thus formal responses by stakeholders have not been called for yet, much has been written about this in the media and discussed on radio talk shows. Although the details differ, the general sentiments of people opposed to the restrictions on alcohol advertising are very similar to the sentiments of those opposed to the tobacco advertising ban.

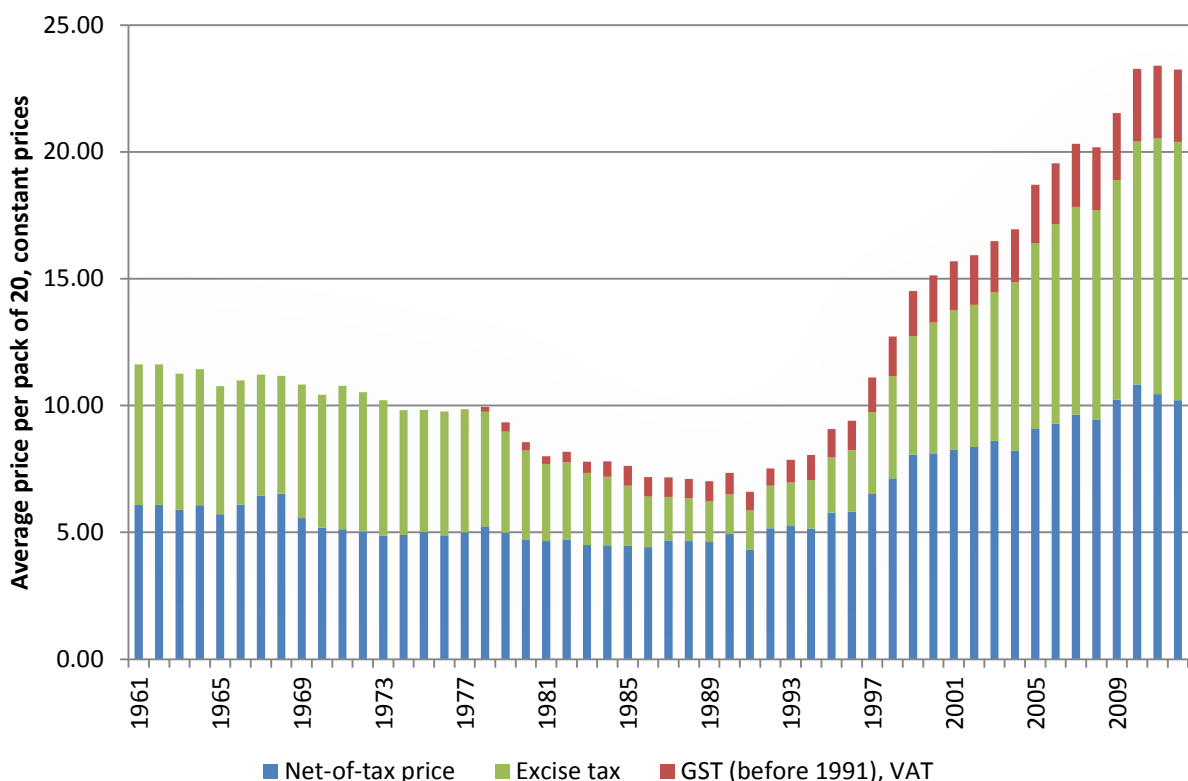
Despite the opposition by the tobacco and advertising industries and a substantial number of other organisations, the legislation banning tobacco advertising was signed into law in 1999. The regulations that gave effect to the legislation were passed in 2000 and the advertising ban became effective in January 2001. With minor contraventions, the advertising ban has been extremely effective in removing the obvious forms of advertising (e.g. radio, cinema and billboard advertising), although there has been a substantial increase in point-of-sale advertising.

With the benefit of hindsight, it is appropriate to consider developments in the tobacco industry and to evaluate some of the claims that were made at the parliamentary hearings in October 1998.

On 11 January 1999, less than three months after BAT South Africa claimed in its presentation to the parliamentary committee that the proposed legislation would reduce profit margins of the minor cigarette producers and possibly put them out of business, it was announced that Rothmans (Remgro’s international tobacco business) and BAT would merge and that they would merge their South African interests. The result was that the Remgro (controlled by the Rupert family) obtained a substantial stake in the London-listed BAT. The much-enlarged South African affiliate, BAT South Africa, obtained a 90%-95% market share in the local cigarette market.

The enlarged South African cigarette producer was now in a position to use its near-monopoly power to follow the pricing strategy that it was following in the previous ten years, namely to increase the net-of-tax price of cigarettes (in inflation-adjusted terms). See Figure 43. The industry would typically overshift the excise tax increases. This meant that a given increase in the excise tax would result in a substantially higher increase in the retail price. The result of this pricing strategy was that cigarette consumption decreased by a greater percentage than would have been the case had the tobacco industry not overshifted the tax. It also increased the revenues and profits of the tobacco industry, despite selling substantially fewer cigarettes (Van Walbeek, 2005).

**Figure 43: The decomposition of the average real retail price of cigarettes, 1961-2012**



The advertising ban resulted in a so-called “dark market”. Despite this, in 2003 Philip Morris International (PMI) successfully introduced its flagship Marlboro brand into South Africa. It was able to capture about 2% market share of a highly profitable market. Marlboro was generally priced in the “most popular price category” (MPPC). BAT South Africa is the clear price leader in South Africa,

and an analysis of Marlboro's price over time suggests that PMI's pricing strategy was simply to follow BAT's price lead. There is no evidence to suggest that PMI used price as a way to increase its market share.

A recent development has been the emergence of very low price cigarettes (e.g. Yes, Pacific and Dullahs). Whereas MPPC cigarettes currently sell at close to R30 a pack, these very low price cigarettes are often sold at less than R20 per pack, and even at less than R15 per pack. The current excise tax per pack of cigarettes is R10.92 per pack. Together with the VAT amount, the minimum amount of tax payable on a legal pack of cigarettes is R12.45. The Tobacco Institute of Southern Africa (TISA, the industry organisation that represents most of the tobacco industry, including the large cigarette manufacturers) claims that these cigarettes are largely illegal because the excise taxes have not been paid on them. TISA claims that the illicit market in cigarettes is burgeoning.

On the other side of argument is the Fair-trade Integrity Tobacco Association (FITA), the organisation that represents the small manufacturers. FITA claims that they do pay the full excise tax, and that TISA is bullying their members because the TISA-affiliated large cigarette producers cannot compete with the nimble, small, low-cost manufacturers. FITA argues that the manufacturing cost is less than R2 per pack of cigarettes, and that their members can thus sell fully tax-paid cigarettes at cutthroat prices.

It seems that the main players have overplayed their pricing hand. The net-of-tax price of MPPC brands has become so lucrative that legal low-price competitors (and illicit traders) have been able to undercut the large incumbents. Recently BAT South Africa reduced the price of one of its main brands, Rothmans, from about R30 to R21.60 per pack. This is presumably an attempt to get market share back from the low-price manufacturers.

This price war is detrimental from a public health perspective. Many studies in South Africa (Van Walbeek, 2005 and 2014) and internationally (IARC, 2011) have shown that an increase in the price of cigarettes is particularly effective at reducing cigarette consumption. Whether the retail price increases because of an increase in the excise tax or the net-of-tax price is immaterial from a public health perspective.

There is nothing to suggest that this price war can be traced back to the ban of tobacco advertising more than ten years ago. It seems to be the result of an incumbent firm that created the financial incentives for other firms to undercut its prices substantially.

The argument that firms advertise, not to expand the total market, but to ensure brand loyalty and attract consumers to their brands, wears thin when the dominant player has more than 90% market share, as was the case in the cigarette industry after the BAT merger in 1999.

The argument about the weak or non-existent relationship between tobacco advertising expenditure and cigarette consumption received quite a lot of attention in 1998. This puzzle has subsequently largely been resolved, primarily by Henry Saffer (2000).

The argument runs as follows: because cigarettes have been so heavily advertised, the marginal effect of the last R1 of advertising expenditure is likely to be small. As such, advertising expenditure is subject to diminishing marginal returns. Most studies that test for the impact of advertising expenditure on cigarette consumption use time-series data and exploit the fact that cigarette

advertising expenditure tends to vary over time. Modest variations in advertising expenditure from the mean are then expected to explain variations in cigarette consumption. The econometric technique cannot account for the impact of the large amount of advertising that remains unchanged from year to year. If advertising expenditures are subject to diminishing returns, as seems intuitive, then even sizeable deviations in advertising expenditure (say 20% or even more) are unlikely to have a statistically noticeable impact on cigarette consumption. It is thus no surprise that the coefficient on advertising expenditure is small and often insignificant.

On the other hand, if one looks at the impact of advertising *restrictions*, rather than advertising expenditure on cigarette consumption, a much clearer picture emerges. Cross-sectional studies have found that advertising restrictions tend to reduce tobacco consumption significantly (Saffer, 2000 and Blecher, 2008). Comprehensive advertising restrictions tend to reduce cigarette consumption by a substantially greater percentage than non-comprehensive advertising restrictions.

The anti-tobacco lobby argued that tobacco is not a normal product and that it should not be treated as a normal product. It causes illness and premature death. To ban tobacco advertising, together with other restrictions such as the ban on smoking in indoor public places, helps to denormalise tobacco. Tobacco control is multifaceted, and a ban on advertising has been shown to be an effective tool.

Did the legislation have a significantly negative impact on the advertising industry? Figure 1 indicates that there was a 7.4% decrease in aggregate real advertising expenditure in 2001, which suggests that the ban on tobacco advertising could have been responsible. However, if one considers that tobacco advertising expenditure in 2000 was only responsible for 1.24% of aggregate advertising expenditure, it is clear that the decrease in 2001 was due to more than just the loss of tobacco advertising.

If one breaks this decrease down by media, a similar picture emerges. In 2001, aggregate advertising revenue by the print media decreased by 11.8% in real terms. However, only a very small portion of this decrease can be ascribed to the demise of tobacco advertising, because tobacco advertising comprised only 1.12% of total print advertising expenditure in 2000. In 2001, aggregate advertising expenditure on radio decreased by 12%. Again, this cannot be ascribed to the decrease in tobacco advertising because tobacco advertising comprised only 0.9% of aggregate radio advertising expenditure in 2000. Television advertising expenditure decreased in 2001 by 3.8%. Tobacco advertising comprised only 0.4% of total television advertising expenditure in 2000; again, the decrease in total television advertising expenditure cannot be attributed to the tobacco advertising ban.

The only two advertising media where tobacco advertising had a non-negligible share in 2000 were cinema (25.7%) and out-of-home advertising (9.0%). In 2001, real advertising expenditure in cinemas decreased by 16.7% from R140 million to R117 million. One can assume that the demise of tobacco advertising was largely responsible for this substantial decrease in advertising revenue. The decrease in cinema advertising expenditure was short-lived, however, because it increased to R133 million in 2002 and to R144 million in 2003.

Out-of-home advertising expenditure increased in 2001 by 17%, despite the disappearance of tobacco advertising. This growth rate was higher than the average real growth rate of about 12%

between 1997 and 2004. The loss of tobacco advertising apparently did not have a significant impact on the revenues of the out-of-home advertisers.

## **5.2 The importance of tobacco advertising before the ban**

Using the same methodology as that used above, the relative importance of tobacco advertising in the various advertising media is shown before the advertising ban came into effect in 2001. These data were collected in 2003 by the Principal Researcher of the current study as part of his PhD dissertation. See Van Walbeek (2005: 170-183).

Figure 44 shows the “tobacco dependence” of the various advertising media for the period 1982 to 2000. By far the most important medium throughout the period was cinema advertising. Cigarette advertisements in cinemas were typically quite long (often 2-3 minutes) and presented a highly glamourised product. For example, Peter Stuyvesant was often presented in the context of international travel (“Your international passport to smoking pleasure”), while Camel emphasised masculinity and toughness.

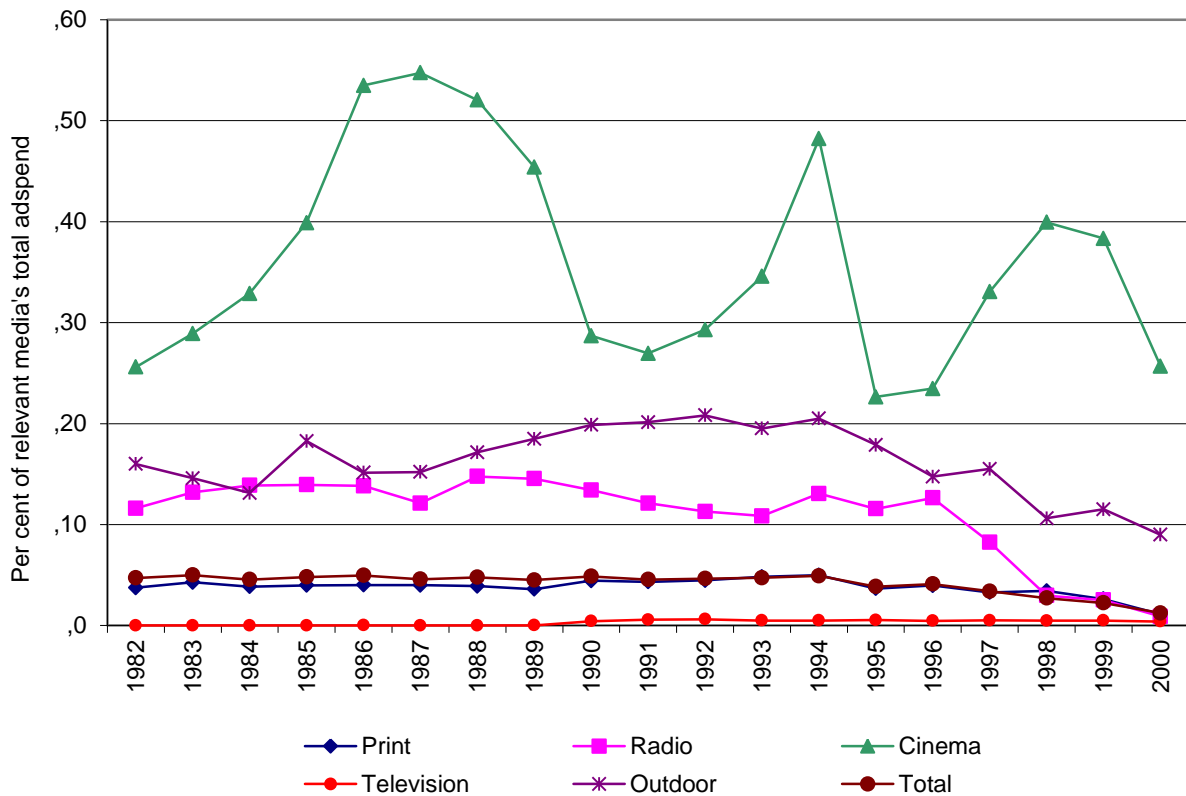
Between 1982 and the mid-1990s the share of cigarettes in out-of-home advertising expenditure was about 15%-20%, after which it dropped to just above 10%. Radio was also fairly dependent on tobacco advertising, with a consistent share of between 10% and 15% from 1982 to 1996, after which it dropped precipitously.

For the 1982-1994 period about 4%-5% of the print media’s revenues came from tobacco advertising, dropping quite significantly after 1994. Even though print was significantly less dependent on tobacco advertising than the other advertising media (other than television), the print medium was the single most important advertising medium for the tobacco industry. In most years 40%-50% of the tobacco industry’s advertising expenditure was spent on the print media, followed by radio advertising.

Individual tobacco brands were never advertised on television. From the early 1990s onwards the tobacco industry started advertising its sport and other sponsorships. Some of this was done on television, but tobacco’s share of total television advertising expenditure rarely exceeded 0.5%.

The advertising of tobacco-related sponsorship became particularly popular in the middle- to late-1990s. In some months in the late 1990s, sponsorship advertising made up more than 30% and sometimes even 40% of total tobacco advertising expenditure. Outdoor billboards, television and the print media were the media of choice. To advertise sponsorships, rather than the product, was a particularly clever way to circumvent the health warnings that had been mandated by the government on all advertising in 1995. For example, an advertisement for Dunhill in a magazine, or a newspaper, or on a billboard, would be required to carry a warning of 30% of the total area of the advertisement. However, an advertisement for the Dunhill Cup would not have to carry such a warning, because the “product” that is being advertised is not cigarettes, but a golf competition.

**Figure 44: The share of tobacco advertising in aggregate advertising expenditure, by media, 1982-2000**



In Table 4 we present the percentage of aggregate advertising expenditure, by media, for tobacco advertising in 1994 and for alcohol advertising in 2010. These years are chosen because, for both groups of products, these years were the ones where their share of aggregate advertising expenditure was at a maximum.

At their peaks in 1994 and 2010, respectively, both tobacco and alcohol advertising comprised approximately 5% of total advertising expenditure. However, the media composition differs greatly between these two groups of products. Tobacco advertising was focused on the print media, radio and out-of-home advertising, in that order. The share of tobacco advertising in 1994 in print is four times that of alcohol in 2010. For radio advertising the share of tobacco was more than twice that of alcohol, for cinema more than four times, and for out-of-home advertising nearly three times.

The ban on tobacco advertising had an impact on a much wider range of advertising media than the proposed ban on alcohol is likely to have. This was because the tobacco industry was much more diversified in its use of advertising media.

The proposed tobacco advertising ban was opposed by a diverse group of stakeholders in the advertising industry. At the parliamentary hearings in October 1998, representatives from various advertising groups made presentations to the committee (e.g. Cinemark for the cinema industry, Anchor Outdoor Displays for out-of-home media, the Print Media Association of South Africa and a number of others for the print media). Importantly, neither the SABC, nor any other broadcasting company, made a presentation, presumably because the stakes for them were comparatively small.

In contrast to its stake in tobacco advertising, television is substantially dependent on alcohol advertising, with more than 7% of advertising revenues derived from alcohol in 2010. It is little wonder that the proposed ban on alcohol advertising is opposed so vehemently by the television broadcasters.

**Table 4: Tobacco and alcohol's share of aggregate advertising expenditure**

	Tobacco 1994	Alcohol 2010
Print	5.0	1.3
Radio	13.1	5.6
Cinema	48.2	10.4*
Television	0.5	7.4
Out-of-home	20.5	7.5
Total	4.9	5.2

\* 2008 data

Tobacco advertising went out with a whimper, rather than a bang. As a percentage of aggregate advertising expenditure (all media), the share of tobacco peaked in 1994 at 4.9%, and decreased to 3.9% in 1995, increased slightly to 4.1% in 1996, and then consistently decreased to 3.4% in 1997, 2.7% in 1998, 2.2% in 1999 and 1.2% in 2000. The sharp decrease in 1995 is due to the fact that the tobacco industry greatly reduced its advertising expenditure in June 1995 when the health warnings on cigarette packs and visual advertising material were introduced. Cigarette advertising in cinemas disappeared completely for five months, and made only a slow recovery afterwards. Print advertising was halved for two months, but recovered subsequently, once people started getting used to the health warnings.

When the ANC was voted into power in April 1994, the incoming government, and especially the new Minister of Health, Dr Nkosazama Dlamini-Zuma, made it clear at the outset that the government would follow a strong anti-tobacco policy. The tobacco industry at that point must have realised that legislation restricting advertising was on its way, and was slowly but surely reducing its advertising expenditure.

A rather similar picture is emerging for alcohol advertising. From its peak in 2010, when alcohol advertising comprised 5.2% of aggregate advertising expenditure, it has decreased to 5.1% in 2011, 5.0% in 2012 and is projected to decrease to 4.4% in 2013. It was around 2010 that the Minister of Health, Dr Aaron Motsoaledi, started talking about imposing severe restrictions on alcohol advertising. If the tobacco experience is any precedent, it seems likely that the advertising industry will slowly but surely be weaned off alcohol advertising before it gets prohibited. This would allow the advertising industry to find other clients and would reduce the impact on the industry.

## **6. CONCLUSION**

The proposed alcohol advertising ban is presented by the media as highly controversial. South Africa has a long history of harmful use of alcohol, with detrimental economic and social consequences. The Minister of Health has identified this as a problem in need of addressing. While not suggesting that one policy intervention – strong restrictions on alcohol advertising – will be the panacea that will solve the problem, he has identified this as one tool to curb harmful alcohol use. The WHO

recommends, as part of its global strategy to reduce the harmful use of alcohol, that governments impose restrictions on the advertising and marketing of the product.

The proposed policy is strongly opposed by a variety of groups, on a number of levels. Some groups fret that the government is meddling in matters in which they should not be meddling. If it can ban tobacco and alcohol advertising, what prevents it from passing legislation that will curb people's political rights? According to this line of argument, a ban on alcohol advertising would take the country further down the slippery slope which was started in 1999 when the government passed the Tobacco Products Control Amendment Act.

The other line of argument is that the proposed advertising ban would cause economic hardship for the advertising industry, various media firms and the alcohol industry. Commentators on radio talk shows, authors of opinion pieces in newspapers, and spokespeople for the various affected industries paint a very gloomy picture about the likely impact of the proposed legislation. The debate is high-pitched, in the same way that the discussion about the Tobacco Products Control Amendment Bill was high-pitched 15 years ago.

Depending on the point that they want to make, commentators draw parallels with the tobacco advertising ban, while others argue that alcohol is sufficiently different from tobacco that one should not draw any parallels.

This study describes the advertising landscape, especially as it concerns the alcohol industry. We have focused our attention on advertising expenditure data, collected by a credible market research organisation. We appreciate that the data have flaws and omissions (e.g. the data do not take account of the cost of creating the advertisement, or volume discounts). However, given that these flaws and omissions also apply to the expenditure on other advertised goods and services and consistently over time, the data allow us to compare trends in alcohol advertising both at a certain point in time and over time.

The report presents many diagrams and graphs, some of which are interesting to select audiences, and others that have more general appeal.

The main conclusion is that alcohol advertising is approximately as important to the advertising industry as tobacco advertising was at its peak in the mid-1990s. In 2010 alcohol advertising made up about 5.2% of aggregate advertising expenditure, weighted heavily towards television advertising. Its share has been decreasing consistently since 2010 and is projected to be 4.4% of aggregate advertising expenditure in 2013.

At its peak in 1994 tobacco advertising comprised 4.9% of total advertising expenditure, and was distributed on all advertising media (print, radio, cinema and out-of-home) other than television.

The ban on tobacco advertising was implemented in 2001. We are not aware of a study that has investigated the impact of the ban after the fact, and we are also not aware of any media reports that have considered the implications of the ban. The quietness after the implementation of the advertising ban and the general acceptance of the ban stand in strong contrast to the high-pitched opposition from some quarters to the ban when it was debated in the late 1990s.



There is probably a lesson in that for the architects of the Control of Marketing of Alcoholic Beverages Bill, as well as its detractors.

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