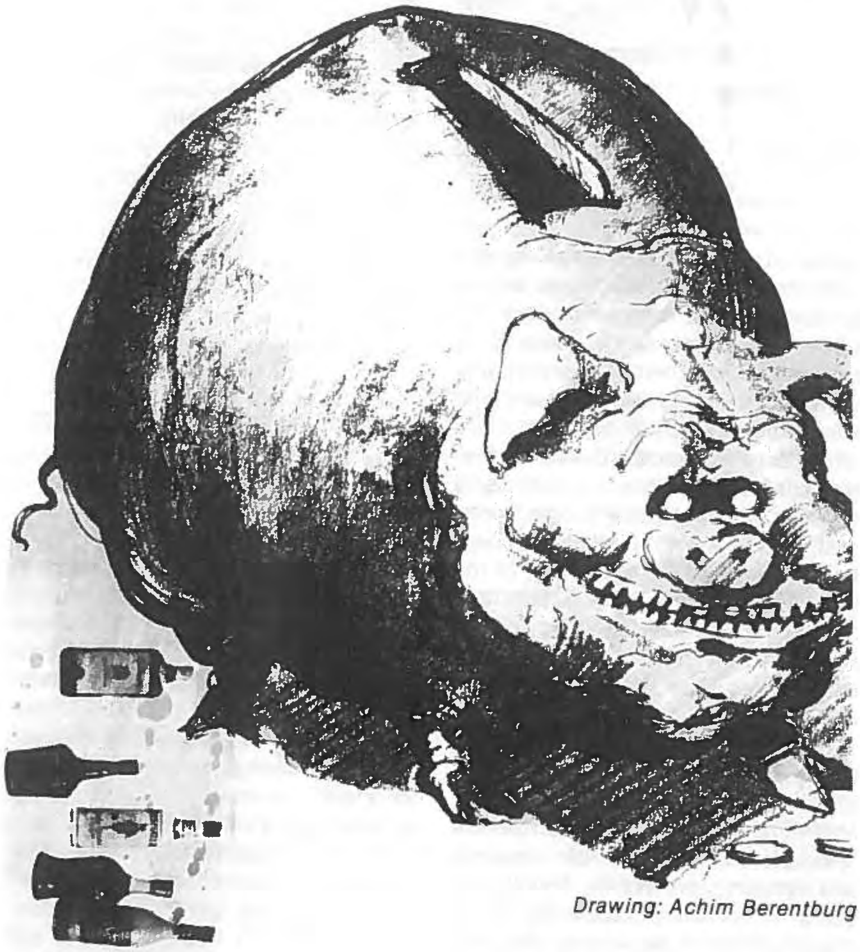
Preface for «Alcoholic beverages: Dimensions of corporate power»

Alcohol Problems and the Development of Public Health Research: establishing the context of this book.

By Griffith Edwards, London.



Drawing: Achim Berentburg

This book boldly enters a contentious area of debate. Without evasions, it asserts that the activities of those multinational companies whose business is the production, advertising and sale of beverage alcohol, have at times been inimicable to Public Health, and most specially in so far as their operations have over recent years increasingly impinged on developing countries. If the findings of this book are valid then the challenge to the international community is tangible: in the cause of health interests some type of international regulation of the liquor trade must become a matter for urgent consideration. The world's health cannot, the argument goes, safely be left to the mercies of an unfettered pursuit of profit.

In January 1983, the report «Alcoholic Beverages, Dimensions of Corporate Power» appeared — worked out by the two researchers John Cavanagh and Frederick Clairmonte, on commission of the World's Health Organization.

Later, when parts of the contents of this report had been made public through The Washington Post and Le Monde, the WHO decided, however, not to publish it. Every indication show that this decision was made after pressures coming from those countries that were most frequently mentioned in the report.

By this issue of The Globe, will — for the first time — the main parts of the report be made accessible to an international audience. We have tried to stress sides of the report that are of current interest, especially as for the development towards consistantly stronger internationalization of the alcohol industry and the methods of marketing the industry.

Due to lack of space, the use of table surveys have been limited, in addition to lists of references.

Editorial staff

These findings will inevitably invite retort and the counter-attack may be to argue that health researchers are clumsily trespassing in an area which is none of their business and that they should cease meddling before they get their fingers burnt. But we must hold our ground, and it must be calmly insisted that it is today inevitable that health workers are led into the examination of the corporate practices and the economic organisation which lie behind the astonishing expansion of trade in alcohol, even as in the past the health movement has been forced into an examination of many other aspects of the extended human environment which pose difficult social implications. There can be no turning back from the essentially nineteenth century discovery that health implies social and economic as well as personal dimensions. That health researchers are now attacking the drinking question from the economic angle is precisely because the slow, logical and inevitable evolution of relevant research had led in this legitimate direction. *The dynamic of the liquor supply is a legitimate matter for Public Health concern.*

The purpose of this preface

will be to trace the step-wise progress of research into drinking and drinking-problems which has led up to our arrival at the point where the above assertion can be made. It is not as if health researchers in this area had suddenly turned to an interest in economic facets out of mere whim or mischievous desire to tweak anyo ne's tail. What is being said here is «political» only in the sense that it deals with matters of large public interests. An exposition of the historical evolution of the scientific movements which have led in this direction may therefore be seen as establishing the context for this book and as validating its stance.

Many readers of this monograph will already be familiar with the complexities of the relevant background scientific literature and will have a specialist knowledge of research and thinking on Public Health aspects of drinking problems. It is though much to be wished that this book will also have an appeal to those many others who are concerned more generally with the health of the people, and that these chapters will add to an awareness that control of drinking problems is not a question just to be left to a small band of specialists.

Before going forward to the details of review one further point needs to be underlined. Reference has already been made to the particular impact which expansion in the alcohol trade has had over recent years on the health and welfare of developing countries. WHO has a mandate to respond to the needs of all member states, but there must today be a very special responsibility to serve the needs of those countries which are undergoing rapid socio- economic change with all the inevitable health and social consequences. It would be tragic if the populations of those countries became victim to drinking problems on the same scale that effected the West at the time of the Industrial Revolution, with Gin Lane recapitulated in the towns and cities of Africa, Asia, the Pacific Region, the Carribean and South and Central America. This book may if read and heeded do something to help avert those worst consequences. The industrialised nations have a responsibility to ensure that their highly-tuned capacity for trade expansion does not in this instance make its profit at wounding health and social cost to countries which are today at a very important but vulnerable stage in development, and where a sudden acceleration in the liquor supply could damagingly interact with all the upheavals of change.

The Traditional Focus on the Individual

Research on drinking and drinking problems has over post-war decades been both remarkably active and astonishingly diverse in its approaches (4—6). This proliferation of scientific effort can for purposes of the present discussion be characterised in terms of a number of phases, but it must be stressed that such segmentation though analytically convenient is artificial: different lines of attack have often overlapped or interdigitated, and a «new advance» will often be shown by the careful scholar to have its antecedents in work of a century or more ago. We will not consider here developments in laboratory or biological research, but even after such exclusion the array of contributions made over the last 3—4 decades by a range of different disciplines to our understanding of human drinking behaviour is extensive — sociologists, psychologists, anthropologists, statisticians, economists and historians have all had a hand in an extraordinary and scientifically and linguistically polyglot area of research endeavour, which has proceeded more by trial and error than by any co-ordination. Each of these approaches has been both illuminated and limited by a particular model of understanding. No one of these models is therefore by itself complete, and they should be seen as complementary and mutually questioning rather than competing.

The traditional starting-point for study of drinking problems has been an examination of the individual who suffers from clinically diagnosed alcoholism. The clinician has for centuries been confronted by such patients, and in many parts of the world these patients today arrive at the hospital or at the doctor's office in increasing numbers. In developing countries there is now a concern as to how the cadre of medical assistants is to be trained so as to recognise and give help to such patients. No one should lightly deny the continuing importance of such a patient-focussed view of the problem.

Since at least the beginning of the nineteenth century clinicans have sought to contribute to an understanding of the nature of the problem with which they are confronted, as well as treating their individual patients. Within this time- honoured tradition may then be identified several related lines of investigations — studies for instance of the alcoholic's personality, of the psychodynamics of instance of the alcoholic's personality, of the psychodynamics of excessive drinking, explorations of childhood environment, research on genetic determinants, and the behavioural analysis of the patient's drink-seeking in an experimental environment. Every compassionate clinical encounter is at least in part a renewed attemt to understand the patient in these individual terms, and an attempt also to help that peeson toward productive and individual self-understanding.

Limitations to the Patient-Centered View

Why then seek to explore other ways of understanding drinking problems than stem from this patient-centred view? Why not accept that «alcoholism is a disease», and leave the problem to the doctors rather than call into play new partners from new sciences, who may lead the debate into uncomfortable and unfamiliar directions?

The reasons why the research world has over recent years become rather discontented with the limits to understanding which are imposed by this traditional view are several, although it would of course be far too negative an appraisal of the very varied research approaches which we are categorising here as «person directed», to dismiss all this effort *en masse* and out of hand as disappointing: some of the lines of study comprised under this broad heading are undoubtedly continuing to be very productive. But with that proviso it has still to be admitted that some of the lines of enquiry which individually-focussed research invites, have increasingly come to be seen as perseverative and a dead-end rather than truly illuminating. For instance, few would today believe that such an entity as «the» alcoholic personality really exists as a necessary or sufficient condition for development of a drinking problem. «Sociopathy», it has been argued, may be a consequence rather than cause of excessive drinking. Furthermore, studies of childhood antecedents now give rather contradictory findings on the importance of early home environment, and the psychodynamic view of the origins of alcoholism has been challenged by research.

Another important reason for the clinician's unease with the personbased analysis is that such insights provide very little leverage so far as prevention of the population's alcohol problems is concerned. A growing realisation o the true prevalence and protean nature of drinking problems as they effect many cultures, together with the increasing evidence that even in countries with sophisticated health care systems only the minority of people with drinking problems are going to be reached by and respond to help, makes the old adage about «prevention being better than cure» seem highly apposite. A model of understanding which can speak to prevention and not just to treatment is therefore badly needed.

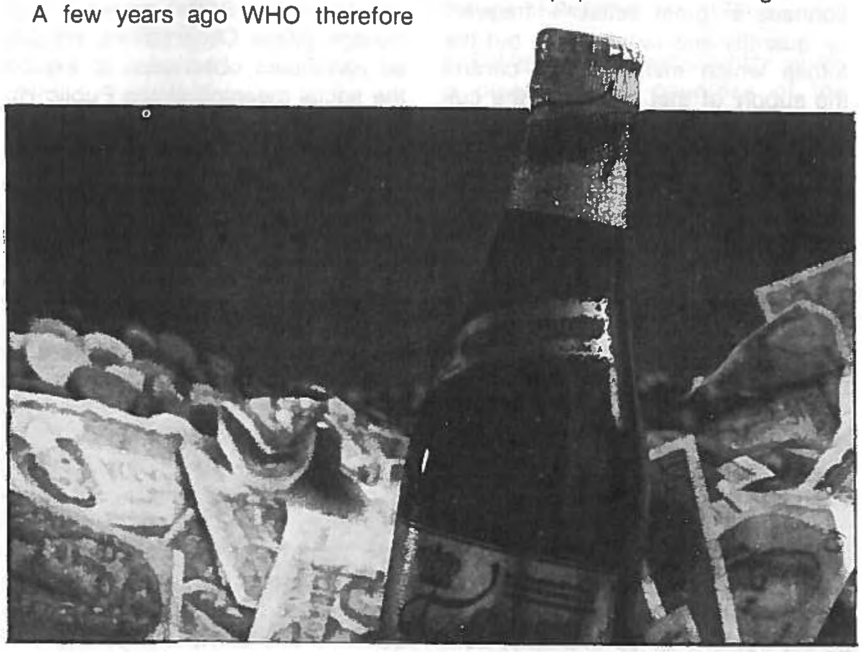
From «Alcoholism» to a Drinking-Problem Focus

A final reason for the growing belief that focuson the individual alcoholic patient will not by itself give us the needed insights for Public Health policy comes from the realisation that there are limitations which stem not only from looking only at «the individual» but also from focussing exclusively on «the alcoholic». A series of epidemiological researches have led to the inescapable conclusion that the clinical population of diagnosed alcoholics only constitutes a small, uncertain and biased sample of the totality of people with drinking problems who are to be found in the community — it is as if we sought to understand chest-disease in terms only of hospital-diagnosed pneumonia while ignoring the mass of patients with chronic bronchitis who go only to the general practitioner or to no doctor at all. Survey research demonstrates that the total world of drinking problems comprises not just clinical alcoholism, cirrhosis of the liver and delirium tremens — the advanced case and the ed-state — but a great many people who are in contact only with primary health care services or no services at all who are yet in major or minor ways, intermittently or with chronicity harming their health or happiness through drinking, impairing their social adjustment, or damaging the welfare of their families. Problems at work, petty or major crime, drunk driving and public drunkenness, accidents at home or at the work place, violence or neglect in the family, damage to the foetus, many varieties of damage to the organs of the body, mental illness and suicide, poveerty and homelessness, are some of the entries which go toward listing the possible impacts of excessive drinking on the community.

A few years ago WHO therefore proposed that the central concept of «alcoholism» with its implicit invitation far too narrowly to circumscribe the drinking problems with which we should be concerned with delimitation imposed by medical or hospital experience, should be replaced by the two complementary terms «alcohol dependence» and «alcohol-related problems». This formulation first acknowledges that health concern must in part be focussed on those people who have in the older terminology become «addicted» to alcohol or who in the newer phrasing are seen as suffering from the alcohol dependence syndrome. But this formulation also invites an awareness that there are many people who are encountering «alcohol- related problems» who are not alcohol dependent. The invitation is not to abandon our traditional concern with the sick patient, but greatly to broaden the social and health remit so as far more adequately to encompass the true nature and extent of the Public Health problem set by drinking.

The Epidemiogical Focus

This re-appraisal came about very largely as consequence of an important phase of investigation which applied techniques of survey research woith interviewing of large representative samples, to the examination of population drinking beha-



viour. Drinking behaviour was categorised, and related to demographic and social variables and to attitudes toward drinking. This phase of development in alcohol studies was of revolutionary influence in re- awakening an awareness that excessive drinking is as much a socially as a personelly-determined problem — social in its origins and in many of its manifestations. As with so many other «new» discoveries this was of course a re-discovery, for the social reformers and temperance workers of the nineteenth century had never doubted that drunkenness was related to the social conditions of the individual's environment.

But despite the strengths and importance of this phase of survey research, it too can be seen as limited. The focus is broadened from clinic patient to the whole spectrum of drinkers in the community, «troubles with drinking» define the disorder and are social complications more than clinical symptoms, and social correlates rather than personality traits offer the explanations of drinking and drinking problems. The critic will though point out that in a subtle way the problem is within this model yet again being inherently individualised, rather than understanding being moved to the true social level of analysis: demographic correlates may ot be *intrinsic* properties of the individual, but the primary focus is still on the individual, while society only enters into the equation insofar as social variables define the person or aspects of drinking consequence. His drinking is recorded in the questionnaire in great detail — frequency, quantity and variability — but the forces which instigate and control the supply of that drink and the culture which proposes that drinking, remain unexplored. The interviewer walks down the street only with the purpose of finding the next subject in his sample: the street itself is irrelevant to the concerns of the carefully structured questionnaire as the interviewer walks past the breweries, the pubs, the corner liquor stores or the African beer halls, and the hoardings which cry the excitements and glamour of every variety of drink, seemingly with research eyes averted from all such distractions. It is as if the epidemiologist has recapitulated some of the limitations of the clinician — man and woman are perhaps to an even greater extent than by the doctor studied in disarticulation from their social and culture environment and social institutions.

The Anthropological Focus

Alcohol studies have though also and rather separately developed a line of anthropological investigation. At the risk of over-simplification, it can though be argued that the anthropologist's main focus has here been on rural or non- industrialised populations in countries of the developing world or on ethnic minorities in North America, with the research largely conducted by Western academics. Very literally, the research results have been «brought back»: the audience for this research has been the academic peers of the investigators, and in few instances has such work been directed in any practical sense to the needs or concerns of the communiy which have been the site of field study. At a time of important general developments in social anthropology and an increasing application of anthropological techniques to the study of health problems, anthropological studies of drinking seem to have remained largely within an older tradition — the study of «primitive people» — while survey techniques have been the favoured social science approach to studies of developed countries. To that general rule there have though of course been some notable exceptions. For instance, so long ago as 1943, a British research organisaton (Mass Observation), employed participant observaton to explore the social meaning of the Public House and produced a classic of the literature — «The Pub and the People». The puzzling question often asked by researchers is why that line of investigation has so seldom been taken further, although some American work builds on that tradition. Anthropological studies in the developed world have also sometimes been directed at skid row drinkers and at the culture of the homeless man.

The World Health Organisation's «Community Response Project» sought to examine community drinking patterns and responses to drinking problems in three different cultures — communities in Mexico, Scotland and Zambia. A parallel study was also mounted by Canadian researchers. The intention was to explore the possibility of combining survey and anthropological techniques, but in the event the anthropologicial element was generally not so well developed. This experience perhaps only re-emphasises the wider scientific dominance of survey techniques in this field over recent years.

It is perhaps significant that studies of drinking, culture, and environment, are so often relegated to a focus on the geographically distant or the socially powerless — a focus on «primitive» people or on ethnic minorities or the inhabitants of skid row. Again, nothing which is being asked is too threatening to our comfort.

The Focus on Population Consumption Statistics and Measures of Harm

Individually focussed, epidemiological, and anthropological studies — and then yet another style of investigation begins to emerge, characterised this time by the empirical study of per capita population alcohol consumption, distribution of consumption within populations, and the relationship between per capita consumption and measures of drink- related harm. The ebb and flow of styles of investigation, the emergence of any new line of scientific attack, are of course events which are usually only to be sensed in retrospect. There is seldom any one moment or one paper in a journal which is the turningpoint, and new research styles (like new drinking patterns) do not necessarily drive out the old. No doubt the sequence and interaction of styles of investigation as we see them applied to drinking and drinking problems is nothing unique and much the same types of shift might be traced in many other fields of scientific endeavour. Evolutions of research style in any particular arena are a reflection of larger background movements in how society sees social problems or is afraid to see them, or the outcome of large shifts in ideology or political temper, as well as reflecting the rise and fall in the confidence, assertiveness social repute and funding of particular scientific disciplines.

Out of some such mixture of influences has emerged this phase of alcohol research which is essentially concerned with analysis of *population* statistics — statistics on drinking, statistics on drink-related harm, and the covariance between those two sets of measures. This approach largely does not ask by what social or institutional processes the phenomena which are analysed and mutually related are in the first place generated, but when for instance it begins to study how the price variable may be related to consumption it is entertaining a type of question which takes research into more socially challenging directions than the preceding lines of enquiry. We can still walk past those hoardings as we now go off to the libraries and search the statistics, but in this phase of research we are getting very near to having to ask a new and more socially contentious range of questions. Academics are no longer just talking to academics or studying the powerless.

The starting point for this statistical phase of research lay in the work of Solly Ledermann, a French statistician who proposed that a population's consumption of alcohol will be distributed log-normally, and that if there is a shift in total consumption the mathematical characteristics of the dispersion of the distribution will remain constant. What in commonsense terms is being asserted is that when a population as a whole drinks more, the increased consumption will not be taken up evenly — it will not be a matter of the increase being shared out by everyone just drinking that little bit extra while no or few additional subjects are drawn into the band of heavy drinkers. On the contrary, Ledermann suggested that the distribution is likely to be such that if total populaton consumption increases by a given factor, then the number of heavy drinkers at the right-hand end of the curve will increase more than propotionately. A similar projection could be applied to the situation where there is an overall population decrease in alcohol consumption.

Alcohol consumption curves do not perhaps usually obey the exact mathematics of the Ledermann formulation, but proceeding empirically a mass of subsequent work has built up a case which supports the important basic assertion that variation in populaton consumption is likely to be closely and positively associated with variation in population experience of alcohol-related problems. The precise shape of the distribution curve is of lesser importance than this empirical relationship between consumption levels and harm. What is being proclaimed is not a new and infallible «natural law», but the demonstration of a generally robust correlation to which there will no doubt be some exceptions. Findings of that degree of reproducibility have traditionally provided an acceptable basis for Public Health strategies.

Two sets of data may be given here which respectively illustrate the findings that relationship between population consumption and problem levels pertain both for a given region when comparisons are made across time, and also when comparisons are made at any one time between countries with different consumption levels. The first of these data sets (Table 1) analyses material from the UK for the years 1885 to 1930: large variations in alcohol consumption were over this time-span reflected in more than proportionate changes in the index of mortality.

Quinquennium	Index of annual per capita alcohol consumption	Index of alcoholrelated mortality
1885-9	3.8	154
1890-4	4.0	168
1895-9	4.2	182
1900-4	4.1	193
1905-9	3.6	156
1910-14	3.4	131
1915-19	2.3	81
1920-4	2.3	59
1925-9	2.0	55
1930-4	1.6	42

Table 1
UK per capita alcohol consumption and alcohol related mortality. Consumption index: gallons of proof spirit. Mortality index: annual deaths per million living certified as due to chronic alcoholism, DT's or cirrhosis (Royal College of Psychiatrists, 1979).

In Table 2 a between-country series is presented, for countries of the European Economic Community.

Country	Consumption Litres pure alcohol	Consumption rank	Cirrhosis (per 100,000 population)	Cirrhosis rank
France	22.3	1	32.9	1
Italy	17.3	2	31.9	2
Luxembourg	17.2	3	29.6	3
West Germany	16.7	4	28.1	4
Belgium	12.8	5	14.4	5
Denmark	11.6	6	10.6	6
Netherlands	10.9	7	4.5	7
United Kingdom	9.1	8	3.8	8
Ireland	9.1	8	3.6	9

Table 2.
Alcohol consumption per person aged 15 years and above, and deaths from liver cirrhosis, nine EEC countries 1976. (Davies and Walsh, 1976).

This table shows a remarkable concordance between national rank- orderings for alcohol consumption and cirrhosis deaths.

In the face of the evidence which has now accumulated as a result of this type of research it would be difficult to resist the conclusions of a recent WHO Expert Committee, namely that:—
«There is ample scientific evidence that the damage caused by the consumption of alcohol beverages is closely related to the level of consumption both of individuals and the population as a whole. Indices of alcohol-related damage, biomedical as well as psychosocial, tend to rise when per capita consumption rises».

We have thus come a long way from the individually-focussed starting point and the logic of that advance can be discerned.

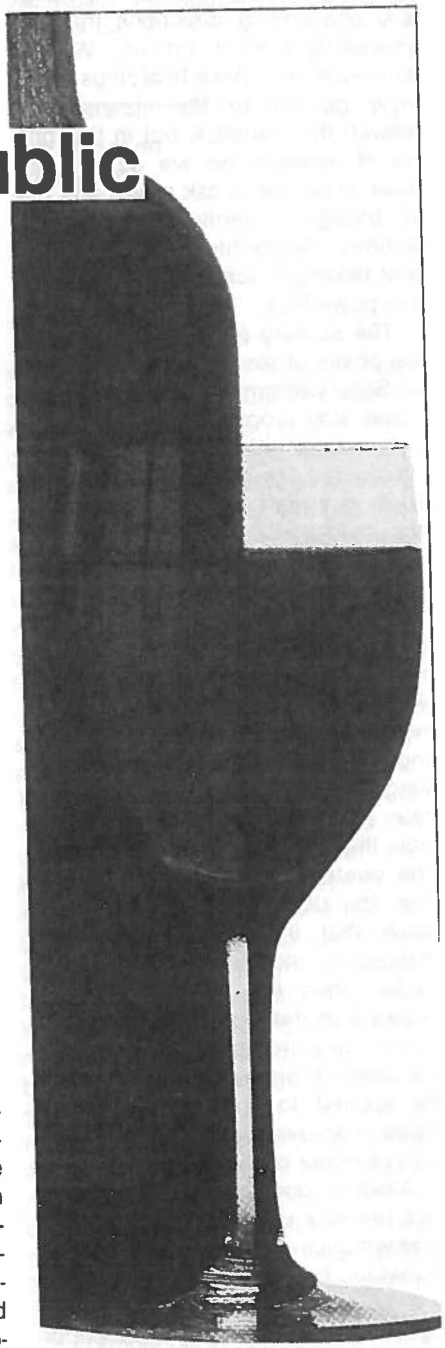
The Next Phase and the Present Book

The several interlocking phases of research which have here been reviewed lead up to the point where a further initiative in health-related research is going to be required. We may now take it as established that the level of population alcohol consumption is a matter of Public Health concern, and in the logic of preventive health it becomes a priority to understand and control those forces which press consumption upward, particularly in developing countries. The questions which governments and the international community face as a consequence of that conclusion are undoubtedly very difficult, with many conflicts of interest.

This book may thus be seen in historical perspective as standing within a continuingly evolving line of advance. Given that we acknowledge that attempts to understand determinants of population drinking are now very much on the research agenda, this book takes up this necessary challenge and provides a fascinating array of information on how international corporate business operates to increase population consumption. In going beyond empirical description of consumption statistics to examination of the economic processes which feed and fan this drinking, this book is asking exactly today's necessary questions. It is not a book which claims to offer us the whole or final truth, which is no doubt still a long way over the horizon. As ever no one model of understanding is complete, and ebb and flow in alcohol consumption must also be determined by influences other than economic. In this sort of science there are nowhere unitary causes universally related to inevitable effects. With those modest qualifications duly and poroperly acknowledged, this book is to be welcomed and critically appraised as a piece of work brilliantly within the lineage of those scientific endeavours which have sought step-by-step to strengthen our understanding of how the health of the world's people may be protected and enhanced. As a study in health research it deserves recognition as a crucially important contribution to a vital undertaking.

Introduction by the authors

Corporate Power and Public Health



Public health is inseparable from the political, economic and social framework in which people live, work and die. The central focus of this work is public health as it is influenced by a specific range of addictive commodities — alcoholic beverages — whose output, marketing and distribution is increasingly dominated by large-scale transnational corporations (TNCs). Problems generated by alcohol consumption cannot be grasped without far-reaching analyses of this roughly 170 billion US dollar global alcohol market — a figure which demarcates the boundaries of this study.

Corporate power and consumption

Previous studies have demonstrated that a relationship exists between increased alcoholic beverage consumption and a rise in its harmful consequences. For the first time, this report explores another crucial relationship, namely the link between corporate structures and the availability and consumption of alcoholic beverages.

For most of the post-war period, alcohol problems have been viewed primarily as individual problems. More recently, the investigatory approach of many researchers has highlighted the importance of larger socio- economic factors in shaping drinking levels, patterns and problems. While this approach represents a distinctive step forward in understanding alcohol-related problems, it has largely ignored a paramount force that conditions this larger socio-economic environment: the modern transnational corporation.

Consequences of concentration

At the onset of the 20th century, alcoholic beverage output, as with many other industries, was largely under the control of small firms whose distributional reach was local and, in limited cases, regional. Over the ensuing decades, this industrial structure was to undergo a dramatic metamorphosis through accelerated capital accumulation within alcoholic beverage firms, characterized by waves of mergers and acquisitions. This paved the way for large corporate units which vastly extended their output and distribution networks nationally. This concentration was most conspicuous in beer and distilled spirits sectors, where already by the mid-sixties a handful of giant corporations had achieved market dominance in most countries. In this drive to oligopoly, most wine sectors lagged behind. In many countries, concentration led to a prodigious increase in the availability and diversity of commercial alcoholic beverages that penetrated even the remotest rural areas.

What, it may be asked in the global context of public health, were the constellation of forces that propelled alcoholic beverages beyond national frontiers? Under the impetus of the post-World War II economic boom and the concomitant upsurge in incomes, consumption of alcoholic beverages in many developed market economies (DMEs) grew rapidly over the 1950s and 1960s. With the economic slowdown of the 1970s, however, there were signs of decelerating consumption in many of these markets, compelling the larger corporate producers to seek markets elsewhere. This economic movement coincided with rapid technological strides in transportation and telecommunications, which facilitated the globalization of marketing and managerial decision making.

Just as the preceding developments could be considered as factors pushing alcohol on global markets, there were parallel developments that contributed to pull alcohol towards countries where consumption was traditionally low. Paramount among these pull factors in post-independence developing economies (DEs) was the unprecedented migration from non-monetized rural areas to monetized urban aggregations. This was accompanied in many DEs by a vast numerical increase in elites with high purchasing power and Westernized consumption patterns. Related to these changes in several newly independent countries was the implementation of import substitution industrialization policies, which spurred the setting up of domestic breweries.

This global configuration of push and pull factors catalyzed big firms in the beer and distilled spirits sectors to extend their operations overseas into both DEs and DMEs. Among the pioneers in the transnationalization of the beer sector were the Quasi-monopolies Heineken (Netherlands), United Breweries (Denmark) and Guinness (UK/Ireland), each controlling over three-fifths of their national markets by the 1960s. Overseas penetration by distilled spirit firms was spearheaded by the highly oligopolistic whisky sectors in the UK and North America, and the giant cognac houses of France. More recently, the increasingly concentrated champagne sector in France and wine sector in a few other countries have also extended operations considerably on global markets.

These overseas salients were made via three corporate mechanisms: exports of goods, exports of capital and sales of licenses. The combined impact of these three has boosted significantly the avialability, variety and consumption of alcoholic beverages in DMEs and, even more markedly, in DEs. Out of 46 countries where beer output grew more than 50 per cent between 1975 and 1980, 42 were Des, with the overwhelming bulk of output consumed nationally. Indicative of the consequences of distilled spirits expansion was that by 1977, 36 Des depended on imports from TNCs for over a fifth of their distilled spirits consumption.

Penetration of the global market is but one mechanism whereby concentrated corporate power influences consumption. Yet another is that sectoral control by an exiguous number of firms can, at times, engender collusive business practises. Such behavioural patterns are not the sole preserve of oligopolies comprised of TNCs, but are also seen in markets controlled by a handful of powerful domestic entrepreneurs. Market sharing arrangements and other such collaborative practices enchance each corporation's promotional and distributional power to mould and extend consumption.

Impact of conglomeration

Concomitant with the dramatic rise in corporate concentration over the last two decades has been a related phenomenon, which has exercised a no less deleterious impact on health: the growth of the globe-girdling conglomerate. In the quest for profitable investment outlets, TNCs have increasingly annexed firms in unrelated fields of business.

Historically, an inital phase in conglomeration is often marked by corporate overspill into more than one alcoholic beverage sector, most notably distilled spirits companies entering the wine sector. In different countries, various combinations of such straddling operations can be seen, often also involving extensions into soft drinks and other beverages. One of the important policy implications of this conglomerate movement is that it confers on these diverse sectors a unity which can be translated into enourmous political leverage.

A second and no less important phase is an expansionary drive beyond the borders of alcohol. Of the 27 alcoholic beverage producing TNCs which recorded sales of over one billion dollars (1980), almost all had extensive output and marketing operations outside the realm of alcohol. noteworthy is that these comprise such massive producers of alcoholic beverages as R.J. Reynolds (through its subsidiary Heublein), Coca Cola (through its subsidiary Wine Spectrum) and Lonrho (trough its subsidiary John Holt), whose alcohol sales nonetheless represent but a minor share of their total operations.

Such conglomerate extensions, often substantially underpinned by large transnational banks (TNBs), bear directly on consumption and health via two mechanism, In the first place, they create the conditions for widespread deployment of cross subsidisation, whereby a firm can shift gains from profitable segments of its operations to subsidize losses in others. A pioneer in the adaptation of this technique for alcohol expansion was Philip Morris, which bought a minor regional US brewer (Miller) in 1969, and propelled it into the world's second biggest brewer by 1980. Funneling profits from another addictive product line — tobacco — it underpriced competitors in new markets and thus contributed to stimulate the overall level of beer consumption.

Secondly, conglomerate acquisitions of alcoholic beverage corporations in many cases is by TNC's with extensive international networks for other consumer products. Alcohol therefore becomes merely one more commodity adapted to a shared distribution network, thereby effectively reaching more consumers. Nowhere has the impact of conglomeration on alcohol consumption been so conspicuous as in the extensive link-ups between four of the seven transnational tobacco conglomerates that dominate world cigarette markets and alcohol corporations in recent years: Philip Morris and Miller, R.J. Reynolds and Heublein, the Imperial Group and Courage, and the Rembrandt/Rothmans Group and its extensive wine interests.

As producers and purveyors of one addictive commodity, tobacco, they have brought well-tested expertise culled over many decades to the marketing of another, alcohol. Among the highly successful techniques that have been adapted to further their conquests of national and international alcohol markets are market segmentation, brand differentiation and sporting events sponsorship. These techniques are having an increasing impact on developing countries as tobacco TNCs counter a slowdown of cigarette consumption in DMEs by enlarging their market salients in developing countries. The self reinforcing corporate linkages between these two addictive commodities on the global market become even more pronounced in the perspective of health, as evidence surfaces that the combination of alcohol and tobacco consumption further enhances the incidence of harmful effects.

Marketing and health

The combined marketing strategies that are an emanation of concentrated corporate power have also exerted an influence on consumption and health. Evolving marketing strategies, epitomized by advertising, brand differentiation and other promotional techniques, have abetted the creation of wants, imagery and norms that stimulate drinking and, in certain cases, alcohol dependence.

At the core of alcohol marketing lies 2 billion US dollar in global advertising (1981) — a figure which is underestimated as it excludes a plethora of other promotional devices. Large TNC advertising complexes are by no means restricted to DMEs, but are deployed by TNCs in DEs, where rural consumers and new urban migrants are far more vulnerable to their allurements. Such a massive advertising barrage become the launching pad for new alcohol categories and brands, thereby generating new tastes, opening up new markets and assisting alcohol TNCs to compete much more effectively for the consumers' disposable income. Taking advantage of consumer heterogeneity according to sex, age, ethnicity, income and geographical groups, TNCs expand and annex markets by product differentiation and brand proliferation. Two demographic segments that have proved particularly vulnerable (in health terms) to these techniques have been women and youth.

Alcoholic beverage TNCs' targeting of women involves two corporate strategies applicable to all forms of market segmentation: generating new brands and redesigning older ones, both supported by large-scale advertising. Such corporate strategies have played a prominent role in the growth of alcohol consumption and problems among women in several developed contries. Signs of these mounting problems are marked in the US, where the advertising barrage has been the most intense and pervasive. What makes these promotional efforts even more disturbing is growing medical evidence that women may develop liver cirrhosis from alcohol consumption faster than men, and that alcohol consumptionby pregnant women is related to a range of fetal alcohol problems.

While women's importance as consumers is unparalleled in size, the youth market assumes major importance for yet another reason. Laws against alcoholic beverage sales to adolescents exist in most developed countries. TNCs take this into account in formulating strategies aimed at persons reaching the legal drinking age. This is critial in terms of health as it is immensely easier to recruit non-drinkers (and the same applies to non-smokers) to a specific brand than a consumer whose loyalty is committed to another brand.

Buttressing the efficacy of traditional forms of advertising is a dazzling array of specific promotional techniques including free sampling, supporters clubs, logo merchandising, to designate but a few. It is in this context that public utterances by several alcohol TNCs on the merits of drinking in moderation should be examined. Even on the assumption that such corporate contentions are made in good faith, their multi-billion dollar advertising outlays are anathema to the notion of moderate drinking. For what is a issue for the TNC is to maximize sales of, and profits from, the commodity in question.

In a few words

In tracing and analysing these complex corporate currents, it is by no means the intent of this report to document the serious social, economic and medical consequences of different levels of alcohol consumption. Research of this kind continues to be carried out by others. Rather, the report demonstrates, on the basis of historical analysis, that transnational corporate structures and marketing strategies exercise a powerful impact on the availability and consumption of alcoholic beverages in both developed and developing market economies.

In a realm of such immense complexity, it should also be made clear that it is not the report's design to proffer universal policy prescriptions that transcend space and time. Instead, the authors aspire to provide a detailed map of corporate power in alcoholic beverages to assist those governments committed to prevention-oriented alcohol policies. Indeed, the internationalization of alcohol on such a prodigious scale by the TNCs with its concomitant deleterious impact on helath, should become a legitimate subject of debate in those fora where alcohol policies are formulated and implemented.

Chapter 1

Structure of the Global Market

With few exceptions, stemming largely from religious bans, output and trade of alcoholic beverages have extended to all corners of the earth. In recent decades, the propagation of alcoholic beverages has been wrought not only by increased trade flows, but also by increasing capital flows via licensing agreements and the implantation abroad of subsidiaries and joint ventures, which are some of the major instruments of penetration by transnational corporations (TNCs). Capital flows are much more difficult to quantify, and are examined in detail in subsequent chapters on TNC strategies. Up to the present, these capital movements have assumed their greatest importance in the beer sector (particularly in developing countries), and to a lesser extent in wine and distilled spirits.

Output, Trade and Consumption

Trade and output figures are more easily measured than capital flows and are a fairly accurate gauge of the availability of alcoholic beverages. However, they should be analysed with one important caveat. Non-commercial and illicit production and trade, quite substantial in many cases, are excluded from the figures. «In many developing countries», as WHO noted, «in fact, unrecorded home production may be the main source of alcoholic beverages and little is known about the quantities available». The importance of home production has, however, been mitigated by massive increases in alcohol trade flows. A salient feature of alcoholic beverage output has been the increasing prominence of commercial beverages over traditional ones in developing countries, stimulated by the flourishing traffic in both legal and illegal alcohol.

Another major determinant of alcoholic beverage availability is numbers and distribution of retail and drinking outlets, and regulations concerning time, place and quantity of sales. This varies markedly between countries depending on retail sector concentration and governmental control.

A. Output
1. Beer

Global beer output more than doubled from 407 million hectolitres in 1960 to 911 million in 1980. Over the past two decades, there has been a clear shift in regional distribution of output, with the share of all developed regions falling, and that of developing regions sharply rising. Overall, Latin American, Asian and African output during this time span rose from 55 million to over 220 million hectolitres, a jump of over 400 per cent. By 1980, developing countries as a whole had captured 18.3 per cent of global output.

On a country basis, the top ten beer producers controlled almost two-thirds of global output in 1980, a slight decline in country concentration since 1960 due to the rapid rise of brewing in developing countries. Brazil led the top ten in annual growth since 1960 (8.4 per cent annually), and another developing economy (DE), Mexico, ranked third, with 5.7 per cent yearly growth over the same period. Japan and the USSR were the only non-DEs in the top ten to increase their share of global output.

The importance of beer in the developing world is perceived in 46 countries where output grew over 50 per cent from 1975 to 1980, 42 of which were developing countries, of 17 where beer output actually rocketed over 100 per cent, 16 were developing countries. China led the world with output growth of 243 per cent (1975—80), and certain TNC brewing executives predict a quadrupling of Chinese beer output in the 1980s.

2. Ascent of Wine

Wine's ascent over the past two decades has been less dramatic, with output growing annually at 1.7 per cent, less than half beer's yearly rise of 4.1 per cent. The Asian and Australasia/Oceania regions recorded the highest growth, but still represent negligible forces on the global market. Wine's historic centre remains Europe, where four out of every five bottles are produced. Latin and North America fall in place behind Europe, based almost entirely on output from Argentina and the United States.

The major regional shift over the two decades has been the halving of Africa's output. Again, one country is largely responsible: Algeria's wine volume plummeted from 16 to 3 million hectolitres between 1960 and 1980, with the departure of many Europeans and the substantial shift of resources from agriculture to industry.

Behind European wine dominance stands the trio of Italy, France and Spain, which have produced almost three-fifths of global wine over these two decades. Among the leaders, the USSR and the United States have massively expanded wine making, which may portend a narrowing of the gap between themselves and the big three.

The myriad of raw materials used in beer and distilled spirits renders estimates of land area reserved for alcohol inputs hazardous. This is not the case for wine production, however, wher according to one estimate, around 35 million acres of the planet's cropland are allocated to wine grapes.

3. Distilled Spirits

Distilled spirits are a highly heterogeneous category, comprising the whisky family (including bourbon, rye, blends, etc.), white spirits (rum, gin, vodka), brandy and liqueurs. Because of this great diversity, statistics on global distilled spirits output are still of a highly unequal nature, preventing any accurate comparison of 1960 and 1980. Statistics from the Addiction Research Foundation in Toronto, however, offer a glimpse of global trends since 1970.

A 1977 regional breakdown of distilled spirits reveals striking similarities with the 1980 beer breakdown, with the only deviation being the relative position of Asia and Latin America. In both categories, Europe accounts for half of output, North America for over a fifth, with both Africa and Oceania negligible factors in world production. Regional concentration is over two-thirds of Asia output; Brazil and Argentina for well over three-quarters of Latin American spirits.

Over the 1970s, three countries have consistently accounted for almost two-fifths of global production: USA, USSR and UK. Among the top ten, the fastest growers (1970—1977) were a DE (Korea) and a CPE (Poland), with the slowest also a CPE (USSR) and a DE (Brazil). Six DMEs fall in between these two extremes, led by France with a 78 per cent growth over the seven year span. Aside from Brazil and Korea, three other DEs surpassed the 50 thousand kilolitre mark (1977, measured in absolute alcohol): India, Argentina and Malaysia. Of all distilled spirits, the whisky group is by far the leading category, and exhibits marked geographical concentration. Nine out of every ten litres are bottled in four countries: the United Kingdom (34 per cent), the United States (26 per cent), Canada (15 per cent), and Japan (14 per cent).

B. Global Trade in Alcoholic Beverages

Legal exports of alcoholic beverages surpassed 9.4 billion US dollar in 1980, of which slightly under half was comprised of wine (4.6 billion US billion dollar); two- fifths was distilled alcohol beverages (3.7 billion US dollar); and one-tenth was beer (1.1 billion US dollar). In each of these three sub-groups concentration is marked, with a few countries encompassing the bulk of exports: France and Italy together control almost three-fifths of wine exports; the UK and France, a commanding four-fifths of distilled alcoholic beverages; and the Netherlands, West Germany and Denmark around half of beer exports. Overall, three-fifths of alcoholic beverage exports emanate from France, the UK and Italy.

1. Trade Concentration

Imports are almost as concentrated as exports, with the top ten absorbing 76 per cent of imports versus the top ten's 87 per cent export share. France, the UK and the FRG are among the top five in both imports and exports. The paramount force in all categories of alcoholic beverages imports is the US which, along with the FRG and the UK, controls 45 per cent of total alcoholic beverage imports. The same three countries also account for over two-fifts of wine and distilled spirits imports, while the US and France account for almost half of beer imports. There are no developing countries among the leading ten importers or exporters.

An overview of trade flows since 1970 is followed by analyses of each major sub-group: wine, distilled spirits and beer.

2. Total Alcoholic Beverages

Global alcoholic beverage exports grew rapidly in the 1970s, scoring annual growth rates of 20 per cent (in value) during the first three years of the decade, with a repeat performance in 1976—78.

Around nine-tenths of these trade flows were between developed market economies (DMEs). Among DMEs, the most marked shift occurred between France and the UK: each had cornered a quarter of the global market in 1970—72; by 1976—78, France had advanced to 31 per cent, while the UK slipped to 21 per cent. The centrally planned economies (CPEs) while registering impressive annual export growth during the mid and late-1970s, remain negligible powers on global markets.

DEs experienced slight reductions in their global import and export shares over the course of the decade, notwithstanding a jump in their alcohol imports from an average of 337 million US dollar (1970—72) to 607 million US dollar (1976—78). Thei balance of trade was also highly ske wed as annual imports (1976—78), a 607 million US dollar, were almos double those of alcoholic beverage exports (345 million US dollar) ove the same span. Algeria with a 2 pe cent slice of global exports, and Ve nezuela with 2 per cent of world im ports in 1976—78 were the only sig nificant DE global trading countries Venezuela's impress on world trad is largely explained by the 30 millio bottles of whisky imported in 1980

World's 10 Largest Exporters of Alcoholic Beverages, 1980
(000,000 US dollar)

	Total alcohlic beverages		Wine		Distilled alcoholic beverages		Beer	
	exports	per cent	exports	per cent	exports	per cent	exports	per cen
France	2,822	30.0	1,775	38.5	1,005	27.3	42	3.7
UK	2,041	21.7	57	1.2	1,940	52.7	44	3.9
Italy	1,000	10.6	919	19.9	77	2.1	4	0.4
FRG	5,467	5.8	345	7.5	33	0.9	169	4.6
Spain	458	4.9	404	8.8	50	1.4	4	0.4
Netherlands	364	3.9	6	0.1	66	1.8	292	26.0
Canada	345	3.6	1	—	267	7.3	77	6.9
Portugal	244	2.6	240	5.2	2	—	2	0.2
Bulgaria	179	1.9	179	3.9	n.a.	..	0	—
Hungary	160	1.7	160	3.5	n.a.	..	0	—
Others	1,256	13.3	528	11.4	..	..	493	43.9
Total	9,416	100.0	4.614	100.0	3,680	100.0	1,122	100.0

largely consumed by an exiguous minority of its 12 million inhabitants.»

3. Wine

Global wine exports (4.6 billion US dollar in 1980) followed the same pattern of total alcoholic beverages: rapid export value growth in the early and late 1970s (over 20 per cent annually) and slow growth in the mid-1970s. Much of the growth in value is mileading, however, as the volume of global wine imports actually declined 0.2 per cent between 1973—75 and 1976—78.

DMEs lifted their share of global wine exports from three-quarters to four-fifths during the current decade, led by France with annual revenues exceeding 1.7 billion US dollar by 1980. Due to the far higher unit value of wine exports, France earned almost twice as much foreign exchange (1980) as Italy, despite the latter's greater volume (Italy's 16 million hectolitres to France's 9 million). Hungary and Bulgaria have become the wine exporting powerhouses of the CPEs, which collectively accounted for over a tenth of global wine exports (1976—78).

DE wine exports declined not only in value between 1973—75 and 1976—78, but also in volume, due in large measure to export stagnation in the once paramount DE leader — Algeria. Likewise, DE wine import volume also slid from 1970—72 to 1976—78. Overall export stagnation was not matched by DE wine imports, which almost doubled (1970—78) in value from 94 US dollar to 174 million US dollar. This further jumped to 293 million US dollar in 1980, with the Ivory Coast, Guadeloupe and Brazil accounting for one- fifth of the DE total.

4. Distilled Spirits

Figures for distilled alcoholic beverages, especially in DEs, can be grossly misleading due to large-scale illicit trade. Global exports (3.7 billion US dollar in 1980) in this sector grew yearly at about 10 per cent over the 1970s. Led by UK scotch whisky (joining France's distilled spirits and wine industries as a 1 billion US dollar

annual revenue earned by 1980), DMEs totally dominate global trade with over 95 per cent of the export market.

Accounting for 85 per cent of the UK's alcohol exports, whisky has propelled the UK's alcohol trade balance to the number two world position after France, whose wine exports are buttressed by a 1 billion US dollar (1980) cognac export sector. Due to US consumption of over three-tenths of global imports, DMEs now import 85 per cent of distilled alcoholic beverages.

DEs comprise the bulk of the remaining market. With Mexico and Jamaica as the only significant global DE exporters, they controlled almost 5 per cent of world exports in the late 1970s. By 1976—78, DEs were the world's fastest growing importing region, with 15 per cent of the global total. Venezuela alone pulled in over one-fifth of DE (1976—78) imports. Overall, annual DE imports of distilled alcohol beverages climbed two and a half times over the decade, scaling a third of 1 billion US dollar in 1976—78. By 1980, three DEs imported over 50 million US dollar of distilled spirits: Venezuela (118 million US dollar), Hong Kong (94 million US dollar) and Singapore (52 million US dollar).

5. Beer

Beer markets grew the fastest from 1973—75, when all other alcohl markets decelerated. Northern Europe remains the world's major beer supplier, with the Netherlands alone having a quarter of the market. The DME's 83 per cent export market share (1976—78) far exceeded those of the CPEs (9 per cent) and DE (6 per cent) shares. Imports present a completely different picture. The US has well over a third of global imports and the DMEs toghether control slightly less than two-thirds.

While the smallest of the alcoholic beverage markets (1.1 billion US dollar in 1980 exports), beer is the sector where DEs make their greatest impact. DE annual beer imports doubled between 1973—75 and 1976—78 from 100 million US dollar to almost 200 million US dollar. They claimed over a quarter of global beer imports (1976—1978), with Nigeria alone pulling in almost over one-tenth. After a late-1970s Nigerian ban on beer imports. Hong Kong took over its one-tenth share (in 1980), followed by the United Arab Emirates. In 1976—78, Iran recorded beer import growth rates of 4,900 per cent, only to have it literally poured down the drain with the advent of a prohibitionist regime.

6. Trade's Impact on Output and Consumption

The importance of alcoholic beverage trade is only partially glimpsed in statistics on export earnings and import expenditure. Quite apart from the major exporting and importing countries, large numbers of both developed and developing countries either depend on exports to market sizable quantities of output or depend on imports to satisfy a size able proportion of their total consumption.

Computations from data supplied by the Addiction Research Foundation of Ontario, Canada, reveal the widespread extent to which many countries depend on trade. Twelve countries depend on imports for over 20 per cent of beer consumption. The corresponding numbers for wine and distilled spirits consumption are 43 and 51. Striking in all three alcoholic beverage categories is that developing countries dependent on alcohlic beverage imports far outnumber developed and centrally planned economies. In several cases, imports as a per cent of consumption actually exceed 100 per cent, attributable to sizable re-export operations.

In each of the three alcoholic beverage categories, the number of countries dependent on exports for over a fifth of output is less than import/consumption dependence. The corresponding figures are for beer — 5, wine — 14, and distilled spirits — 15. In this instance, however, it is the developed countries which remain the most heavily involved in export markets. These figures indicate the depth of opposition that might be anticipated to measures that strive to limit international trade in alcoholic beverages.

C. Consumption

Europe, the Americas and Australasia, with less than a quarter of the world's population, consume four-fifths of recorded alcoholic beverages. Europe alone, with only one-eight of the planet's population, consumes around one-half. Over the last two decades, both overall and per capita consumption of alcoholic beverages have increased in most countries. Noteworthy are the considerable variations in countries of different cultural origins. Out of 50 countries surveyed in 1980, per capita consumption (measured in litres of pure alcohol) ranged from 0.2 litres in Lebanon to 18.4 in Luxembourg. Barring Hungary and Argentina, the top ten per capita consming countries are all West European. As figures measure only commercial beverage consumption, however, they are biased against developing countries, where the highest proportions of unrecorded and illicit output occur.

Variations in the per capita consumption growth among the top twenty consuming countries are likewise marked. Average per capita consumption growth (1960—80) ranged from 0.8 per cent in France to 6.3 per cent in the Netherlands. While revealing, these per capita figures often mask substantial differences in drinking patterns within countries by age, race, social class, religin and occupation. Likewise, countries differ widely in the relative numbers of abstainers, resulting in equally marked country variations in percentages of heavy drinkers and the incidence of alcohol-related problems.

Passing from the general alcohol consumption picture to the particular segments of beer, wine and spirits, a general diversification of alcohol consumption becomes conspicuon in many leading producing and consuming countries. In several leading wine producing countries (Italy, France and Portugal), there has been an assumetrical growth in per capita wine and beer consumption. Over the past two decades (1960—80) per capita wine consumption in these three countries declined between 14 per cent (Italy) and 25 per cent (France), whereas that of beer grew from 25 per cent (France) to over 1,000 per cent (Portugal). A smaller but growing alcohol consumer, Japan, is undergoing a similar consumption shift.

Similar trends of diversification are occurring in traditional leading beer and spirits countries. In four of the top ten beer-consuming countries (1980), per capita consumption either stagnated or declined; the same occured in six of the top ten spirits- consuming nations; and five of the top ten wine-consuming countries. Despite these shifts, there is only a trifling overlap between the ten leading consuming countries in beer, wine and spirits: only one country ranks among the top ten in all three categories (Luxembourg), and only four are amongst the top ten in two categories.

A paucity of developing country data inhibits detailed analysis of consumption patterns. Outputs figures examined earlier pointed to huge increases in beer production in DEs over the past two decades, and since very little is exported, it can be surmised that consumption has likwise advanced rapidly. A sampling of consumption trends between 1960 and 1980 in several Latin American and Northern African countries bears this out. Per capita beer consumption rose in 10 out of 14 countries, led by Paraguay with a jump of 503 per cent.

Chapter 2

Corporate Market Structures

I. Introduction

In both developed and developing economies, the magnitude of geographical concentration in alcohol beverage output is matched by an accelerating corporate concentration. This chapter investigates the oligopolistic and conglomerate movements that are discernible in the beer, wine and distilled spirits sectors. Diagnosis will be centred on the developed market economies (DMEs) as the epicentres of transnational conglomerate structures.

In view, however, of the complexity of corporate power relationships related to the internationalization of output, trade and capital, analytical probings are also direced toward developing economies and the periphery. In most developing economies, which are becoming more closely enmeshed into the global economy, the same forces are also at work fuelling concentraton. The transformational forces permeating all sectors of the global economy, have had a similar impact on the alcoholic beverage industry as the following overview indicates.

A. Historical Overview

Crucial to an understanding of the global alcoholic beverage industry are the marketing strategies, structures and interactions of the major corporate actors within contemporary capitalism. Just as a drop of water gives a clue into the chemical composition of the sea, the transformational mutations within the alcoholic beverage industry are symptomatic of, although by no means identical with, the perceptible corporate shifts within the global economy. The present stage in capitalism's development is far removed from the earlier competitively atomistic era of specialized single- product firms operating exclusively within narrow markets whose untrammeled dominance lasted roughly until the 1870s. With the rise of the holding company during that decade, a new legal framework was born which mobilized capital on an unprecedented scale, opening wide the floodgates for horizontal and vertical integration of corporate structures.

The rationale of horizontal integration emanated from technological advances which generated, amongst other things, economies of scale that made it far less profitable to produce in a single plant. Snowballing of capital accumulation surpluses from single factories led to a multiplication of homogeneous single-product plants whose overriding goal was profit maximization via market aggrandizement. Vertical integration marked one more step in the complexity of capital accumulation, involving the technical implementation of more than one stage of the production process by a given firm.

The upsurge of the transnational corporation on a marked scale can be traced back to the two decades preceding World War I. Corporations based in North America, Western Europe and Japan implanted subsidiaries in their colonies, which signalled a prodigious extension of horizontal and vertical integration in the quest for (amongst others) raw materials, investment opportunities for surplus capital, markets and cheap labour. This overseas expansion provided the motive force for the further consolidation and integration of the world market under the aegis of the colonial powers in the service of corporate capital. Concomitant with the ascendancy of TNCs was the growth of monopolistic and oligopolistic power within certain key industrial sectors, strikingly so in petroleum (Standard Oil), tobacco (American Tobacco Company and Imperial Tobacco Company), chemicals (BASF, Bayer, Hoechst and DuPont), and iron and steel (US Steel and Krupp). In Japan, practically the entire industrial structure was oligopolized by the leading Zaibatsus: Mitsui, Mitsubishi and Sumitomo.

Notwithstanding the introduction of antitrust legislation in the United States at the turn of the century, this drive to concentration was not only speeded up in the interwar years but also ramified into other industrial sectors, e.g. automobiles, aviation and the electrical industry. Another qualitative shift in capital accumulation occurred in the 1960s and 1970s with the rapid ballooning of the industrial conglomerate, i.e. a firm producing a range of commodities in different and unrelated sectors. While there will certainly be refinements and changes within this structure in the 1980s, the conglomerate phase of capitalism represents the ultimate stage in the system's development.

The systemic evolution of industry, however, was by no means exceptional. Similar movements were witnessed in agriculture, trading, banking, insurance and retailing. Traditionally pure plantation corporations like United Fruit (now rebaptised United Brands) evolved through stage of increasing vertical integration and ultimately conglomeration. Trading companies, whose roots go back to the 19th century and beyond, have extended their operations from single to multi-commodity trading and, in many cases, have further moved into ancillary operations such as banking, insurance, manufacturing, plantations and brokerage operations.

As with trading companies, banking and finance have undergone a dramatic change both in concentration of corporate units and their geographical location. This was particularly marked in the displacement of the centre of global finance from London to New York after 1918, and the re-emergence of powerful banking groups in Japan and in the FRG, from the mid-fifties onwards. Concentration in retailing still remains limited to a handful of countries notably in North America, Japan and Northern Europe. Notwithstanding the momentum of concentration, even in the DMEs, there are striking variations in the impetus, pace and direction of concentration in all of these sectors.

In turning to alcoholic beverages to illustrate this transition, what is perceived is how corporate capital has been able to pull into its productive and marketing orbit millions of peasants/farmers, large and small; workers, migrants and domestic; and consumers in DMEs and DEs. At the company level, these changes are best seen in the rapid eclipse of the small regional brewery, the local winery and the small distillery by large corporations which are international in scope, producing dozens of different alcoholic drinks and brands. Whereas distinct companies existed twenty years ago to handle warehousing, bottling, distilling, marketing and distribution, today these activities have often been fused together into one firm.

Corporate expansion takes place via three strategies: expanding plant capacity; building new plants; and takeovers and mergers. The desirability of one strategy as opposed to another will vary in different markets at different times. A corollary of this process of concentration is the winnowing out of smaller and medium sized firms, which is speeded up in times of economic recessions. An arsenal of forces have aided this process, including technological developments, marketing, finance and advertising, as well as a factor often overlooked: discounts on bulk purchasing and selling by the larger firms. Recessionary high interest rates also exercise a punitive effect on smaller wine and distilled spirits companies who are squeezed in financing their stocks.

Blurring of divisions between different alcohol sectors is perhaps best seen in the US, where over half of wine output is now produced by large corporations whose traditional strength was distilled spirits. Even more significant, sizable shares of alcohol markets are now controlled by conglomerates. These companies are able to bring massive financial resources and well-developed marketing networks in other products to the skillful marketing of alcohol.

By 1980, there were 27 global corporations that produced alcoholic beverages with sales exceeding one billion dollars. Their corporate headquarters are based in eight DMEs: UK (9), US(5), Canada (4), Japan (2), the FRG (2), France (2), South Africa (2) and the Netherlands (1). All are conglomerates, almost all produce at least two beverage categores, and most derive an important segment of their revenues abroad. The web of ownership complexities of the big 27 is exemplified by Philip Morris, which owns 22 per cent of Rothman's International of Britain, which in turn owns 71 per cent of Rothman's of Pall Mall of Canada, which in turn owns 50.1 per cent of Carling O'Keefe. Thus the number 2 US brewer is linked to the number 1 South African wine producer, which is linked to the number 3 Canadian brewer. Significant in the constellation of corporate power is that four of the big 27 rank among the world's top 20 food companies, and 5 are part of larger tobacco-based conglomerates.

Lonhro, the sixth largest, is indicative of the conglomerate dispersal of these firms. In its output and marketing mix, wine, beer and spirits constitute one of 14 major divisions comprising: mining; agriculture and ranching; hotels; motor vehicles; clearing, forwarding, warehousing and cargo; aircraft; textiles; printing and publishing; exporting, confirming and broking; property; department stores; engineering, steel and manufacturing; and pipelines. It operates around 20 breweries in joint ventures with African governments, as well as wineries in France and one of Scotland's major whisky distilleries. Reinforcing Lonhro's alcoholic beverage division is its status as a major international trading company, as well as its extensive marketing web in Africa and beyond. Its power as a mega multi commodity trader was further exended in 1981 with the acquisition of 50 per cent of Kühne & Nagel, one of the world's biggest cargo, warehousing and forwarding businesses, which extended Lonhro into 20 new countries.

Such concentration of capital at the firm level is reflected in the growing concentration of output in many national markets into the hands of a miniscule number of companies. In certain countries, like Japan and Brazil, one corporation controls well over half the domestic beer market. In the bulk of developed countries, less than five corporations control over half of domestic output of beer and distilled spirits, and a similar trend is now occurring in the wine sector.

It should be understood that TNC market share percentages, in themselves, can understate the extent of power of the leading TNCs in a given sector, an element embodied in the Herfindahl Index, which postulates «that market leaders have even greater economic power in an industry than can be assumed by their market shares.»

In the sections that follow, these trends are examined first in beer, then wine , and finally the distilled spirits sector.

II. Profile of Global Beer Market

Before analyzing the historic specifications of corporate market structures in various countries, it is mandatory to underline certain traits that are common to all. Concentration in the beer industry is more conspicuous than in any other alcoholic beverage sector. Indeed, the only other beverage or liquid sector which approximates its concentration is soft drinks, with Coca Cola and PepsiCo the hegemonic corporate actors. Concentration has been propelled by the swift metamorphosis in output (via expanding economies of scale) and marketing technology. The decade of the 1970s witnessed a revolution in marketing technology led by such conglomerates as Philip Morris, which deployed their highly sophisticated advertising and promotional tactics successfully tested in tobacco to beer and other industries. This speeded up the winnowing out of brewing companies in many countries, a process which ineluctably will accelerate in the 1980s.

The single line «pure» beer company, an outgrowth of the 19th century, is rapidly being discarded. Scrutiny of the top global 30 beer firms reveals that the bulk have overspilled into other beverage sectors, and many of the more aggressively powerful ones have extended into wholly unrelated activities. Motivations of this compulsive drive to gonglomeration, which epitomizes the history of Philip Morris, have been lucidly articulated by the R.J. Reynolds corporatition: «First, having captured one- third of the United States cigarette market, the company could see a point of diminishing returns for growth potential. Second, significant cash was being generated which could be invested advantageously elsewhere». In adapting what it baptized as «an unrestricted approach» towards conglomeration, Reynolds shifted into entirely new areas «on the theory that it made sense, when appropriate, to apply cash to any strong, well-established business.»

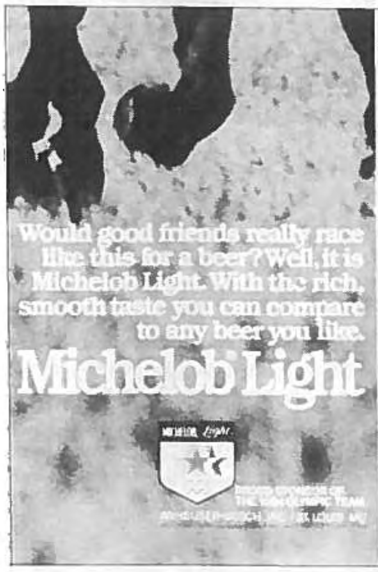
Conglomerate thrusts are also transforming the industry's ownership patterns, seen in the partial eclipse of once deeply entrenched family firms. This movement has been accentuated by burgeoning inflation and escalating interest rates, which have pushed costs beyond the capabilities of family firm's exiguous capital base. In this era of mounting economic concentration, excerbated by the pervasiveness of the global economic crisis, corporate annexationism is often a pre- condition of growth and survival. Those best equipped to survive are the giant conglomerates, with unequalled and at times preferential access to capital markets.

The onslaught of concentration and conglomeration have meshed with a parallel movement: during the 20th century, a growing number of brewers broke the confines of their regional markets and created brands for the national market. In all DMEs, with the possible exception of the FRG, the scramble for larger market shares is being fought out on national markets. To create effectively national markets, large brewers have set up branch plants at strategic locations to slash transport costs and ensure a more coherent marketing network. More recently, giant companies with significant capital resources at their disposal have bypassed what once appeared to be formidable deterrents by massive overseas penetration through subsidiaries, joint ventures and licensing arrangements. This augurs further concentration in national beer sectors.

Beer: Global Market Shares, By Corporation, 1979—1980

Rank	Corporation	Country	Market Share (per cent)
1.	Anheuser-Busch	United States	6.48
2.	Philip Morris (Miller)	United States	4.83
3.	Kirin Brewery	Japan	4.83
4.	Heineken	Netherlands	2.84
5.	Brahma	Brazil	2.01
6.	Pabst Brewing	United States	1.91
7.	Jos. Schiltz Brewing	United States	1.88
8.	Adolf Coors	United States	1.74
9.	G. Heilemann	United States	1.69
10.	Bass	United Kingdom	1.53
11.	B.S.N.Gervais Danone	France	1.35
12.	United Breweries	Denmark	1.34
13.	Cerveceria Modelo	Mexico	1.09
14.	Allied-Lyons	United Kingdom	1.01
15.	Sapporo	Japan	0.98
16.	Whitbread	United Kingdom	0.96
17.	South African Breweries	South Africa	0.93
18.	Cerveceria Caouhtemoc	Mexico	0.90
19.	Grand Metropolitan (Watney Mann)	United Kingdom	0.88
20.	Cervezeria Moctezuma	Mexico	0.84
21.	Molson	Canada	0.82
22.	Scottish Newcastle	United Kingdom	0.79
23.	Stroh Brewing	United States	0.79
24.	San Miguel	Philippines	0.78
25.	Olympia	United States	0.78
26.	Brascan (Labatt)	Canada	0.78
27.	DUB Schultheiss	Fed. Rep. of Germany	0.77
28.	Tchibo (Reemtsma)	Fed. Rep. of Germany	0.77
29.	Oetker	Fed. Rep. of Germany	0.71
30.	Imperial Group (Courage)	United Kingdom	0.62
	Others		54.04
	World total		100.00

Source: Computed from data supplied by UK Brewers Society and trade sources.
1. Market shares computed on basis of brewer's own output as per cent of world commercial beer output; excludes firms overseas output.
2. Includes output of overseas subsidiaries. Joint ventures and licensees. If only Dutch output computed, Heineken would rank 26.



A. The Major Groups

For analytical and expository purposes, the world capitalist beer economy has been subdivided into four major groups. These subdivisions include a sample of countries which produce over two-thirds of beer brewed globally (including the centrally planned economies).

- **Group A comprises the four leading DME producers which account for 45 per cent of the world's beer output by volume, a figure that excludes a sizable amount of beer produced through their subsidiaries, joint ventures and licensees in the other three groups and elsewhere.**
- **Group B embraces several DMEs where oligopolistic or quasi- monopolistic structures hold Sway, but where output and marketing operations of their leading corporations are still largely confined to a national market.**
- **In contrast, Group C comprises smaller DMEs where quasi-monopolistic firms have largely overspilled their national markets and driven into the global market.**
- **Finally, Group D straddles developing countries where patterns of concentration similar to those of the DMEs are discernible, in several cases under the control of transnational corporations.**

Levels of corporate concentration of these groups are indicated in the table accompanying each group. In all cases, with the exception of the FRG, a handful of giant corporations control over half of the national beer output. In South Africa, this concentration attains its apogee with South African Breweries (SAB) appropriating almost 100 per cent of national output.

In view of the internationalization of the beer economy, which will speed up during the eighties, data of national market shares must be complemented by the international market shares of the major corporations. Already, the top thirty beer corporations control around two fifths of the global beer market, a magnitude which does not include their overseas operations.

B. Group A

Group A comprises countries at four levels of advanced corporate concentration with massive beer markets. The Federal Republic of Germany represents an early stage of oligopoly, where three well-positioned, medium- sized companies stand poised for continued market aggrandizement. A further concentration stage is witnessed in the UK, where an oligopoly of six firms (to which might be added Guinness) are rapidly impinging on regional brewers' markets. Anheuser- Busch and Philip Morris's duopolstic control of the US market presents yet a higher stage, surpassed in Group A only by Kirin's quasi-monopolistic grip on the Japanese market. The bulk of the corporate leaders in all four are conglomerates, which already overflow the confines of the vast indigenous consumer markets.

1. The United States

From 1623, when the first commercial brewery was set up in New Amsterdam, the US has grown into the world's leading beer producer, with almost a quarter of global output at present. Growth of the beer sector, as in several other industrial sectors, traversed two historic phases: a proliferation of small-scale, labour-intensive competitive breweries that prevailed roughly up to the end of the 19th century; this was followed by rapid concentration after the second world war. Numbers of companies plummeted from 404 in 1947 to 41 by 1979, although barrelage more than doubled during that interval.

The present number of brewers is, however, singularly misleading since the top six accounted for over four-fifths output in 1980, as against less than two-fifths in 1960. By 1981, the top two — Anheuer-Busch and Philip Morris (through its subsidiary Miller Beer) — had appropriated more than half the US market, thus dramatically widening the gap between them and the remaining four (each with around 8 per cent of the market). That same year, the top 10 recorded 95 per cent of US sales. The immense size of the US beer market, now outstripping 16.5 billion US dollar, is of the same order of magnitude as that of cigarettes and soft drinks. Dominance of the major corporations that lead the beer sector is seen in their ranking amongst the top beverage corporations in the US. Of the 12 largest US beverage corporations (ranked by 1980 beverage sales), seven are principally beer companies.

Global Decline of Brewing Companies (1960—1980)

	1960	1970	1980
Sweden	57	21	9
US	171	92	43
UK	247	96	81
Finland	15	9	5
Netherlands	38	16	14
Mexico	10	9	5
Italy	24	16	12
Portugal	4	4	2
Belgium	n.a.	190	100
France	n.a.	87	50
Switzerland		54	33
Norway	23	16	14
FRG	2,180	1,750	1,364
Australia	11	9	7
Austria	75	65	51
Denmark	28	23	19
Ireland	6	5	5
Japan	4	4	5

Source: Calculated from data supplied by trade sources.

a. Configuration of Concentration

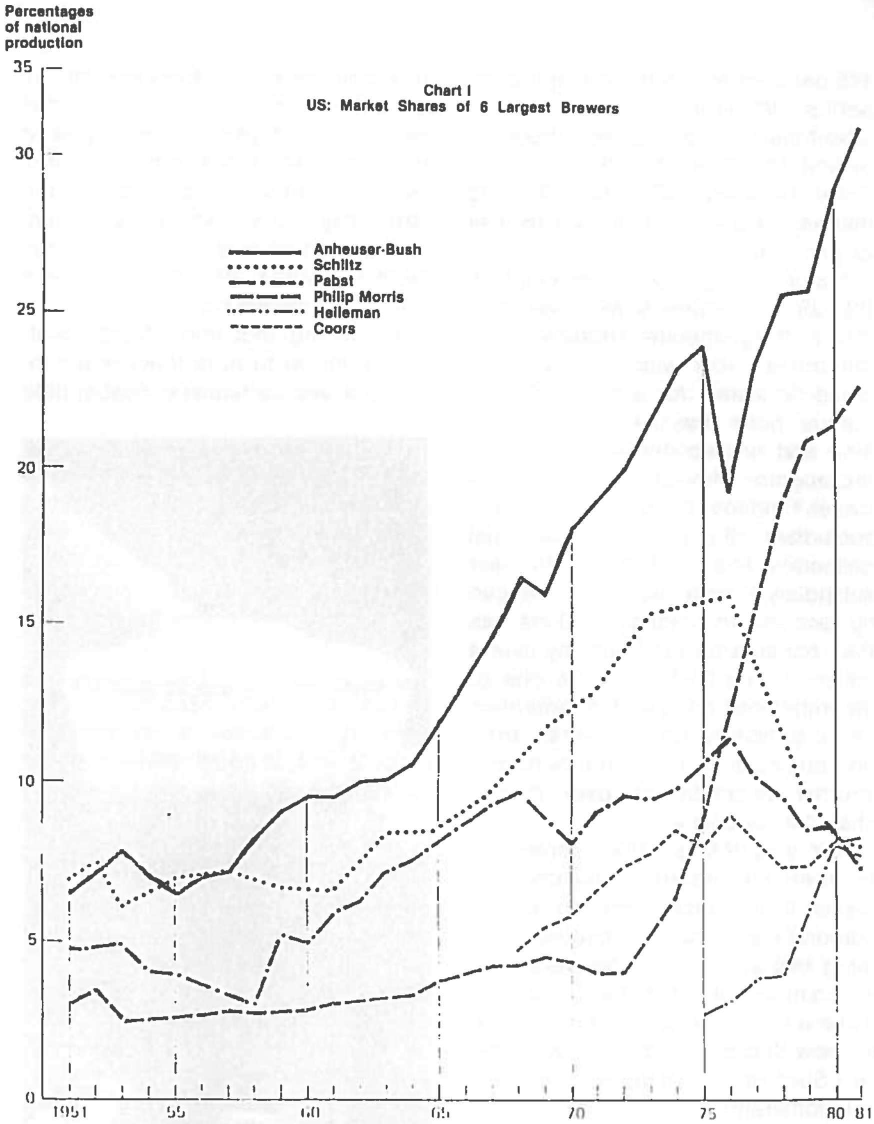
There are several determinants behind the push to concentration. As in many industries, growth has been fostered by successive merger waves which have not been appreciably halted by antitrust legislation. Between 1958 and 1975, at least 88 beer plants or brands were taken over and merged into others. Quite often, acquisitions not only entail the purchase of another company, but also include brands and distributorships.

Also of pivotal importance have been the colossal strides in economies of scale at the plant level (i.e. minimum efficient plant size) over the past two decades, which have driven hundreds of small brewers into insolvency. By the mid-1960s, the majors began erecting breweries that were often more than double the dimenstons of previous plants. This was facilitated by engineering breakthroughs, strikingly so in packaging, which halved labour costs. The significance of these sharply rising economies of scale can be seen in the shifting minimum efficient size of a single plant: from about one million barrels yearly in 1960, to roughly 2 million in 1970, doubling once again to around 4 million in 1978. Since the late seventies, the inception of computerized production lines has further escalated scale economies to a point where Philip Morris is now building a 10 million barrel brewery, which could well be a pace- setter for the industry in the latter half of the eighties.

Another impetus to concentraton has been oligopolistic pricing policies by the majors, at times including pricing below costs to acquire larger market shares. Such marketing strategies, spawning brand loyalties rooted in product diffentiation and market segmentation, are ideally adopted to the operations of a large conglomerate but, once again, are outside the cost capabilities of the smaller firm.

Unrestrained advertising and promotional outlays have also become one of the major factors abetting the tempo of concentration. Inexorably, this has led to a qualitative shift in the industry as marketing, predicated on multi-million dollar advertising onslaughts, surpassed advances in production technology as a far more effective instrument of corporate warfare.

The combined impact of double-digit inflation and high interest rates in recent years has further undermined smaller firms. Certain characteristics of large corporations partially insulates them from the twin battering rams of inflation and high interest rates, notably vertical integration which extends from control of the raw material phases up to final distribution. Due to this integrated control over vast areas of output and marketing processes, a mega corporation is positioned to set internal transfer prices to mitigate the buffetings of inflation. Moreover, purchases usually involve such large volumes that far higher discounts can be extracted from external suppliers than those negotiated by smaller firms.



b. Philip Morris: A Case History

Writing in 1965, two economists researching the beer industry contended that: «...it appears unlikely that concentration in the brewing industry, at least with regard to the leading five firms, will increase to any great extent in the near future...». The inherent fallacy of such a forecast was that its authors were oblivious to the expansionist nature of corporate power, strikingly so in its conglomerate phase. Rather, it was only a matter of time, in view of the spate of conglomerate mergers in the sixties, before a large non-beer firm would break into the industry and radically accelerate the tempo of concentration.

Such a change was sparked in 1969 when one of the world's leading tobacco corporations, Phillip Morris, acquired a 53 per cent stake in the number 7 brewer Miller; this process was finalized a year later by the appropriation of the remaining stocks. The newcomer's corporate profile was, in all respects, different from previous entrants: already in 1970 its total sales scaled 1 billion US dollar; it was a leader in tobacco, trailing only R.J. Reynolds; and it produced over 100 cigarette brands in over 100 countries through a higly honed national and international distribution network.

Philip Morris's (P.M.) marketing prowess owed much to its skillful transferral of techniques that catapulted it from number six to number two in the US tobacco industry, pithily summarized by *Business Week* in the mid-seventies: «The apporach calls for dividing up the US beer market into demand segments, producing new products and packages specifically for those segments, and then spending with abandon to promote them.» Such spending «with abandon» led to P.M's beer advertising outlays leaping by 387 per cent (1971—78) compared to 236, 160 and

175 per cent for its three major competitors. While the Miller subsidiary's advertising budget soared from 11 million US dollar to 75 million US dollar between 1972 and 1979, its market share shot up from 4 to over 22 per cent.

Major changes were wrought in the US beer industry as a result of P.M.'s conglomerate strategies and structures. How was it possible, it could be asked, for a corporation to pursue both massive plant expansion and unprecedented advertising onslaughts without incurring large losses? Indeed, Philip Morris's Miller subsidiary did sustain substantial deliberate losses. Part of its beer subsidiary's expansion was financed by access to capital markets, as P.M. boosted its total debt by over a billion dollars (1971—77). As one of its embittered competitors lamented: «it is definitely taking profits from one business and sticking them into another business to gain market share below cost.»

Nor was P.M.'s Miller compelled to make any return on its invested capital in the short term. Or, as one corporate analyst commented: «the thing that all the other brewers have in common is that they have to make a decent return on investment; for now that is not the case with Miller.» Such is the privileged climate of conglomeration.

Already by the mid-seventies, however, the pay-off had commenced when, in 1976, Miller's net income wiped out all of P.M.'s earlier losses on beer. This triumph of cross- subsidization led the Chairman of P.M.'s beer subsidiary to declare:

«Although we can be proud, we are not content. We did not come into the beer business to become number four. We have one simple objective — to be number one. That's what we are after, and that's what we'll do...»

Thoretically, such annexationist strides and strivings are explicable in the context of a conglomerate's role in an oligopolistic sector, illuminated by John Blair, one of the leading theorists of economic concentration:

«...in the forms of rivalry to which oligopolists typically limit themselves, i.e. advertising, sales effort, services and other types of non-price competition, the advantages tend to go to the firm with the greatest resources, not the lowest costs. Hence, the conglomerate, because of its greater resources, may be expected to improve its position over time at the expense of the other oligopolists. Ultimately, the strength of the latter may be so reduced as to render them unable to pursue an indepedent course of conduct, even when they are so inclined.»

Expanding this line of argument, Blair went on to note that certain industries are particularly susceptible to conglomerate instrusions: «the danger to competition posed by cross-subsidization, whether actual or anticipated, is a maximum in unconcentrated industries populated largely by single-line firms.» This theoretical model clearly depicts the parameters of the US beer industry at the time of the Philip Morris onslaught.

In less than a decade after P.M.'s annexation, the industry had been transformed from a fairly loose oligopoly of single-line firms into what might be portrayed as a duopoly, led by two conglomerates — Anheuser-Busch and P.M. Anheuser-Busch stands isolated in the US beer industry in its ability, thus far, to match the financial and marketing power of P.M., and hence was the only other firm to raise massively its market share during the 1970s.

In the economic war for larger market shares, Anheuser-Busch has retained its hegemony on global beer markets through three interlocking strategies: vertical integration, conglomeration and internationalization. Vertical integrationis characterized by linkages backwards into raw materials and forward into distribution. This envelops such activities as processing barley into brewers malt, production of baker's yeast (in which it is the nation's leading producer), manufacture of metal containers (producing 311 billion beer cans in 1980), rice hendling and storage facilities, a trucking fleet, a railway company and a metallized label printing operation.

Its thrust into conglomeration, while far less pronounced than that of Philip Morris, is nonetheless conspicuos. This has been on spearheaded by extensions into the family entertainment business, real estate development, a major league baseball team, a soft drink division and a wide variety of snack foods. In several of these product lines it has effectively mobilized its extensive marketing and distribution network first tested and developed in beer.

Its most recent conglomerate takeover was the 570 million US dollars merger with the country's second largest wholesale cake baking and bread business, Campbell Taggart (1981 sales: 1.7 billion US dollars). In addition to operating in Spain, France and Brazil, Campbell runs 63 plants in the US, as well as a restaurant chain of 92 outlets with alcoholic beverage licenses. In addition to these allurements, Campbell Taggart was considered highly complimentary by Anheuser- Busch as both are capital intensive, require plants to operate at high capacity levels, and are endowed with complex transport and distribution networks. In addition, Anheuser- Busch's yeast operations feed directly into the baking plants of its new subsidiary.

Creation of Anheuser-Busch International, a licensing and marketing subsidiary formed to explore and develop markets outside the United States, is yet a further development in the quest for larger market shares. Already it has forged links with a major Canadian brewery, Labatt that brews and distributes Anheuser-Busch's leading brand Budweiser in Canada.

In contrast to the expansionary drive of the two giant conglomerates, the middle tier of four medium-sized companies (Schlitz, Pabst, Coors and Heielman) are battling for survival. The gap in market shares between these four, each with about 8 per cent of the market, and the big two should continue to widen, given the continuous disparities in cash flows available for marketing offensives. Survival in the medium and long- term is contingent upon their ability to merge. Already by 1982, Stroh (no.7) and Schlitz (no. 3) agreed to merge, Pabst (no. 5) was taking over Olympia (no. 8), and Heileman (no. 4) and Schmidt (no. 10) were agressively seeking acquisitions. As Heileman's chairman put it, «it's inevitable that if we are to preserve an effective, competitive second tier, you've got to let those companies combine, Either those things will happen or they will disappear». One of the paradoxes of antitrust legislation is that one of the few major rulings in recent years baring a merger was in the beer industry, precisely to block the competing efforts by Heileman and Pabst to annex Schlitz. Antitrust in this specific case could very well reinforce the duopoly's further advance, inasmuch as it perpetuates the relative fragmentation of their competitors.

1. The United Kingdom

The United Kingdom's beer economy presents yet another variation of concentrated economic power. Whereas the United States is becoming a classic example of a beer duopoly, the UK indicates a somewhat more distinct case of oligopoly, with the big six dividing four-fifths of the national market. Seven regional firms plus sixty-five «independent» companies share the rest of the market. Roots of this concentration reach back into the middle of the 18th century when excise returns revealed that a dozen big London breweries accounted for about a quarter of national output. Such pre- industrial manifestations of concentration, when thousands of breweries were entirely localized, were entirely different from those of the post-1880 era.

At the onset of the 20th century, ther were nearly 1,500 independent brewerys operating around 6,500 separate breweries. By 1937, their numbers had been whittled down to 1,000, a process which was further speeded up in successive decades to the present, when around 80 companies operate some 160 breweries.

Historically, a salient feature of the largest UK brewers that differentiates them from their DME counterparts is their unique interconnections with the retailing network. Pubs (public houses) remain the central retail outlet in the United Kingdom. Their ownership is dominated by the big six and much of their promotional efforts are carried out through these pubs. This dissimilarity with the US, however, is matched by a similarity since half of the big six have either been appropriated by conglomerates, or have launched their own conglomerate extensions. Epitomizing this drive to conglomeration are the giant firms: Imperial Group, Grand Metropolitan and Allied-Lyons.

The further inevitable expansion of the big six will alter the power constellation of the 70 odd smaller «independent» brewers, each with less than one per cent of the national market. There are certain factors which have contributed to the survival of the smaller companies, including higher rate of return on capital in both production and wholesaling. Big boosts in fuel prices since 1973 have shot up distribution costs of the big six, while the smaller breweries minimize fuel costs by concentrating supplies to outlets within a thirty mile radius of their plants. Also, the popular campaign for real ale (unpasteurized beer), which has promoted local brands and loyalties, has been another contributory factor. But these are at best short-term holding operations since much larger forces are at work tath will circumvent and vitiate these advantages.

Among these larger forces are technological innovations that will slash unit costs, in turn fuelling higher productivity and rates of return on investment. In recessionary periods, when the industry is operating well below the 75—80 per cent rate that is considered a profitable threshold, only the bigger brewers have the financial staying power to ride out the storm. Whereas the big six are all publicly-owned corporations (i.e. a corporation whose shares are bought and sold on the stock market), 47 of the smaller breweries are believed to be family controlled, and family influence is considerable in others. These ownership patterns limit the smaller brewer's access to financial resources and thus their capability to survive recession. In a larger sectoral context, this indicates that sustained global economic crises exercise a highly differential impact on different sized firms; and it is precisely during cyclical downswings that the absorption of smaller firms is speeded up.

While a distinction is often made between the big six and the so-called 60—65 «independent» brewers (occasionally referred to as regionals), in reality such differentiation can be misleading. Closer scrutiny of the ownership structure of two of the so-called «independents» that merged in 1982 (Boddingtons and Oldham) unveils that certain of the big six owned large volumes of shares in both. Whitbread owned 26 per cent of Boddingtons and both Whitbread and Allied-Lyons owned ten per cent each of Oldham. What role the big two played in consumating the merger is not public knowledge. From fragmentary indicators, however, a partical picture of the big six's ownership pentration of the so-called independents emerges: 17 are partially or wholly-owned by one or more of the big six, with three others owned by non-beer TNCs. Such intricate ownership patterns are also dissimulated in both developed and developing countries and call for closer investigatory analysis.

a. Retail Linkages

More than in any other country, the UK's big six exercise a preponderant control over the entire beer industry. One of the clues to understanding the scope of this control is their unquestioned dominance over retailing. UK beer retailing has three major outlets: pubs and hotels (which distribute and market around three-fifths), clubs and restaurants, and the «take home trade» (or «off licence»), dominated by the large supermarket chains. The traditionally paramount pub sector can be further subdivided into what are called tied pubs (or tied estates) controlled by brewers, and untied pubs (sometimes referred to jointly with clubs as the «free trade»). Presently, the big six own roughly half of the UK's 74,000 public houses. Indeed, the extent of control could be very much higher through the big six's ownership of smaller brewers, as the Boddington/Oldham case history reveals.

The sheer marketing value of these tied pubs is that they sell almost exclusively the brands of their brewer owner. The importacce that brewers place on this retail linkage is glimpsed in the large- scale investments that they allocate to these outlets. Out of a 459 million UK pounds brewers investment outlay in 1980, a full 60 per cent was allocated to retailing (particularly pubs), climbing to 67 per cent in 1981.

Extensive corporate control over pubs is obviously not viewed by the big six as enough, hence the retailing offensive to corral the remaining two-fifths of the retail market: primarily the clubs and the take home trade. The big six have commenced economic war by offering registered clubs easy credit terms, as seen in certain recent Bass loans with repayment up to ten years at zero interest rates. Given current and anticipated levels of inflation, this is tantamount to a major subsidy which not merely forges closer long-term commercial links, but subordinates these clubs to the corporate imperatives of the big six. The sheer dimensions of subsidized handouts by the industry at the end of 1980, amounted to about 300 million UK pounds to the so-called «free trade».

The third retail outlet, the «take-home» trade, is the fastest-growing as large retailers such as Sainsbury's and Marks and Spencer's have become major alcohol distributors. To dominate more effectively supermarket shelfspace, big brewers have launched price wars through such familiar techniques as price discounting, a tested marketing weapon wielded by large corporations in all economic sectors. These marketing assaults, used on all three retailing fronts, are aimed at increasing market shares and are clearly beyond the financial grasp of smaller brewers. Retailing link-ups, as a redoubtable weapon of economic warfare, are thus part of the arsenal of entrenched economic power.

As the global economic crisis deepened in the early 1980s, smaller economic units at both the output and retail level were disappearing. With soaring pub overhead costs and fierce competition from supermarkets, the big six allocated vast capital investments to their tied pubs to boost turnover by developing new services, notably food. In much the same manner, the crisis-induced drop in UK beer sales has engedered a marketing war between brewers to hold on to pub, club and supermarket outlets, with the smaller producer the inevitable victim.

b. Conglomerate Extensions

Conglomeration in the 1960s became a strategy to consolidate corporate growth, augment cash flows and immunize the corporation from the cyclical buffetings of a single product line. Not only did certain UK breweries become the practitioners of such strategies, but also certain large corporations outside the beer industry surged into brewing as a profitable source for conglomerate extension. The first logical marketing step of such extensions for brewers was into other beverage sectors. By 1930, three of the big six brewers derived an important segment of their profits from wine and spirits: Allied-Lyons (40 per cent), Grand Metropolitan (20 per cent) and Whitbread (11 per cent).

Soft drinks represent another profitable salient of aggrandizement and certain of the big six, erstwhile competitors in the beer market, are actively collaborating in it. Bass and Whitbread merged their soft drinks interests in 1980 to form a joint company, Canada · Dry Rawlings, which controls about six per cent of the UK soft drink market. Bass is an illustrious example of a company which has reached this first stage of conglomeration, but has yet to overspill the boundaries of the beverage industry. Already it is vertically integrated backwards into malt and forward into pubs and hotels; and is deeply entreched in soft drinks, wine and spirits.

A more mature phase of conglomeration is revealed by Allied Breweries, which has extensions well beyond beer, wine, spirits, soft drinks, tea and meat products. Grand Metropolitan and Imperial, ranking among the top ten UK corporations, are the two major conglomerate intruders into the UK brewing industry. As with other tobacco conglomerates, Imperial has swiftly diversified into food and beverages. Its largest acquisition, before the 629 million US dollar takeover of the US Howard Johnson restaurant chain in 1980, was its 1972 takeover of the UK Courage Brewing Group. Courage, from its birth in 1787, grew into one of the big six UK brewers with an extensive hotel chain as well as backward and forward linkages into hops, malt, bottling and pubs.

While Imperial continues to generate over half of its revenues from tobacco, it has sizable extensions in food and food retailing (30 per cent of 1980 assets), as well as paper and plastics to underpin its brewing operations. Imperial's conglomerate extensions are partially glimpsed in the following chart which depicts the major companies within its five principal groups.

Tobacco's once dominant share has been eroded to just over half of total sales, as the conglomerate has offset decelerated growth in tobacco consumption by increasing its marketing forays into food and brewing. As with Philip Morris, the Imperial Group has found it highly profitable to transfer almost identical marketing techniques from one addictive commodity to another.

Internationalization of output and trade has been another feature of the big six's quest to enlarge markets and spheres of marketing influence. None of the major brewers export more than 2 per cent of their total sales. Rather, internationalization has been pursued largely via the setting up of subsidiaries and joint ventures overseas. Allied-Lyons has moved furthest in this direction; its overseas output accounted for around a quarter of aggregate sales in 1980.

More recently, the big six have responded to a stagnant UK beer market with closures and cutbacks, technological innovations, and strategies to slash costs (particularly labour costs). This acquires a new context as labour militancy rises in the UK and it is by no means fortuitous that the big six's three largest closures or cutbacks in 1980 occurred in plants with poor labour relations.

3. The Federal Republic of Germany

What stands out in the world's second largest beer producing country is unique, inasmuch as it remains the only major DME where a handful of firms do not produce over half of national alcohol output. Indeed, just under half the world's approximately 3,000 breweries are located in that country, ranging in size from very small breweries to a leading group which, by developed countries' standards, would be ranked as medium-sized companies. Four medium-size companies brew 34 per cent of the FRG's beer (1979), led by DUB Schultheiss (a subsidiry of Hypo Bank), Tchibo (through its subsidiary Reemtsma) and Oetker. Beer exports are even more highly concentrated, with three brewing groups (Beck, Holsten and Löwenbräu) having three- fifths.

An indicator of the relative smallness of FRG breweries is that by the late seventies their average annual output of 1.7 million US gallons was massively eclipssed by the US average of 55.5 million. This stems from plant size differentials as well as lower productivity rates in the FRG due to lower levels of capitalization: each FRG brewery employee produces only about a quarter of his American counterpart. This relative fragmentation, where no German brewer is amongst the world's top 25, finds its counterpart in other major FRG sectors, notably textiles. Persistence of such structures stem in part from historically deeply entrenched regional loyalties. Regionalism, however, as an economic force is not immune to the large national and international corporate strategies and the pressures of capital accumulation which are transforming the US and UK markets.

At the turn of the eighties, 43 regional brewers accounted for over a third of output. Over the last two decades, however, there has been a noticeable shift in ownership patterns away from exclusive family control. As these companies became public corporations, the large German banks were among the major buyers of their shares. A statistical enquiry into the 133 breweries in the FRG's top 9 500 companies reveals, however, that still as much as 64 per cent of these leading breweries are mainly family-owned, with banks and investment companies being the largest owners of over a quarter of them. By the onset of the seventies, one bank alone, the Bayerische Hypotheken und Wechselbank, controlled as much as 17 per cent of German beer output. Today, Bayerische and the Dresdner Bank each own 25 per cent of Germany's largest brewer, DUB Schultheiss. Thus, to designate the market as fragmented is, as with the UK regionals, somewhat misleading, since ownership patterns are often much more concentrated. As in other countries, such complex ownership patterns are concealed by private companies and seldom revealed by public corporations.

Concomitant with the changing configuration of the regionals has been conglomerate movements amongst the largest FRG breweries. DUB, for example, has extended it interests into 42 firms producing several product lines. Most successful are its soft drinks and bottled water units, and more recently it has cross- subsidized declining beer sals with its profits in these two areas. But conglomerates themselves are not immune to conglomerate takeovers. The gigant coffee-based family-owned firm of Tchibo acquired (in 1980) 60 per cent of the FRG's number two brewer, Reemtsma. The latter was, however, itself a conglomerate of the species of Imperial and Philip Morris, that is a giant international tobacco based company with sizeable brewing interest. Even prior to the Tchibo takeover, Reemtsma's cigarette and beverages division had over hundred subsidiaries and associated companies which girdled the world. Thus, coffee ande beer, the two leading beverages in the FRG, are becoming more closely meshed from a corporate perspective.

Although in an earlier era, Germany was the pacesetter int he internationalization of breweries, in recent times they have been partially squeezed out of foreign markets by the more aggressive marketing forays of certain of their European and North American competitors. A leading FRG exporter, Löwenbräu, stopped shipping beer to the US in 1978 and instead sold a licence to Philip Morris to produce and market its product. As the beer industry becomes increasingly concentrated and internationalized, it remains conjectural whether the FRG beer industry will be able to consolidate its hold on the global market, or whether its relative fragmentation will become a deterrent in so doing. In either case, scores of small and medium-sized brewers will either be taken over or liquidated. Munich brewing analysts predict that a quarter of FRG brewers could disappear by 1990, a figure that could be surpassed before the decade's end.

C. Group B

Group B embraces eight DMEs where convergent corporate market structures are emerging that could be considered as an embryonic stage of development toward Group A. Jointly, these eight produce an eight of the world's beer, which is only slightly over half that of the United States. Specific modes of corporate organization characterizing these eight countries are also perceived in certain smaller DMEs that are not analysed in this report.

All three sectoral stages of concentration seen in Group A are manifested at varying levels of intensity in Group B. B.S.N. Gervais Danone (51%) in France, and Lion Breweries (55%) in New Zealand correspond, to a lesser extent, to Kirin's quasi-monopolistic dominance in the Japenese market. In Canada, Australia, Belgium, Austria and Switzerland, duopolistic structures akin to those in the United States are being consolidated. Only in Canada and Belgium do large companies exist which could challenge the clear market leadership of the big two. Finally, Spain's market structure is clearly oligopolistic and exhibits traits similar to the UK market.

Already, vertical integration is a feature of Group B's major corporations, followed by a leap into conglomeration by the leading corporations in three countries: France, Canada and Australia. B.S.N. Gervais Danone is one of the world's biggest food corporations. Likewise in Canada, the big three are conglomerate and one of them, Brascan (a Bronfman holding company), has a partially owned (42 per cent) brewing subsidiary, John Labatt, which is itself a multi-divisional conglomerate, In 1982, Labatt moved into first place in the Canadian beer sector, conferring on the Bronfman empire top market position in both distilled spirits and beer. Australia's big two are highly diversified food producers and are numbered among the largest hotel chain owners in the country.

Although less pervasive than in Group A corporations, internationalization of corporate output and trade is already on Group B's operational agenda. B.S.N. Gervais Danone is among the top five beer producers in Spain and Belgium, and is heavily entrenched in other DME and DE markets. Its large scale penetration of global markets is seen in its 78 per cent domination of French beer exports. Exports and production inroads into the US market have already been made by Canada's majors, a testing ground that will be used to propagate their export into other global markets. As concentration moves apace in the remaining six countries, the largest corporations can be expected to become increasingly internationalized.

The ramifications of corporate and financial power are, however, often masked when description and analysis is circumscribed to a formal discussion of market shares. In particular, there are two types of ownership patterns that are perceived behind the bare numbers. Spain and Belgium exemplify one such pattern, where a sizable segment of their largest corporations is owned by non- nationals. New Zealand and Australia exhibit another ownership variant through the presence of banks and financial institutions as leading shareholders. In New Zealand, the quasi-monopolistic Lion breweries is one-fifth owned by a Singapore banker. Australia's big two provide another more complex variant. In addition to the UK's Allied-Lyons' (21 per cent) share in Castlemaine Tooheys, eight major banks and financial institutions exercise a significant control in both.

D. Group C

There remains a final category of DMEs (Netherlands, Denmark, Ireland and South Africa) with two differentiating characteristics: a single giant corporation dominates a small domestic market, leading to an overspill of their beverages on the global market. It is precisely the brands of three of them: Heineken, United Breweries (through its Carlsberg and Tuborg brands) and Guinness that have achieved worldwide recognition, outpacing all others.

Exported to over 140 countries, produced under licence in 17 countries and via subsidiaries and joint ventures in many more, Heineken is by far the world's leading internationalized beer company. Since 1955 alone, it has built 36 breweries girdling the world, 25 of them in developing countries. Almost three-quarters of its 1980 sales were outside the national market, as well as over two-thirds of its 20 500 labour force. Heineken beer is the single largest item (by volume) shipped from Europe to North America, and exceeds by over two-fifths all US imported beer sales.

The company's roots reach back to 1592, although it was only in 1864 that a Heineken took over the company. Today it still remains a family enterprise, with Mr Frederick Heineken owning over 50 per cent of equity capital. Like most beer companies, Heineken entered a period of sustained expansion after World War II, which was vastly speeded up after the 1968 acquisition of the Netherlands' second largest brewer, Amstel. Subsequently, Heineken came to dominate other beverage markets with the purchase of the country's largest soft drinks producer (Vrumona) and several producers and distributors of wine and distilled spirits.

Concentratio

Country	Country rank in global beer sales	
Netherlands	14	Hei
Denmark	20	Uni Fax
South Africa	22	Sou Bre
Ireland	28	Gui

1 Refers to share of barley-base sorghum beer market.
Source: Data computed from cor

While no other Group C corporation has achieved Heineken's degree of internationalization, they exhibit the same corporate trends, despite variations in their relative domination of national markets. With the merger of Carlsberg and Tuborg into United Breweries (1970), its domination of the Danish market rose to around four- fifths. Since the merger, overseas sales of this quasi-monopolist have shot up 400 per cent. With Heineken it has pioneered overseas licensing agreements in beer, and is a leader in setting up joint ventures and subsidiaries.

Although formal international marketing spheres of influence may not exist, there is an almost total absence of any competitive overlap between these two international giants in the developing world. United Breweries' penetration into developing country markets has been facilitated by its corporate link-up with one of the world's biggest private trading companies, the East Asiatic Company. Such marketing relationships with big trading companies is charateristic of many large alcoholic beverage corporations.

Guinness, with its annexation of 96 per cent of Irish beer output, represents an even higher stage of national market domination.Ireland's commercial beer history harks back to the 18th century, with the setting up of the Smithwick family brewery in 1710 and that of the Guinness family in 1763. As in other countries, its beginnings were characterized by small regional brewers until the advent of the 20th century, when Guinness's brands acquired national distribution. From that time onward, its annexationist pace was unrelenting. By the early sixties, it had achieved its present market dominance. Although Guinness became a public company in part to finance these massive takeovers, the Guinness family still «controls the Group and holds about 20 per cent of the equity».

Beer Industry, 1979/80:
up C

; ;ing ıtions	Corporation rank in global beer sales	Per cent of natural market
	4	60.0
weries	12	80.0 } 90.0
	—	10.0
:an		
	17	97.0[1]
	—	95.0

nercial beer output. Excludes substantial

ı annual reports and trade soruces.

The mere 4—5 per cent of the national market outside Guinness' formal control is shared between two brewers: a Carling O'Keefe subsidiary (Beamish & Crawford), and Murphys, with strong corporate linkages to Heineken. While these two minors have made public utterances that they intend to cooperate to beat back Guinness, this must be construed as a form of corporate shadow boxing. Indeed, Guinness could force the two out of the Irish market, yet for the immediate future, it seems to have decided that a semblance of competition is worth tolerating for public relations purposes, as well as to head off EEC charges of monopolistic control. In view of the global power of Carling O'Keefe parent company, it would also be unwise to eliminate a giant competitor in a small national market when more appropriate global marketing arrangements can be made. Even with these two so-called competitors, Guinness determines the pricing and marketing parameters of the Irish beer market.

Although Guiness has not yet attained the international intensity of Heineken and United Breweries, it is marketed in 140 countries, and Guinness estimates that 8 million glasses of its stout are consumed daily the world over. After having conquered the Irish market by the early sixties, it shifted a part of its vast capital resources into an unprecedented advertising onslaught that rocketed Irish per capita beer consumption (1960— 1979) from 89 to 216 pints. With the peaking of domestic consumption by 1975, Guinness's strategy consists primarily in redirecting its capital resources towards the annexation of larger segments of the world market. Deploying a strategy that is now fairly widespread, Guinness has made significant inroads into African and Asian markets through corporate hook-ups with such major world traders and brewers. In Asia, these include Hong Kong's Jardine Matheson and Sapporo, the world's fifteenth biggest brewer.

Another impetus to intenationalization has been diferential overseas tax concessions and profits, glimpsed in its UK expansion (already accounting for almost half of sales). In the words of a Guinness spokesman: «We need UK income for tax reasons.» Even more compelling are the high profit rates in the former colonies of Asia and Africa. Although only 15 per cent of 1981 sales were in Africa and Asia, Guinness appropriated a staggering 36 per cent of profits from them.

More than the other three Group C quasi-monopolists, Guinness has simultaneously become both vertically integrated and conglomerate. «Every other brewer», noted a Guinness deputy chairman, «is diversified. They are in wines, spirits, soft drinks, hotels as well as pubs. But we are confined to manufacturing, and that is the sector of brewing that is always squeezed by governments, here and abroad.» He went on to elaborate: «we got into plastics because we were concerned about the future of Irish coopers. We are in retailing... because potentially it is a growth industry which should be able to buck inflation».

Its beer and conglomerate activities are being meshed not only in Ireland, but in other profit centres. In Nigeria, for example, Guinness is extracting profits from its four highly remunerative breweries to proliferate its activities into a wide swathe of consumer products such as pharmaceuticals, toiletries and cosmetics.

South African Breweries has followed a similar annexationist trajectory, so that by the end of the seventies it was one of the nation's largest industrial groups with almost total control of the commercial (barley- based) beer market. In their understanding of the marketing potential of the large indigenous black population, which traditionally has consumed locally brewed sorghum-based beer, South African Breweries has directed its resources at annexing a larger segment of the indigenous market. The enormous potential for corporate expansion can be glimpsed in the fact that barley-based commercial beer accounts for only 17 per cent of total South African alcohol consumption, where as indigenous sorghum-based beer accounts for almost a half of the market. South African Breweries' attempts to penetrate into the indi-

Guiness: Sales and Profits (1981)

	Sales million pounds	per cent	Profits million pounds	per cent
United Kingdom	404.6	45	7.0	12
Rep. of ireland	282.1	31	30.0	52
Rest of Europe	26.9	3	0.2	0
Asia	66.4	7	7.0	12
Africa	73.0	8	13.9	24
Americas	50.6	6	0.3	0
Australasia	2.0	0	0.1	0
Total	905.6	100	58.1	100

1.
Profits before taxes, including profits from associated companies (where Guinness owns less than 50 per cent).
Source: Computed from Guinness-Annual Report, 1980.

genous beer market is matched by its marketing intrusions into a number of other Southern African countries.

III Wine Overview

Up to the threshold of the 1960s, global grape production and wine processing remained highly fragmented, characterized by family ownership with a long historical tradition. Within the last two decades, however, this structure begun to crumble as large beverage corporations in several countries have moved into this sector. This drive to concentration in wineries is highly unequal and varies from the thousands of production units in France and Italy to the quasi- monopolistic structure which prevails in South Africa. Although grape cultivation has remained, as with many raw materials (i.e. cotton, coffee, cocoa, rice, etc.), highly fragmented, here again there are great variations between countries. Technologically, grape cultivation continues to be dominated by manual operations in most countries, although mechanization has made considerable inroads.

Several major disparties in corporate market structures exist between the wine and the much more highly concentrated beer and spirits sectors. Wine is one of the rare commodities, perhaps unique, in that it is geographically branded, e.g. Champagne, Bordeaux, Porto, etc. Whereas in beer, spirits, cigarettes and many other products, specific brands are promoted for individual market segments (by age, sex, income group and ethnic origin), wine producers do not have the same leverage for consumer manipulation.

Another feature of wine's geographical specificity is that as far as the world market is concerned, wine does not lend itself as easily to marketing through licensing agreements or the setting up of subsidiaries. Although Möet-Hennessy has set up wineries in other countries, it cannot produce its native French brands there.

Consequently, exports are and will continue to remain the major medium for the globalization of the wine industry. Herein lies its crucial structural difference from beer. It is at this juncture that the importance of a new corporate agent emerges, the wine importer/distributor, which in certain leading DME importing countries is an organic part of multibillion dollar corporations.

The industry's vertical integration is at an incipient stage compared to beer, with few corporations overlapping the three basic stages of the industry: grape cultivation, wine making and distribution, including exports and imports. Linkages between the three major stages are mainly embodied in contracts between wineries and growers, and between wineries and importers. Understandably, the relative bargaining strength of these economic entities is highly unequal, with large wineries often in a monopsonistic position vis-à-vis a multiplicity of competitive small- scale growers with limited or no alternative sales outlets. Hence, larger wineries are strategically positioned to squeeze growers' margins.

Wine wars for larger slices of the world export market between Italy, France and the United States are already waging. As against beer, where the developing and centrally planned economies' growth potential is immense, DME wine exports face barriers in developing countries due to foreign exchange restraints and low incomes. Consequently, the economic war for larger markets will largely be fought out in and between the DMEs, and only peripherally for a numerically small elite in a handful of developing countries.

For analytical purposes, the major wine producing countries have been divided into two groups designed to bring out more clearly the forces at work. It should be stressed that these analytical categories differ from those in beer.

Group A consists of the four major wine producing countries in Southern Europe (Italy, France, Spain and Portugal), which together have corraled three-fifths of world ouput. These four are characterized by relative fragmentation in ownership patterns of both grape cultivation and wineries. Group B consists of four rapidly growing wine-consuming countries where more advanced concentration levels, far higher than those in Group A, are evidenced at the winery-stage: the USA, South Africa, Japan and the UK.

A. Group A

Group A has become the center of wine output and consumption, with the beverage playing an important cultural role in moulding lifestyles. Wine also occupies a vital economic role, as it represents almost a tenth of total agricultural production (by value) in France and over 8 per cent in Italy. While fragmentation at the grape growing and winery stages remains the norm inall four countries, there are nonetheless important variations between them.

I. Italy

In recent years Italy has dethroned France, the traditional wine king, emerging as the world's leadng producer and exporter by volume. Its ascendency in part stems from an extension of the cultivable area, lavish sate support, and lucrative hook-ups with large wine importers, particularly in the US. Although the foreign capital offensives to break into the Italian wine sector have momentarily been blunted, embryonic forms of concentration are already observable.

Fragmentation is most evident at the first link in the wine chain, that of grape cultivation. Although an increasing number of wine growers are organizing cooperatives, the average area per vineyard nevertheless is only one hectare (1978).

There are essentially three kinds of Italian wine: still wine, which accounts for about 95 per cent; and sparkling wine, the remaining one per cent. Corporate concentration is by far the most advanced in sparkling wines, where the big three control about one-half of the market. In the preponderant still wine sector, concentration is not so pronounced: the massproducers Folonari and Zonin each hold about 2 per cent of the market and two other large producers and one cooperative each control about one per cent. An important vestige of the Italian wine industry that still persists today is the vast array of family-owned Italian wine companies, including the big three: Folonari, Zonin and the Marzotto subsidiary Zignago.

Italy's success on the global market has stemmed principally from two recent develoments. Firstly, in recent years, it has set up rigorous procedures and regulations on wine ingredients and quality under the general legal framework of *Denominazione di origine controllata* (DOC). As with its French counterpart, the *Appelation controlée*, this has served to ensure norms of quality and marketability. A no less significant marketing departure have been the linkups between Italian wineries and large-scale DME corporate importers. In many cases, this involves the sale of bulk wine at very small margins to the importer who, in turn, promotes and sells at margins varying between 10—25 per cent on sales.

These factors, wedded to relatively low labour coots, have led to Italian exports tripling their share (1970— 80) of the US table wine market. However, this sales offensive was not confined to a single segment of the wine importing market but extended across a wide range of brands. The top five US imported wine brands (1980) were of Italian origin, with the leader Riunite alone surpassing the combined aggregate US imports of French and German wines.

Conquests in the global wine war are not due exclusively to «the magic of the market place,» but also to the patient and visible hand of the state, with Sicilian wine a microcosm of this process. Through government and EEC financial support and subsidies, there are now 110 cooperative wineries producing four-fifths of the island's wine. Such aid has facilitated the acquisition of the most advanced wine technology, thus greatly enhancing export capabilities.

Italy and France exhibit a number of common structural features. Both dominate world wine output and trade, and the industries associated with grape growing and processing in each employ hundreds of thousands and are among the most important economic sectors in the country. Perhaps the most conspicuous difference between them has been Italy's relatively greater triumphs in annexing export markets compared to all French wine categories, with the exception of champagne.

2. France

France's wine industry is among the last industries to move from relative fragmentation to increasing concentration. Although the market is large (4 billion US dollar for appelation controlée wines in 1979), it is one which new entrants find difficult to penetrate without formidable financial leverage.

As in Italy, wine cultivation remains fragmented, with the bulk of vineyards owned by private family cultivators who sell to wineries through short or long-term contracts. The wine growing sector, as seen in the following table is indicative of the movement to greater farm consolidation in French agriculture as a whole. With mechanization and rationalization moving apace, the number of producers in all major farm sectors has fallen over the past decade, with the percentage drop in wine holdings second only to that in vegetables. Over the decade, the average wine holding rose from 1.8 to 2.5 ha., indicative of a larger movement of all wine sectors in Western Europe.

The specificities of this general drive to consolidation in wine cultivation are brought out by census data. By 1979, 2,300 producers (half of one per cent of the total) owned 13 per cent of wine lands.

At the winery stage, the level of concentration increases, although it is still the most fragmented beverage sector in France. Indeed, none of the top ten drinks firms in the country are wine producers, notwithstanding that wine output accounts for half of the entire bevrage sector (alcoholic and non- alcoholic). There are certain wine firms, however, which are poised to acquire significantly larger market shares. By 1978, the sales of 28 firms had surpassed the 100 million (French francs) sales mark. By 1980, two of them had outstripped one bilion francs: Möet-Hennessy and Société des Vins de France (SVF).

Spurring this drive to concentration are changing ownership patterns away from family firms toward growing ownership by big banks and other beverage firms. Some indicators of this movement include: Seagram's takeover of the number five wine firm Mumm; and beverage giant Pernod Ricard's 45 per cent share of Société des Vins de France. The extent of bank and finance capital's ownership of wineries is not fully known, but their influence is also substantial in their preferential loan and credit relationships.

The Bordeaux and Champagne regions may be considered a prelude to what is ahead for the overall wine sector. In rapid succession, the long-established trading houses in Bordeaux have been annexed by larger groups, both domestic and foreign. Among the leading Bordeaux houses that have fallen victim are: number 2, Barton et Guestier by Seagram; number 5, Calvet by Whitbread; Eschenauer and Alexis Lichine by Bass Charington; Dourthe-Kressmann by the Dutch giant Dowe-Eggbert; and De Luze by Remy Martin. The rationale of one of the acquired companies, Calvet, was that Whitbread's participation was mandatory to finance the advertising and export promotion required to market his wine in 120 countries. In this constellation of forces, only-three leading Bordequx firms have retained an independence which is by no means guaranteed.

The confluence of these forces leading to enhanced concentration finds its highest embodiment in the champagne sector, with ten firms having over two-thirds of the market. Towering above all others is the French and global leader Möet-Hennessy, appropriating 18 per cent of the domestic market (1980) and 28 per cent of the global market. This penetration of the global market is paralleled by conglomerate extensions into cognac (with 17 per cent of the world market) and other spirits, as well as perfumes and beauty products. Symptomatic of the champagne oligopoly's power is that despite a poor 1981 harvest, the leading firms boosted both revenues and profits, led by Möet-Hennessy with a leap in net profits of 76 per cent.

Two of Möet's recent acquisitons underline its vertical and conglomerate extensions. Vertically, it consolidated its grip on the US market by acquiring Schieffelin, one of the oldest US wine and spirits importers. Its conglomerate extensions are being buttressed by its annexation of the Christian Dior perfume and fashion business, an offshoot of the ailing textile empire of the Willot brothers.

Möet and the other leading champagne houses have consolidated their oligopolistic control over the champagne market in a major spate of mergers and acquisitions actively underpinned by the major French banks, most notably by the Banque de l'Union Europée. This has vastly enhanced champagne's export horizons. Although champagne ranks only fifth in wine output among France's wine categories, its export volume has only been surpassed by Bordeaux wines.

3. The Iberian Peninsula

Spain and Portugal, the two other Group A countries, present certain similarities, notably the openness of their wine sectors (as well as other economic sectors) to foreign capital. Both have created alluring foreign investment codes as compared to France and Italy. Also, both have an abundant supply of cheap and non-unionized labour that is a strong attraction to foreign capital, accentuated in Portugal's political shift since 1976. TNCs also foresee the marketing implications of both countries entry into the EEC, slated for the mid-eighties.

While the Iberian peninsula's wine sectors remain more or less fragmented like those of their competirs in France and Italy, the beginnings of a foreign capital intrusion are far more blatant. This is seen in the transition of their four major wine-producing areas. Portugal's major wine category is port which, in both quantity and value terms, is its most important agricultural export. Of the 22 corporate groups that comprise the Port Wine Association, 7 are controlled by foreign interests, including the drinks giants Allied- Lyons, Grand Metropolitan, and Seagram. Five of these are British companies, part of a trading tradition harking back to the Anglo- Portuguese Methuen treaty of 1703, which paved the way for British marketing control over Portuguese wines entering the global market. Indeed, the big five British firms currently control 60 per cent of port exports.

Spain's three major wine categories: Sherry, Rioja, and Penedes are witnessing the beginnings of concentration and foreign penetration, albeit on a lesser scale than that of Portugal. Although sherry is still largely dominated by big family-owned firms, foreign corporations have made serious attempts to take over three of the largest, and in Seagram's case, they triumphed. Two predominantly domestic conglomerates still produce over half the country's sherry and, in themselves, are a study of the complex imbrications between alcoholic beverages, banks and other Spanish sectors: Rumasa and Domecq.

Over the past two decades, Senor José Maria Ruiz-Mateos has engineered an empire which has become Spain's sixth largest company, as well as the country's biggest holding company. It runs a close second — in employment terms — to the nation's Compania Telefonica Nacional Espana. Half of Rumasa's equity is owned by Senor Mateos himself, the remainder by family interests. According to certain Spanish commentators, Mateos' rapid ascent was to a certain extent assisted by his connexions with Franco's administration through the powerful politico- religious organization Opus Dei; and active support from the banking system. In view of Rumasa's corporate non-accountability, stemming from the absence of laws compelling private companies to disclose their balance sheet, very little is known about Rumasa's financial contours.

Revelatory, however, is the little that is known. Its conglomerate holdings embrace 350 firms comprising a banking network that is the nation's eight largest. Bearing similarity to R.J. Reynold's rationale of its conglomerate practices, Rumasa's director of overseas acquisitions emphasized:

«When the wine and spirits business became large enough, it was natural to do our own advertising instead of hiring the services of an outsider. Once we were in banking, it was logical to go into insurance... If, say, one of our wine companies is having a problem then the holding company will concentrate completely on that subsidiary. If it needs an infusion of capital, then the holding company will give it the money. But it will not affect the other subsidiaries... There is no one company in Rumasa that is large enough to affect the group as a whole.»

By far Spain's largest beverage group, Rumasa owns eight of the country's top 50 beverage corporations. Merely in wine, these span fully a third of domestic sherry output; almost a third of Rioja wine, sparkling wines and Catalan table wines; four-fifths of Cordoba's Montilla; and 87 per cent of La Mancha region wines. Its overseas marketing exttensions include wine merchandizing in the UK and Denmark, and wine warehousing in Argentina and Chile.

As against Rumasa's essentially family ownership, the Pedro Domecq group exhibits a more diverse, but no less powerful, ownership structure led by Banesto, Spain's biggest bank (15 per cent), Hiram Walker Espana (18), Pedro Domecq Mexico (12) and the Banco Internationale de Comercio (3). An insight into the extensive internationalization of Domecq is that through its wholly-owned Luxembourg subsidiary, it owns 75 per cent of Pedro Domecq Mexico, the nation's largest tequilla and brandy producer.

Rioja and Penedes, the other two major wine categories, have undergone some concentration, but still remain to be penetrated by foreign capital. The latter is dominated by the single family-owned firm of Torres, the single largest exporter of Spanish wines to the US. The former has witnessed the emergence of two very large firms, with sales in excess of 2 million cases annually, thus given them a strategic vantage point on national and global markets.

Consequences of the onset of concentration and foreign penetration in Group A are already surfacing. One single corporation, Seagram, whose traditional international marketing strength is not wines, operates wineries in all Group A countries and elsewhere. The implications of such corporate geographical ubiquity is that the foreign corporation is poised to respond swiftly to what it may construe as negative political developments in one country by shifting its resources to other countries. Hence the corporate internationalization of trade and output becomes a vital element in placing a wide variety of pressures on recalcitrant political agencies and governments.

B. Group B

Concentration and foreign penetration discernible in Group A have attained much higher levels in the four seleced countries of Group B, ranging from a quasi-monopoly in South Africa to swiftly evolving oligopolistic market structures in the US, the UK and Japan. As against beer, where numerous primarily beer-based companies have climbed to prominence, practically all of the giant wine producers originated elsewhere, to a large extent in other beverage sectors.

While only ten per cent of the world's wine emanates from Group B, it represents precisely those countries where wine consumption is slated to grow rapidly in the 1980s and 1990s.

1. The United States

The US is perhaps unique among the giant wine producers in its active pursuit of an import substitution policy after decades of heavy reliance on imports, particularly from Italy and France. The medium and long-term goal of American wine corporations is not only to diminish the grip of foreign imports, but equally to push up domestic per capita wine consumption and simultaneously encroach on the global market. The vast potential on the domestic market is seen in the meagre US per capita consumption of 8 litres in 1980, as against the FRG (26), Spain (65), Portugal (70), Italy (93), and France (95).

Vineyards, symptomatic of the vast strides in US land concentration, are further consolidated than those in Group A. These holdings are also highly concentrated by region, with four-fifths of grape and wine output centred in California, where wine sales topped 2 billion US dollar in 1980. Although New York State ranks a far distant second, Texas may well represent the future wine El Dorado, with ten of thousands of potential acres currently being surveyed for the day when the petroleum lands run dry.

This regional concentration is matched at the corporate level. By end 1979,there were 724 bonded wineries, with California alone having 450, of which 100 accounted for four-fifths of output. More to the point, however, is that wine subsidiaries of five of the largest spirits corporations had already garnered almost a half of total wine sales by the end of the seventies; Heublein (18 per cent), Seagram (9), National Distillers and Chemical Corporation (8), Rapid American (7), and Brown-Forman (5).

Heublein broke into the market in 1969 with the acquisition of United Vintners and subsequently ploughed 100 million US dollar into upgrading and expanding their wine facilities. In addition, it also imports dozens of wine brands from Western Europe, Hungary and Japan. Seagram owns several wineries (New York and California) through its major subsidiary Paul Masson, which boosted its wine sales during the seventies at three times the rate of the US wine market. Although purchasing the bulk of their grapes from other growers, Seagram's owns 8,000 acres of grape lands. Their inventory of 45 million gallons of ageing wines is but one index of corporate power which places them in a completely different, and hence less vulnerable, category than their smaller competitors.

National Distillers and Chemical Corporation (NDCC), perhaps one of the most conglomerate of the spirits giants, was also one of the first to penetrate the wine sector with its 1967 acquisition of Almaden vineyards. Its 8 per cent control of the US wine market constitutes a trifling 10 per cent of its revenues (1980: 2.1 billion US dollar), which continue to be dominated by chemicals and metals. Through its Schenley subsidiary, Rapid American has also become a dominant force on wine markets primarily through imports. Less than a third of its sales are from wine and spirits, with merchandising dominated by retailing and apparel. Finaly, Brown-Forman bears comparison with Rapid American in its emphasis on wine imports. As with most of the above corporation, wine remains the company's fastest growing segment.

While penetration of the distilled spirits giants has provided the major impetus to the wine sector's expansion, two other corporations have also been central. Gallo, a family-owned company, is at once the US and world-leading producer. Unlike the newer corporate entrans to the industry, the Gallo family enterprise (established in 1933) is a single product firm operating an integrally self-contained wine complex in California. This includes large-scale research facilities, a complete wine-making complex, a glass plant, 14 bottling lines, and its own trucking firm.

Coca Cola, the world's largest soft drinks manufacturer and distributor, made a vital corporate decision to enter wines in 1977 based on three interdependent considerations: the likelihood of wine being the fastes growing beverage segment in the

1930s; their desire to draw maximum profits from their all-embracing soft drink distribution networks in 135 countries; and the need to mitigate the batterings of price fluctuations in sugar, by far the major soft drink ingredient. Between 1977 and 1979, Coca Cola poured S111 million into wine facilities. In one year alone (1980), Wine Spectrum, its fastest growing divison, recouped its investment with sales outscripping 100 million US dollar. As with Philip Morris in beer, Coca Cola's entry into the winemarket is revolutionizing merchandising, advertising and promotion, whose upshot is no less predictable: swift liquidation of smaller wineries.

By the very nature, mechanisms and trajectory of transnational capitalism, it would have been unrealistic to expect that US corporate dominance of its own domestic wine market would remain unchallenged for long. Whereas wine has been imported into the US for centuries, a wholly new development in recent years has been the arrival of foreign capital. Baron Phillipe de Rothschild (owner of Chateau Mouton Rothschild), Möet-Hennessy and Piper Heidsieck, three of the leading French and world wineries, have stormed the US market through joint ventures in wineries and takeovers of grape lands.

Differential stages in corporate capital's evolution are discernible in a comparison of the oligopolistic US market and that of South Africa where, as in beer, a quasi- monopoly has been forged.

IV. Distilled spirits
A. Introduction

From a corporate perspective, distilled spirits bear far greater similarity to the beer rather than the wine sector. Comprising several major categories, distilled spirits are highly heterogeneous due to their widely divergent raw material inputs. In most distilled spirit categories, relatively high concentration levels are perceived in leading DMEs, a process which has sped up since the onset of the latest global economic crisis in the late 1970s. With few exceptions, the giants produce a wide product range, exhibited in Seagram's output of whisky, rum, gin, vodka and liqueur.

As in beer, many of the giants are vertically integrated from raw material processing through distillation, brand ownership and marketing. With the possible exception of certain UK scotch whisky producers, most have already conglomerated, with petroleum and natural gas holdings figuring prominently in the total assets of several.

Further, all the major distilled spirits firms are internationalized, and many are contractually linked with the giant multicommodity traders as their importers/distributors. For certain of the latter, alcohol trading was a logical extension of trading in other primary commodities. E.D. & F. Man, one of the world's biggest sugar traders, is also one of the major rum shippers. Others, such as the Japanese Sogo Shosha (general trading companies), span virtually the entire gamut of commodities output, with Mitsubishi alone merchandizing 25,000 commodities.

For analytical and expository purposes, the categories used in the preceding beer and wine sectors are inappropriate for distilled spirits. Rather, the distilled spirits industry can best be designated as comprising three geo-corporate complexes girdling North America, Western Europe, and Japan. Characteristically, the paramount corporations that constitute each geo-corporate complex have penetrated most countries that are contiguous to their corporate headquarters. This, of course, by no means suggests that a distilled spirits corporation's marketing reach is confined exclusively to its own geo-corporate complex, since their operations are internationalized. Yet, in almost all cases, the bulk of their sales and profits derive from their specific geo- corporate complex.

B. North America: The Geo-Corporate Complex

Five corporations, with combined 1980 sales outstripping 10 billion US dollar, dominate the North American geo-corporate complex, with two headquartered in Canada and three in the United States. Headquarter location as an indicator of the locus of ultimate decision making power, however, can be misleading. Despite its Canadian headquarters (Montreal), Seagram's US sales were over eight times larger than its Canadian sales. Its chairman of the board has been a US citizen since 1955. Beyond North America, the big five's penetrative power is pervasive in Latin America where they rank amongst the majors in wine and distilled spirits.

Already, these big five extend control over half of the US market. Three have seized three quarters of the market in the province of Ontario, suggestive of their wider control of the Canadian market. McGuiness, a subsidiary of a US agri-business giant (Standard Brands), with around 11 per cent of the Canadian market is yet another significant economic agent. Their dominance in several spirtis categories is depicted in their overwhelming presence among top US brands.

On the surface it might appear that the big five suffered setbacks over the past decade as the relative share of distilled spirits in total North American alcoholic beerage consumption slumped. In reality, however, the big five from the late sixties tended to offset distilled spirits' relative decline by moving into the wine sector. When wine consumption subsequently outpaced that of spirits for the first time in US history (1980), they stood in the front ranks of the gainers.

1. Seagram: A Case Study

Seagram embodies concentrated corporate power. It straddles a vast array of alcoholic beverages, with about 150 distilled spirits brands and 300 brands of wines, champagne, port and sherry sold in over 175 countries and territories. Via the Bronfman family's complex holding company operations, Seagram is also linked to a major producer of beer and an imposing spectrum of other commodities.

a. Foundations

«The concentration of wealth», noted *The Financial Times*, «in the hands of a realtively small number of families and individuals makes Canada almost unique in the industrialized world... The power of this elite is formidable. Since 1978, a spate of bids, deals and takovers has underlined the enormous resources they have at their disposal. Now they are turning their attention to the US and beyond. The Bronfman dynasty is at the apex of this power structure. Its roots go back to 1889 with the arrival in Canada of Mr Ekiel Bronfman, the founder of the dynasty. His Manitoba hotel became the launching pad for the small- scale of alcoholic beverages. The prosperity years of World War I (1914—1918) witnessed the extension of the family business through a novel merchandizing technique: liquor sales via the postal services by two of Ekiel's sons: Samuel and Allan.

By 1928, operations were further extended by the takeover of distiller Joseph E. Seagram & Sons which, during the prohibition years, vastly extended its capital base as a vital supplier to US bootleggers. In the ensuing decades, abetted by massive acquisitions and its own expansion programme, Seagram was to be metamorphosed into the world's largest distilled spirits corporation.

b. Vertical Integration

Seagram has backward and forward linkages underpinning both its spirits and wine activities. As a feeder base to its distilleries, it has become one of the largest operators of grain storage facilities in North America. From their North American vantage point, Seagram was to ramify its operations into every continent.

- **in Latin America, Seagram is one of the biggest whisky producers in Brazil through its locally produced brand Natu Nobilis, and in Argentina it has acquired a 15 per cent share in the country's leading producer of fine wines.**
- **in Western Europe, expansion is occuring through the buy- out of some of the oldest family-owned firms, as well as the implantation of subsidiaries: in port and sherries, through the annexation of Sandeman; in whisky, through the buy-out of the Glenlivet Distilleries; in the FRG, where three of its spirits brands rank among the top 100, and in practically all Southern European countries through its established wineries.**
- **it established an Asian beachhead through its Robert Brown joint venture with Japan's Kirin brewery. Elsewhere in Asia it has joined its resources with those of major domestic entrepreneurs which facilitated the conquest of ever larger segments of their rapidly growing markets.**
- **in the Australian region, the impact of their power will now be felt by the takeover of New Zealand's one and only whisky producer.**

c. Conglomerate Ramifications

The rationale of Seagram's acquisitons was voiced by its Chairman, Mr Edgar Bronfman as «building on what my father accomplished. Such filial loyalty, however, does not explain the specific and changing forms that these have assumed over the years. Conglomerate annexationism has been planned and executed through secretive and legally complex holding companies not basically dissimilar from the design of Anton Ruperts Rembrandt/Rothmans group in South Africa.

At the epicentre of the Bronfman empire are two gargantuan holding companies: CEMP Investments and Edper Investments. The former controls Seagram; Cadillac- Fairview, one of North America's largest real estate developers; extensive oil, natural gas, coal and uranium resources; and a hugh portfolio of shares in other TNCs. Edper is more complex in that many of its subsidiaries fall under the umbrella of its own holding company, Brascan, with ownership extending over a wide swathe of natural resource, service and consumer product corporations, including the John Labatt brewing company. Some of the components of the Bronfman empire are indicated in greater detail in the accompanying chart. While it may appear that CEMP and Edper are legally distinct entities, they are imbricated in a multitude of ways through interlocking directorates and extended family ties.

d. The Escalating Stakes

Seagram surged into the 1980s with unprecedented acquistion resources of over 4 billion US dollar, in large part due to its massive cash flows and a 2.3 billion US dollar windfall from sale of its oil and gas interests to Sun company. Its launching of several takeover wars has been made possible by its formidable investment banking connexions in Goldman, Sachs and Company; Lazard Freres; and a large number of other financial institutions. Pinpointing the quintessence of its linkages to finance capital, the 1981 Annual Report reported: By December, Seagram's financial staf had arranged the acquisition financing — a limited recourse 1.62 bn. US dollar facility — and an unsecured 1.38 bn. US dollar revolving credit agreement. Thirty one banks participated, an unusually small number for such a large credit, and the time in which the financing was accomplished was unusually short.»

Summarizing the annexationist blueprint, its chairman announced that its goals were all-embracing «except for atomic energy and the steel business.» The offensive began with the 2.13 bn. US dollar bid for St. Joe Minerals that was countered by the latter's claim that Seagram offer was «false and misleading in its failure to disclose required information about the integrity of the Seagram's management and about the Bronfman family members and associates which control Seagram.» It also contended that Seagram's bid failed to mention «a long history of illegal payments and political contributions, Federal tax and liquor violations, including 33,000 offenses in Pennsylvania alone.»

Although its onslaught was blunted by the abortive attempt to acquire St. Joe's, Seagram immediately redeployed its forces toward Conoco, the number nine US petroleum company and parent of the Consolidated Coal Company. While formally losing what was the biggest corporate annexation in history (7.6 bn. US dollar) Du Pont de Nemours, it nonetheless led to Seagram carving out a 21 per cent stake in Du Pont, a larger voting bloc than the hundreds of Du Pont heirs combined. Henceforth, the fate and fortunes of big alcohol were to be fused with big chemistry. Jubilantly, Seagram's 1981 annual report contended that «the combined Du Pont and Conoco now ranks as North America's seventh largest industrial corporation, a company with combined revenues of 32 billion US dollarand assets of 22 billion US dollar». To which could be added that the Du Pont-Seagram corporate complexes are now closely intermeshed, with each firm having their respective chairman on the other's board of directors.

Because Seagram represents a more mature form of vertical and conglomerate extension so characteristic of distilled spirits corporations, the subsequent section will not cover extensively their individual case histories. Rather, exposition will be focused so as to bring out the structural variations among the lesser corporate constellations in this alcohol segment.

2. The Lesser Majors

Whereas three of the lesser majors

trail Seagram in aggregate sales by a relatively small margin, their orbits are significantly smaller than Seagram because of the latter's powerful holding companies and its coupling with Du Pont. Thus, the lesser majors follow the dictates of a global market largely shaped by Seagram. It now appears striking that internationalization and conglomeration have become a prerequisite for growth and survival.

With the exception of Brown- Forman, the lesser majors are heavily conglomerated. In their own right, Hiram Walker and NDCC could be designated as major petroleum companies. Hiram Walker shares with Seagram an ownership structure dominated by one of Canada's wealthiest families. Apart from Hiram Walker Resources, the Reichmann family's major corporate holding is the conglomerate Olympia and York Developments. With assets of around 12 billion US dollar, it is one of North America's largest real estate companies.

R.J. Reynold's 1.4 billion US dollar takeover of Heublein (1982) propelled it into one of the world's most powerful alcoholic beverage TNCs. Even prior to its buy-out, Heublein owned the largest US vodka brand, and the second largest wine operation. Since the merger, Heublein has been merged with one of the world's biggest agri-business concerns, Del Monte, to form a new beverage and food division. Reynold's was attracted to Heublein's major presence in brand name consumer goods, especially outside the US, crystallized in Heublein's contention that «overseas, where our business, in recent years, has been growing two to three times the rate of that in the US, we see opportunities abounding.» With due allowance for sectoral variations, this contention portrays a process that increasingly hold for both unprocessed and industrial commodities, particularly those consumer product lines where domestic markets are approaching saturation. Thus, internationalization has its own compulsive logic which inescapably embraces both major and minor corporations.

Overseas operations already provide Heublein with 22 per cent of revenues and 25 per cent of operating profits. Such indicators of internationalization hold true not only for its alcohol operations, but no less so for its other product lines. The fact that Heublein produces a vast spectrum of wines and spirits means that it is ideally positioned to meet demand for the fastest growing alcohol category in each national market at a specific moment. In Brazil, for example, where vodka and certain wines have been growing at double digit rates Heublein has locked into those, market segments and has adapted its marketing goals to specific social formations, notably those with higher income. One of its rationales is that «emphasis is also being placed on strengthening (our) leading position in the premium-priced whisky category, which is relatively immune to economic slowdown, a marketing strategy no less relentlessly pursued by other distilled spirit TNCs in developing countries.

The scale and profitability of such internationalization by the biggest TNCs becomes self- reinforcing on their domestic operations, giving them an edge over smaller competitors confined to the domestic market. Such corporate internationalization, propelled by multimillion dollar advertising on-slaughts, becomes even more self-reinforcing in the age of mass communication and tourism. In 1979, over half a billion tourists spent over S80 billion, a significant share of which was on alcohol. Data on international tourism over the past 15 year gives an indicator of its exponential growth. Invariably, in the major airports, airlines, hotels, bars and casinos, tourists are confronted with familiar brands of the alcohol majors.

C. West Europe: The Geo-Corporate Complex

Nothwithstanding that much of Western Europe is formally unified through the European Economic Community (EEC), its distilled spirits market has not yet attained the level of corporate cohesion as evidenced in North America. Whereas the North American big five have plants spread across frontiers, the West European majors have interpenetrated each others markets almost exclusively via exports. This, in part, is imputable to fairly distinctive national consumption patterns in Western Europe, with whisky dominant in the UK, brandy and aniseed-based drinks the leaders in France, and brandy on top in the FRG. Such distinctive consumption patterns, however, in themselves are in no way immutable as they are continuously subjec to an unrelenting barrage of transnational advertising.

Analysis is centered on the major distilled spirit producing countries: The UK, France and the FRG.

1. The United Kingdom

For centuries, the UK has been the centre of the world's largest distilled spirits category: whisky. Notwithstanding that the United Kingdom's industrial exports have grown markedly in the post-war period, so that by 1980 their value was almost 900 million UK pounds, or two per cent of export revenues.

Major institutional shifts have been a catalytic factor in the industry since World War II. Basically, these consist of three major external economic groupings that penetrated the UK scotch whisky industry: TNCs brewers and conglomerates. Led by Seagram and Hiram Walker (each with nine distilleries by 1979), TNCs had seized one-fifth of UK output, an overriding factor in the 1980 decision of the Monopolies and Mergers Commission in rejecting Hiram Walker's takeover bid of Highland Distilleries. This pinpoints that no «independent» Scotch whisky company remains invulnerable to the annexationist drives of these three corporate phalanxes. A study of the UK domestic whisky market suggests that TNCs have not used their whisky implantations in Scotland thus far to penetrate significantly the UK market. The ten largest UK brands are still owned by UK companies, with Distillers Company Ltd. (DCL) and Arthur Bell with half of the market. Rather, takeovers of prominent Scottish distilleries offer TNCs the locational advantages of duty free entry into EEC countries, as well as control over enormous ageing inventories of distinguished brand names.

Indeed, the dimensions of the global market dwarf the UK's, as over four-fifts of all Scotch whisky is exported abroad. Whereas earlier, Scotch whisky was the paramount force on global whisky markets, by the mid-seventies its share had slumped to one third after marketing onslaughts of American whisky (26 per cent); Canadian (15); Japanese (14); and Indian (5). While formally correct, this geo- market segmentation breakdown masks the imbrications of corporate power that straddle these categories since, for example, a fifth of so-called «Scotch» whisky is not produced by UK-based corporations.

Significant also is the changing morphology of the UK market in the global whisky economy. Not only is its ownership structure changing, but what is striking in a country that pioneered the industrial revolution is the perceptible shift from manufactured whisky exports to that of a primary feed stock: bulk malt whisky. The rationale behind this shift is that traditional whisky importers are protecting or developing their own distilling and bottling industries. Thus, import substitution is carried out by establishing high tariff and non-tariff barriers on bottled whisky, while admixing bulk malt imports with locally distilled spirits. Japan and Spain are the two leading practioners, trailed by two developing economies: Argentina and Brazil, indicative of the changing configuration in the international division of labour.

Analysis of the global whisky circuit would be incomplete without recognizing another vital link in the chain, namely the importer/distributor. Many distributors of distilled spirits are themselves giant multicommodity traders, and assume prominence in all alcohol sectors where exports are significant. Essentially, the functions of the importer/distributor are largely wholesale, including holding and financing inventories, shaping pricing policies, and promotion of the specific brand. DCL, for example, has contracts with 3,000 distributors in some 200 markets, from Hong Kong's largest trader (Jardine Matheson) in Japan, and Schenley in the United States, to numerous smaller trading companies in the Gulf region.

This trading network, which has evolved over the last two centuries with its very high distributor markups, is now being encroached upon by another group of multicommodity traders having recourse to what is known as «parallel trading.» It consists of traders purchasing wellknown brands in the United Kingdom and shipping them to overseas markets where they underprice the traditional distributor/importer. Those who are potentially best positioned to profit on a large-scale from «parallel trading» are precisely those traders with the most globally sophisticated marketing networks.

It ought not be obscured that although the whisky giants dominate UK spirits, there are other formidable corporate agents in other spirits categories. United Rum Merchants, a subsidiary of Booker McConnell is vertically integrated from sugar plantations to rum distilling and is the dominant force on the UK dark rum market. Likewise, Grand Metropolitan's liquor subsidiary IDV, already encountered in the beer, wine and whisky markets, is important in gin, vodka, rum and liqueurs not only in the UK but in several developed and developing countries as well. IDV ranks a close second after Distillers among the largst transnational alcohol TNCs based in the UK, with the corporate roots of its various predecessor firms harking back as early as the 17th Century. Already in the 19th Century, Gilbeys (now a major IDV subsidiary) developed South Africa into a springboard to build an international empire of wine buying and selling, which today has ramified into IDV's wine and spirits investments in several African countries.

Photo: Trond Aasland

Photo: WHO/UNCTAD

Chapter 3

Corporate Marketing Strategies

1. Overview

In their most rudimentary expressing, corporate marketing strategies are designed to separate the consumer from his money. In pursuit of this goal, the modern corporation has built up a series of interrelated professions and techniques to package, advertise, promote, and price its products to maximize the dual targets of profit and market aggrandizement. Specific marketing strategies for the major legal addictive products — alcohol and tobacco — are essentially similar to those of TNCs in all other consumer product lines. Due to the addicitive nature of these products, however, perceptible nuances are discernible in their promoters obsessive preoccupations with creating a product image imbued with concern for individual health, safety, and the sociability of their consumption.

Central to all TNC marketing strategies is the comprehensive integration of each individual component. Nowhere is this more clearly elucidated than in the words of the chairman of the world's largest brewery, Mr. August A. Busch III: «In 1977, we installed a programme which we call «Total Marketing» which combines all of the key marketing elements into a single orchestrated thrust. Advertising was joined by sales promotion, merchandizing, field sales, sales training and sports programming, enabling us to market not only on a national plane, but also at the grassroots level. This 'in the trenches' capability, coupled with our national programmes, will prove vital to our growth in the eighties.»

Increasingly, corporate marketing strategies are adopting both the terminology and techniques of warfare, symptomatic of the underlying, fierce competitive antagonisms unleashed on the global market. The pervasiveness of this approach was pungently underliaed in the American *Journal of Business Strategy* that merits quotation at some length:

> The increased need of business to develop competitor-centred strategies to wine market shave will lead managers to turn more and more to the subject of military science. The classic works of Clausewitz, Liddell Hart, and other military theorists are being increasingly combed for ideas, just as economic theory and consumer behavior theory were studied in the last two decades.
>
> Business people frequently use military talk to describe their situations. There are price «wars», «border clashes», and «skirmishes» among the major computer manufacturers; an «escalation arms race» among cigarette manufacturers; «market invasion» and «guerilla warfare» in the coffee market. A company's advertising is its «propaganda arm», its salesmen are its shock troops», and its marketing research is its» «intelligence». There is talk about «confrontation», «brinmanship», «superweapons», «reprisals», and «psychological warfare».
>
> But the real question is whether the use of «warfare» language in business is just descriptive or whether it really aids in thinking and planning competitive strategy. We believe it does, and that principles of military strategy apply in three critical business decision areas — namely, determining objectives, developing attach strtegies, and developing defense strategies.

The astronomic sums involved in such marketing strategies and, no less so, in the legal takeover wars are such that only the largest can survive.

It is crucial for understanding alcoholic beverage marketing strategies to see them in the context of mounting corporate concentration, transnationalization, conglomeration and oligopolization in the beer, wine and distilled spirits sectors, as mapped out in the previous chapter. Had alcoholic beverage sectors remained competitively fragmented, corporate marketing warfare would never have attained its present lethal pitch. With the wine sector as a possible excepion in certain countries, national and global marketing warfare among a handful of giants has been revolutionized by the conglomerate instrustions of such battle-tested veterans as Philip Morris and Coca Cola. Tracing the new battle lines of the eighties, one of Gallo's vicepresident's noted: «Coca has lots of money and can do whatever it wants.» Similarly, as *Impact's* editor added: «Coke said there are no rules, and whatever it takes to build a brand we will commit ourselves to». Such are the unconditional terms of corporate survival.

This chapter is centred on understanding four decisive components of corporate marketing warfare — advertising and promotion, overseas sales strategies, pricing policies, and TNC linkages to finance capital.

II. Advertising and Promotion

A. Historical Foundation

Since the last quarter of the 19th century, which witnessed the large concentration of industrial and finance capital, advertising and its attendant promotional techniques have been at the epicentre of corporate marketing strategies. Advertising technology, from this historic watershed evolved in tandem with major innovations in production technology and management techniques. Communication and transportation revolutions, associated with the mass expansion of the telegraph and the railway, swelled the number of daily and weekly newspapers in the US and Europe after the 1870s. Corporate capital immediately seized on the upsurge in newspapers as an advertising medium that came to complement posters as a visual and pshychological device for boosting sales and moulding consumer behaviour.

Alcoholic beverage advertising imparted another major impetus with the onset of the commercial production of industrial glass, notably bottles, that became part of a larger packaging revolution with cardboard boxing a significant component. Large scale commercial bottling made possible alcohol merchandising via the mail order trade. Even prior to the turn of the century, whisky sales, underpinned by advertising, were available through mail order houses which were some of the precursors of today's large retail establishments.

As distinct from brand identification which is the quintessence of contemporary advertising, the earliest manifestations of liquor advertising emphasized price as the basic stimulus to purchase and consumption. Only during the first decade of the twentieth century were brands destined to assume their psycho- social prominence as the decisive advertising conduit.

While deliberate falsehoods, exaggerated and misleading assertions have been major traits of advertising since its incipience, the earliest forms bordered on what would appear today as quixotic and even grotesque, as the following experts would intimate. Unbashedly, an 1899 US advertisement boasted that «in Fig Rye, science has produced a whisky which aids digestions instead of retarding, helps the liver to proper action and keeps the kidneys in a state of perfect health. The introduction of the fig neutralizes all of the unpleasant and dangerous effects of those properties which any whisky made from grains alone possesses.» Yet another in 1900 touted the therapeutic and medicinal effects on the insane: «Woodland Whiskey was adopted July 1, 1899, by the Department of the Interior of the United States for use at the government hospital for the insane, Washington, D.C., on account of its absolute purity and excellent medicinal qualities.»

In subsequent decades, advertising was to shed much of its mendacious posturings to harness the tools of applied science and statistics, psychology and other forms of consumer manipulaton. Large- scale corporate advertising now moved in conjuncton with the concentration of industrial and financial capital, becoming in its own right, one of the major multi- billion dollar industries. The advertising industry's sheer size, with global billings outspacing 120 billions US dollar (1981), gives a clue of its all-pervasive power to generate, direct and manipulate consumer demand in all consumer goods industries.

It is at this juncture that one sees the divorce between traditional economic theory and the reality of mass advertising. Just as the contemporary realy of olitgopolistic and conglomerate structures have annihilated traditional neo- classical producer theory, mass advertising has likewise undermined traditional consumer theory, based on the individual consumer endowed with the freedom to maximise his subjective utility through rational market choices. The impact of advertising, with that of alcoholic beverages being a prominent illustration, indicates the extent to which the notion of «consumer sovereignty» is singularly inapplicable in an economic universe dominated by oligopolistic institutions.

In the case of alcohol, advertising technology has been a catalyst of consumpton, with all its attendant health related problems, in several areas:

- **multi-billion dollar advertising has launched new alcohol categories and brands, thus stimulating new alcohol tastes;**
- **lavishly bankrolled marketing drives have helped alcohol compete much more effectively for the consumer's disposable income, thus also enlarging the alcohol market;**
- **specifically segmented advertising campaigns have been targeted to pull in new consumer groups, e.g. females and adolescents, where alcohol consumption has traditionally been low.**

Mass advertising's effectiveness in moulding consumer choice is evenmore pronounced in most developing countries, where far fewer corporations bombard the consumer and where less effective consumer protection mechanisms exist. Much of this corporate advertising exploits desires by members of the DE elite to emulate western consumption paterns and modes of conduct. This often assumes racist and sexist manifestations, exemplified in San Miguel's Hong Kong advertisements, which feature a mixed group of Chinese males and white females. This approach is explained by San Miguel, «because we think some Chinese would like western girl friends».

B. The Numbers Dimension

Advertising's all-pervasive influence is glimpsed in clearer perspective through the analytical prism of global advertising billings, which measure the major media outlets: magazines, radio television, newspapers and outdoor placements. It should be emphasized that these figures underestimate total advertising outlays as they exclude other promotional devices, including the sponsorship of sports events. As can be expected, there are huge variations between countries in the volume of resources deployed in advertising, ranging from an estimatd 0.04 per cent of GNP in Ethiopia to over 2 per cent in the United States.

Indeed, the US har appropriated fully one half of global advertising expenditures. Together with the next five epicentres of corporate power: Japan, the FRG., the UK, France and Canada, they account for around four-fifths of the total.

Global alcoholic beverage advertising hit almost 2 billion US dollar in 1981, an estimated 1.6 per cent of global advertising. Once again, an estimated half of this two billion sum was spent in the United States, which placed the brunt of the alcohol advertising onslaught on the American consumer. A strong US movement towards deregulating government codes and restrictions on corporate practices in the early eighties can be expected to accentuate, further the avalanche of consumer advertising. Under the constant pressures of deregulation, the National Association of Broadcasters dismantled its advertising code in 1982, which had prohibited distilled spirits advertising and restrained the volume of advertising minutes per television hour. With the formal code gone, the floodgates are open to expand an already huge 2.6 bn US dollar prime time television advertising outlays.

It is precisely due to the US's central position in global advertising that most of the analytical illustrations used are drawn from US advertising techniques. While beer and spirits are the clear leaders in US alcohol advertising, nonetheless wine is the fastest growing of the three: wine advertising outlays leaped almost threefold per gallon in the seventies.

One of the major factors inhibiting new corporate entrants into the alcohol industry has been the prohibitive cost incurred by the leading TNCs on major brands. This is but one more glaring factor contributing to corporate concentration away from the atomistically competitive markets of traditional theory. Over 200 million dollars was spent on each of the five leading beer brands and the leading wine brand in 1980, and over 10 million US dollar on the following twelve alcoholic beverage brands. A major contributory factor in these drives was the incursions of the conglomerates Philip Morris and Coca Cola into the US beer and wine markets. Even wine market leader Gallo has been surpased in 1981 by Coca Co-

la's 30 million US dollar advertising avalanche, which compelled all their major competitors to escalate sharply their advertising outlays.

Alcohol advertising outlays by the large TNCs must, however, be seen in the larger context of these conglomerates total advertising expenditures, which vastly reinforce the total effectiveness of their overall marketing. Seven of the top 100 advertisers in the US are major alcohol beverage producers,with combined measured advertising outlays (excluding their substantial international outlays) outstripping 1.1 billion US dollar.

A more coherent perspective of the magnitude of alcohol advertising is gleaned from an investigation of specific media outlets. In magazine advertising, for example, alcoholic beverages exceed tobacco as the leading advertiser with well over ten per cent of total billings. Seagram and Philip Morris are Both among the top four magazine advertizers. In the outdoor advertising category, tobacco was the clear leader with about one fifth of total billings, trailed by alcoholic beverage in second place with about one tenth. In this respect, the US is representative of the ad profile in most DMEs.

C. The Drive to Market Segmentation

In view of the heterogeneity of consumers in all societies by sex, age, ethnic, income, and geographiocal groups, TNCs in all consumer product lines have attempted to expand markets through product differentiation and brand proliferation. Another factor which corporations consider in their brand creation is the incidence of national cohesion in the market. In the UK beer market, where local and regional identities are still tenacious, Allied-Lyons has spawned a brand portfolio of about 50 beers. In contrast, the US beer industry generates a far more cohesive national market, in which Philip Morris has deployed a market strategy rooted in merely four brands.

The major segmentation criteria in launching new brands are highlighted in the following examples. Underlying the strategy of segmentation are highly sophisticated and prodigiously financed marketing surveys, which have identified those markets most vulnerable to corporate penetration.

Table 2
US TNCs Producing Alcoholic Beverages National Advertising Expenditures, 1980 (million US dollar)

National rank	Company	Adventising expenditures	Sales
4	Philip Morris	364.6	9,822.3
20	Coca Cola	184.2	5,912.6
21	Anheuser-Busch	181.3	3,295.4
26	Heublein	170.0	1,974.8
30	Seagram	152.0	1,588.2
71	Schlitz	66.4	896.7
72	Brown-Forman	65.0	468.3
Total		1,183.5	23,958.3

Excludes local and international advertising. Source: Computed from trade sources.

1. Female Recruitment

As women swelled the ranks of the DME labour forces in the 1960s and 1970s, parallelled by powerful social movements calling for greater female emancipation and prticipaton, corporate power moved to cash in on this socio-economic upsurge. One specific form this assumed was the corporate targeting of women as a rising consumer group worthy of special attention. This has involved two kinds of corporate strategy applicable to all forms of market segmentation: generating new brands and retarge ting older ones. Seagram's 1.75 million pounds promotional campaign for a new brand in 1980 was sanctified as follows: «Crocodillo is the first completely new drink to be developed out of consumer research specifically for young women during the last decade.»

Retargeting is exemplified by Brown-Forman's push to reposition their leading whisky brand, Jack Daniels, towards women. «As the brand has gotten bigger», notes an executive from Brown-Forman's advertising agency, «we have kept looking for places to find new drinkers... Vodka has done all right with women, but women are a big, untapped category for whisky. We felt there was a potential, especially with upscale working women, and particularly with working women who make their own brand decisions. Consequently, Jack Daniels became one of the first distilled spirits brands to run advertisements in leading women's magazines. Seen in a wider context, it is not only the alcohol TNCs that are pushing their advetisements on women's magazines, but the magazines themselves, due to escalating costs and their dependence on advertising revenues, which are also blatantly soliciting the alcohol TNCs. Thus, the overall advertising avalanche is by no means exclusively the brain child of the alcohol TNCs, but rather the resultant of a self-reinforcing network that meshes TNCs with the media.

2. Corraling Youth

While women's importance as a consuming segment is unparalleled in size, the youth market assumes paramount importance for yet another reason. Due to legal prescriptions against alcohol sales to adolescents in most DMEs, alcohol advertising TNCs can hone in on the entry level age group to recruit consumers at a formative age. This is crucial for it is immensely easier to recruit a nondrinker to a specific brand than a consumer who is already locked into another brand. To make further deep forays into this segment, TNC's often strive to reshape certain existing brands so as to enhance their youth appeal. By recourse to commercials depicting the attractiveness of dangerous and exciting occupatons, Philip Morris has moved in on this market. Similarly, Grand Metropolitan claimed to have discerned through a market survey that their gin products were being purchased by an aging consumer group, which it attempted to counteract by launching a novel cartoon advertising campaign for its Gilbey's brand aimed at the youth market.

3. Ethnic Pursuits

In most countries, there exist substantial culturally differentiated ethnic minorities. The potential of these segments has not yet been fully realised by corporate advertising capital, although once again, the United Staes advertising giants have been pioneers in this field. Brewer market surveys have provided fairly accurate breakdowns of the urban centres where black consumer markets are concentrated so that specific brands can be targeted. What appears to be valid for beer is also valid for wine and distilled spirits.

4. Income Strata

As with a staggering array of consumer durables and non-durables firms, alcohol TNCs often create brands corresponding to the disposable income of specific social classes. This includes «popular» brands prices to attract lower income groups; «premium» brands aimed at higher income groups; and «super-premium» brands directed towards the summit of the income pyramid. Such brand differentiation can be misleading inasmuch as it often involves little more than affixing different labels on bottles of essentially the same product. As alcohol corporations switch their marketing acumen to developing countries, paritculary in distilled spirits, they invariably place less emphasis on popular brands due to low income levels of the vast majority.

5. Locational Patterns

Geographic segmentation can and does play an important role in countries where entrenched traditional local and regional loyalties stil exist. Whereas in the US and Japan corporate concentration, coupled to highly unified transportation and communications networks, has contributed largely to eradicate such regional loyalties, in the UK and the FRG these loyalties continue to exercise an impact on cosumer choice. Thus, the latter two's leading brewers have retained a staggering variety of local and regional brands. Or, as the *Financial TImes* puts it for the Uk market: «Regional names for beers and local pricing arrangements are the order of the day at the large brewery companies.» Such entrenched regional loyalies have no parallels in developing countries due to the relatively short history of their commercial alcohol consumption, which permits the easier penetration of single national brands.

6. Competitive Substitutability

Because distilled spirits comprise several competitive categories, corporate capital often creates different brands within a given category (e.g. rum or whisky), each with a specific competitive capability. Illustrative is Bacardi's grand design on the US market, where it has launched five specific rum brands each aimed at a different spirits category:

- **silver rum, to compete with vodka and gin;**
- **amber rum, to compete with American whisky;**
- **«Gold Reserve», to compete with brandies;**
- **«1873», to compete with scotch whisky; and**
- **151 proof rum, for use in mixed drinks or in cooking.**

A similar corporate marketing vision also loms on the wine horizon with Villa Banfi's positioning its Riunite brand: «Today we consider any liquid at all our competitor. We are positioning · ourselves like a soft drink.»

7. Light versus Heavy Consumption

Perhaps the most recent innovation in market segmentation techniques has been the brand differentiaton between heavier and lighter drinkers. While most marketing energies have been directed toward the lighter end of the drinking spectrum, certain specific beer brands have been aimed at the heavier end, such as Philip Morris's malt liquor destined for the consumer who drinks 18—24 bottles per week. Conversely, a focus on the less heavy alcohol consumer emerged in the mid-seventies with the appearance of beer with 20—35 per cent fewer calories and lower alcohol content, billed as «light» beer. This shift to «light» beer exhibits similarities with the innovations of low tar cigarettes and sugarless soft drinks, and often involves the same TNCs (e.g. Philip Morris and Coca Cola). These innovations were largely responses to concerted social pressures from consumer, health and government agencies which centred on health-related problems.

For the world's two biggest brewers — Anheuser-Busch and Philip Morris — their massive entry, and subsequent dominace, of the light beer market has offered an unparalleled bonanza, as the segment has proved recession-proof. Their marketing success stems in part from their appeal to the health and weight-conscious female beer consumer, as well as their no less deliberate pursuit of the male market by recourse to sport personalities and the sporting cult in their promotional efforts. Such low alcohol beer has already made inroads in certain other DMEs, notably Australia, where it has gouged out a tenth of the national beer market. In most developing countries, where weight consciousness is not a primary concern, this species of product differentiation is of minor consequence.

It was only a matter of time before success in light beer would exert a demonstration effect on the wine sector. It is not fortuitous that Coca Cola, with its vast marketing know-how in low sugar/calorie soft drinks, would herald the innovation of a light wine with lower sugar and alcohol content. Whereas prior to 1980, California state law required that all wine should contain at least ten per cent alcohol, removal of this restrictive measure has not only uleashed a wine war in this segment, but is fundamentally reshaping wine production and consumption patterns. With this deregulative measure, the floodgates were opened for other giants (notable Heublein, Schlitz, Norton Simon, and Seagram) to plunge into the fray with unprecedented advertising outlays. Such legislative manoeuvering of output standards runs along the same track as the hitherto mentioned deregulation of advertising, in that both are contributing to blaze new marketing vistas for corporate power.

8. Emergence of New Alcohol Categories

While the above categories of market segmentation define the parameters of corporate criteria in shaping new brands, it must not be surmised that these delineate the exclusive and formal boundaries to corporate choice. Rather, in the limitless quest to annex new markets, novel alcohol categories are being created. A prominent illustration of such a prime mover is Grand Metropolitan's creation (through its IDV subsidiary) of the cream liqueur category designed primarily to hit the female market. Cream liqueur is a creation of chemical technology, wich has spawned one of the fastest growing alcohol categories world-wide, triggering a market chain reaction of new TNC intruders.

Discussion in the eight preseeding sub-sections can by no means be considered an exhaustive treatment of advertising techniques. Whereas these sub-sections have delineated the various strands of brand advertising, there exists, albeit on a far lesser scale, what could be designated as another advertising sub-set that transcends specific brands and deals wit alcohol categories in their totality: generics.

D. Generic Advertising

The word genus, from which is derived the adjective and noun «generic», originally refered to a category of biological classifications comprising related organisms, usually consisting of several species. Translated into corporate terminology, species become brands, and generic categories are specific product lines, e.g. cigarettes, wine, beer, etc. In certain DMEs, a growing amount of food products are being retailed under plain generic labels, which in the case of the US scales 12 per cent. Already generic labels have appropriated 3—5 per cent of the US wine market and are making inroads into distilled spirits.

The purchasing rationale behind «generics» is price. Inasmuch as the «generic» product has not been subject to advertising expenses, it sells for as little as half the price of its equivalent brand. From the perspective of corporate merchandising, the ratonale behind producing such «generics» is the attempt to capture that segment of the market that has developed, as it were, anti-bodies against, and hence immunity to, advertising.

Another manifestation «generics» assume, this time bankrolled by advertising, is state-supported export programmes for entire product lines. In each of the three major world alcohol export sectors — UK scotch whisky, French wine and Italian wine — the state and trade associations have buttressed export drives with major advertising campaigns for specific alcohol categories as a whole. A variation in the «generic» approach is highlighted by the Italian Trade Commission's decision to promote specific types of wine, such as Soave and Lambrusco, instead of the wine category as a whole.

Producers, governments and trade associations are not the exclusive advertising agents on the global market. Rather, when alcoholic beverages are exported, another economic agent assumes the advertising burden: the importer/distributor.

E. Importer Linkups

In view of the complexity and diversity of various global markets, alcoholic beverage producers often find it lucrative to delegate advertising in foreign markets to economic agents endowed with a far more intimate merchandising expertise in that specific market. Invariably, the importer/distributor (at times a subsidiary of the corporation) takes over the advertising function. Nonetheless, decisions concerning the amount of advertising money to be spent in each market are still with the TNC producer. While the distributor/importer is expendable if it fails to meet corporate sales expectations, this form of corporate linkage often survives decades of close intermeshing. Staggering sums are often involved, seen in 6.5 million US dollar deployed by Grand Metropolitan to its US importer, Austin Nichols, to promote the Bailey's Irish Cream brand.

Such a discussion on advertising would be incomplete without an analysis of the dominant corporations that engineer these advertising onslaughts.

F. The Advertising Phalanx

The giant advertising corporations that constitute the 120 bn US dollar global advertising phalanx have become an indispensable adjunct of global corporate capital in all economic sectors, of which alcohol is but one important component. Led by Japan's Dentsu and the US giants Young & Rubicam and J. Walter Thompson, twelve globe-straddling advertising agencies (each with yearly billings over 1 billion US dollar) jointly appropriate over 17 per cent of global billings. It is precisely these large advertising companies that acquire the bulk of contracts awarded by the biggest alcohol corporations, and whose marketing expertise is the most sophisticated from dealings in a variety of consumer product lines, not least that of another addicitve product — cigarettes.

As with the alcohol TNCs themselves, the marketing leverage of several of the leading advertising agencies is reinforced by their conglomerate reach. Within a short time span, Young & Rubicam annexed 15 corporations to become a leader in such related fields as public relations, package design, sales promotion, direct marketing and advertising to specialized professional groups. Annexation of other corporations to form a more coherent corporate galaxy is but one strategy. Another, no less effective one, is the build up of joint ventures between the largest advertising agencies to further penetrate a given market. Dentsu and Young & Rubicam (the world's two biggest advertising agencies) already have a joint venture in Japan and similar hookups are on the corporate drawing board for other global markets. Nor are TNC advertisers immune to annexation, seen in Saatchi & Saatchi's 1982 takeover (57 million US dollar) of US advertiser Compton, which propelled the combined agencies into one of the world's top ten advertisers.

It is vital for understanding the mechanisms and networks of the global market that precisely the same big 12 advertising agencies are omnipresent in both the developed and developing countries. Shifting the focus to the five largest Latin American markets, for example, J. Walter Thompson is the major advertising agency in Argentina, Chile and Venezuela; number two in Brazil and number four in Mexico. Thus, precisely the same marketing technology perfected in the developed economies is adaptively deployed to promote alcoholic beverages and other product lines in the developing countries. Indeed, given their vast economic intelligence networks, in many cases they command a more sophisticated mastery of consumer behaviour in local and national markets than most governments.

G. Parametres of the Debate

However incredulous it may appear, given the billions of dollars that nourish alcohol advertising, there is an important current of opinion (partially fed by corporate capital) which contends that these colossal advertising sums exercise no impact on inducting new consumers into the alcohol market. In the words of South African Breweries, «advertising… cannot cause movement in overall consumption.»

In both tobacco and alcohol, the two major legal addictive substances, the debate on advertising's impact has acquired universal dimensions, stretching from the United States to Papua New Guinea. Conventionally, advertising's protagonists argue that their campaigns are not geared to escalate consumption, but rather to encourage those who already drink to switch to a particular brand. Counterpoising this species of argument are those who attribute increased alcohol consumption by young age groups, women, individuals in developing countries and other social categories to sustained publicity onslaughts that glamorize alcohol and vaunt its consumption as a prescription for problem solving and success in business, social encounters, sports and sex.

A myriad of ostensibly «scientific» research monographs, many based on economic techniques, have grappled with the relationship of advertising to consumption in several countries. This study is not concerned with fuelling the debate with statistical series for or against; but

rather to indicate the fallacious foundations of the debate. Above all, one must scrutinize carefully the source of funding of these studies, since in several cases it is the alcohol power network (at times through their trade associations) that directly or indirectly bankroll these monographs. It should come as no surpirse that what was outed as a distinguished study, whose austere conclusions were «that no scientific evidence exists that beverage alcohol advertising has any significant impact on alcohol abuse», was sponsored and funded by the US Brewers Association.

Such a plethora of partisan studies tend to obfuscate the issues and generate a debate which is largely motivated by, and is in the interests of, the alcohol power complex. Why, it may be asked, should alcohol and tobacco advertisements differ from ads of other products which are blatantly endeavouring to hike both market shares and consumption? Indeed, it is wholly irrelevant how TNCs construe their advertising intentions, inasmuch as both their textual and visual brand imagery is non- discriminatory in its permanent cerebral bombardment of both adults and adolescents, males and females, blacks and whites and, above all, drinkers and non-drinkers.

Another dimension of the debates' misleading parameteres is that it is centred exclusively on advertising, and hence any policy prescriptions emanating from it tend to focus exclusively on advertising. Given, however, the previous analysis and what follows, such a narrow debating vision obscures the evolving totality of alcohol TNCs' promotional strategies which reach well beyond the formal confines of advertising.

H. The Permanent Transformation of Consumer Avareness

In their quest for the permanent revolutionizing of consumer awareness, alcohol TNCs are transforming the technology of marketing persuasion. Faced with varius impediments (e.g. advertising bans), the TNC, like water confronting a rock, merely flows around it, deploying its prodigious resources by other techniques. Thus, it would beallacious to infer that a specific institutional ban would exert any more than a marginal deterrent impact on TNC marketing. Some of the salient interrelated techniques of the alcohol TNCs constantly evolving marketing apparatus are depicted below.

1. *Free Sampling:* A technique deployed through various retail outlets where brand awareness is refurbished and/or generated by the free distribution of the product. Pernod Ricard has experimented widely with this technique in pubs, clubs and discos, targeted to a youth audience.

2. *Supporters Clubs:* Creation of clubs by specific TNCs where members are entitled to buy a range of memorabilia touting the brand. Guinness launched its supporters club in 1981 in 13,000 pubs in the UK and Ireland, drawing in 55,000 members.

3. *Promotional Tours:* Essentially deployed by wineries to attract tourists via free sampling and factory tours. Around two million tourists yearly visit California's Napa Valley wineries as a result of this technique.

4. *Sports and Leisure Promotion:* In certain cases, entire corporate departments have been scaffolded to research sporting and leisure interests of alcohol consumers, aimed at corporate sponsorship of specific athletic events, Moctezuma, one of Mexico's big three brewers, has sponsored such diverse athletic and gastronomic events as «a pie-eating contest, hairy legs competition, ballon stomp, tug o'war in the mud, dunk tank competition, trivia contests, tricycle race, egg toss, and of course, a beer chugging relay race».

5. *Logo Merchandising:* A technique whereby alcohol TNCs contract apparel manuafacturs to produce items bearing the corporation's brand. Depending on the nature of the market, this merchandise is sold slightly above cost, below costs or distributed freely, and represents a higly effective device for proliferating brand awareness, strikingly so in developing countries.

6. *Telephone Delivery Services:* A relatively new technique, innovated by Seagram, that facilitates merchandising, as consumers can place toll-free telephone orders for delivery of the company's brand, with payment by credit card. Such levels of merchandising sophistication are only feasible for those giant TNCs with far- flung national distribution networks and are thus beyond the reach of smaller companies.

7. *Treasure Trove Gimmickry:* This genre of generating brand awareness involves concealing cases of alcohol in certain areas, and then purchasing media outlets to give clues as to where the alcohol «treasure» may be found. Hiram Walker has disbursed as much as 10 million US dollar on what it bills as a «Hide-a-case» campaign in Canada's wilderness.

8. *Taste Test Competition:* This involves the purchase of prime time television during major sporting events for a live competition between drinkers to select the better of two brands. Schlitz has poured 4 million US dollar into this technique to challenge its two leading competitors.

9. *Targeting Retail Outlets:*Essentially this consists of directing resources towards those retail outlets where alcohol consumption has hitherto been non-existent or restricted. These include fast food outlets, sport stadiums, convenience stores, airlines, etc. Targeting such outlets is being abetted by technical innovations in packaging engineered for specific outlets. Light, compact aluminium cans (for wine retailing in airlines) and large bag-in-box containers (for dispensing wine in restaurants) have been among Coca Cola's leading innovations.

10. *Shelf Space Manipulation:* While shelf positioning has long been a retailing strategy, it is only within the last decade that it has acquired its highly sophisticated forms. This technique is based on marketing surveys and computerized shelf alignment studies which seek to uncover the psychology of product location vis-a-vis other product lines, geared to maximize sales. Manuals elaborating such scientific techniques are distributed by Gallo and other alcohol TNC to retailers.

11. *Point of Sale Promotion:* With kinship to supporters' clubs, alcohol TNCs often offer distribution outlets a wide array of free point-of-sale consumer items, bearing their logo, as

well as discount coupons. Deregulation, at least in the United States, is facilitating the propgation of this technique by giving freer rein to in-store product displays.

While these interrelated techniques are generally deployed byindividual corporations, there are cases where the promotional onslaught can be executed through joint corporate efforts. California's wine grape growers have proposed the setting up of a «co-ordinating commission» that would, in their perspective, direct «consume education» (i.e. moulding consumer behaviour to the service of corporate goals) for its wines.

The reverberations of these combined sales, advertising and marketing techniques are being felt not only in DMEs, but in certain DEs, as the ongoing Philippine beer war highlights. Philippine per capita beer consumption is still relatively low by international standards — 14 litres versus 145 in the FRG. This disparity indicates just how high the stakes have risen. San Miguel the Philippines fourth largest corporation, has enjoyed a virtually unchallenged monopoly for over nine decades. In 1981, a tobacco, banking, construction, chemical and agri-business conglomerate, bankrolled by indigenous and foreign Chinese capital, mounted the attack.

Both are deploying their non- alcohol product lines to cross- subsidize the colossal outlays required to finance the war. According to a San Miguel spokesman, it tripled its ber advertising expenditures merely in one year, concentrating on TV in the urban areas, and radio in the povinces. Compounding the war has been the preciptous drop in rural incomes related to declining raw material prices in the midst of global economic crisis. To forestall a shift by its poor consumers to low priced indigenous spirits, one of the contenders has introduced a relatively cheap, high alcohol content brand. The public health implications are that the war is being fought to get consumers more inebriated more quickly and at a lower price.

All of the preceding advertising and promotional techniques are orchestrated primarily within domestic markets. With the growing internationalization of output, trade and capital flows, however, they in turn have been internationalized to underpin the propagation of alcohol the world over.