

# **Alcohol Marketing and Regulatory Policy Environment in India**

**A Report**

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(PHFI

logo)

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## FOREWORD

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## ABBREVIATIONS

ASCI	Advertising Standards Council of India
CSR	Corporate Social Responsibility
DALY	Disability Adjusted Life Years
GBD	Global Burden of Disease
HRIDAY	Health Related Information Dissemination among Youth
NFHS	National Family Health Survey
PHFI	Public Health Foundation of India
SHS	Second Hand Smoke
SIDA	Swedish International Developmental Agency
SNIPH	Swedish National Institute of Public Health
WHA	World Health Assembly
WHO	World Health Organisation

## INTRODUCTION

Alcohol is playing an increasingly important role in India's emerging economy as the number of consumers of spirits and imported alcoholic brands is growing rapidly. India is the dominant producer of alcohol (65%) in South East Asia region and contributes to about 7% of total alcohol beverage imports into the region<sup>1</sup>. Alcohol use in India has registered a steady growth rate of 10 to 15% each year during the past decade with greater expansion seen in southern parts of India. The per capita consumption of alcohol has gone up by 106.7% in India over the 15 years period from 1970-1996<sup>2</sup> India is now one of the key markets for the global spirits industry. The alcohol industry includes the producers of distilled spirits, beer, wine, network of distributors, wholesalers, and related industries including hotels, restaurants, bars, and advertisers.

The harmful use of alcohol is a global problem which comprises individual, social and economic implications. It not only affects the physical and psychological health of the drinker but also has adverse effects on health and wellbeing of other people around the one who drinks. The major individual harms related to alcohol are coronary heart disease, breast cancer, tuberculosis, motor vehicle accidents, liver cirrhosis and suicide<sup>3</sup>. According to the Global Burden of Disease report (GBD), 2010, the burden of disease attributable to alcohol in 2010 was substantial. It accounted for 4.9 million (95% CI: 4.5 million to 5.2 million) deaths and 5.5% (95% CI: 5.0-5.9) of global DALYs in 2010. Heavy drinking is associated with more frequent ill-health especially accidents and injuries, chest pain and heart problem followed by high blood pressure and poorer psychological well-being. For people aged 15-49 years, the leading risk factors for global disease burden worldwide are alcohol use, tobacco smoking including second hand smoke (SHS) and high blood pressure. From 1990 to 2010, alcohol use has escalated from 6<sup>th</sup> leading risk factor to 3<sup>rd</sup> leading risk factor - among males from 4<sup>th</sup> to 3<sup>rd</sup> and among females from 9<sup>th</sup> to 8<sup>th</sup> leading risk factor<sup>4</sup>.

The World Health Organisation (WHO) Global Strategy to reduce the harmful use of alcohol was adopted by the 193 members of the United Nations during the World Health Assembly (WHA) in 2010. This document contains a proposal for the adoption of the global strategy including a framework for action for the implementation of the global strategy. The plan of action focuses on the 10 areas for policy action including 5 strategic objectives. Among other important strategies and interventions, it identifies importance of reducing the impact of marketing, particularly on young people and adolescents, as an important consideration in reducing harmful use of alcohol.

Alcohol is the most commonly used intoxicating substance in India. It is a legal product but there is a minimum legal drinking age limit that varies from state to state (from 18 -25 years). Traditionally, India was among those countries where alcohol consumption levels were low, but in the recent times, the consumption levels have increased as a result of expansion in commercial production and marketing campaigns by alcohol industry<sup>3</sup>. The alcohol marketing and promotional

strategies are focusing on aspirational consumers through innovative and targeted approaches, such as use of various social media forums, which provide an excellent platform for alcohol retailers to connect with consumers.

Alcohol use in India – as well as rules and guidelines about who could drink and when - dates back to the pre-Vedic era. Archaeological findings and references in the Vedas indicate that a) the pre-Vedic Harappan civilization was well-versed in the production of toddy from palm trees; b) in the Vedic era (1500-700 BCE) the Gods and humans imbibed alcohol freely, with Soma being referred to as a drink of Gods and sura – a form of beer – popular among the general population; c) alcohol was produced from flowers, grains, and fruits; d) women and Brahmins were forbidden from drinking; and e) despite the widespread use of alcohol – even by priests and Gods – the Vedas labelled it “one of the seven sins.”

This tradition of drinking as well as the ambivalent attitude to it persists. Alcohol prohibition is one of the Directive Principles of the Constitution of India – but taxation on sales of alcohol is a major revenue-earner for most states.

This report titled “Alcohol Marketing and Regulatory Policy Environment in India” highlights the various characteristics of the alcohol industry. It draws attention to the key alcohol players in India and the types of alcohol products and brands available in the market. It also discusses the production and distribution of alcohol under different names. The second part of the report reviews policies that regulate alcohol in different states. The third section focuses on the advertising and promotion of alcohol products across India and how the industry circumvents laws regulating and prohibiting alcohol advertising. In conclusion, the report recommends strategies and interventions for policymakers and other key stakeholders to consider as part of a comprehensive alcohol control policy in India.

## SECTION 1: ALCOHOL INDUSTRY IN INDIA

### Alcohol Consumption in India Today

Alcohol consumption is reportedly decreasing in the developed world; however, it is increasing manifold in developing countries, including India. Although India's consumption of alcohol is still low compared to the rest of the world, the trends are a cause for worry. About 32% of Indians consume alcohol, out of which 4-13% are daily consumers<sup>1</sup>. Around 30-35% of adult men and approximately 5% of adult women consume alcohol on average. The average age of initiation of alcohol use has reduced from 28 years during the 1980s to 17 years in 2007<sup>4</sup>.

According to the NFHS-3 (2005-06) data, 27% of men and 0.5% of women in the highest wealth quintile drink alcohol, while 41% of men and 6.2% of women with lowest wealth index drink alcohol. Urban and rural men consume alcohol almost equally (30.9% and 32.5% respectively). But among females the prevalence ratio is 0.6% and 3.0% respectively<sup>5</sup>. Alcohol usage is more in educationally deprived populations (42.8% men and 4.3% women with no education v/s 24.8% men and 0.6% of women with highest level education<sup>5</sup>).

As elsewhere in the world, in India too, alcohol is consumed individually, socially, ritualistically, and mostly to get drunk<sup>6</sup>. It is consumed to celebrate (at parties, official gatherings, social and even religious events) as well as to commiserate (to overcome stress and sadness, recession, to cope with financial or other losses). This makes the alcohol industry quite robust, ever in demand, and recession proof<sup>7</sup>. But this indulgence has serious consequences - alcohol consumption has lead to a huge public health, social, and economic burden.

In recent years alcohol has become an increasing cause for concern in India, as there has been a rapid change in the patterns of alcohol use. The most alarming trend is that people are beginning to drink at increasingly younger ages. The percentage of the drinking population aged less than 21 years has increased from 2 percent to more than 14 percent in the past 15 years, according to a study conducted in the Indian state of Kerala by the Alcohol and Drugs Information Centre India, a non-governmental organization<sup>8</sup>. The study found that the "mean age of initiation" has dropped from 19 to 13 years in the past two decades<sup>1</sup>.

The changing social norms and the growing acceptability of alcohol have lead to heavy and regular alcohol consumption among Indian females. A study conducted in Bangalore, the capital of Karnataka, suggested that during a typical drinking session, there is no difference in the amount of alcohol consumed by men and women<sup>1</sup>.

A recent study showed that moderate alcohol consumption might yield benefits for some but certainly not for Indians because of their drinking pattern. Despite the fact that per capita alcohol consumption in India is among the lowest in the world (0.9 litres vs. 4.5 litres global average) <sup>7</sup>, hazardous drinking (binge drinking and solitary consumption to the point of intoxication) is the hallmark of alcohol consumption



here. It is a pattern of drinking observed in more than half of the drinkers in India. Again, typically, brown spirits (particularly whisky and rum) are the preferred alcohol beverages (high alcohol content; over 40 percent v/v) rather than beers, wines, and other products with lower alcohol content<sup>7</sup>. The white spirits, beers, wines, and other ready to drink alcohol products have begun gaining some popularity among Indian drinkers only recently.

India is the third largest global spirits market by volume in the world, just behind China and Russia. It is also one of the fastest growing markets in the world<sup>8</sup>. The domestic alcohol industry has recognized that the young people and women are the key target populations for them and they are assertively focusing on these vulnerable groups through their marketing campaigns. Not surprisingly, the international alcohol lobby too has observed the untapped market in India and has joined hands with the domestic lobby to reach them.

The industry is consistently launching new products, such as flavoured alcoholic drinks, to attract the non-drinkers in this group<sup>8</sup>. The availability of alcohol is increasing in India; there are more outlets in shopping malls and popular marketplaces, which makes it easily accessible<sup>3</sup>. In some states, certain alcoholic beverages like wine and beer can be sold in supermarkets that further increase the availability. Increase in physical availability of alcohol leads to rise in alcohol consumption and alcohol related harm. Intensive engagement of the alcohol industry is observed in social initiatives and policy related activities under the broad framework of corporate social responsibility (CSR), which nowadays are part of a more general strategy that is designed to further the industry's political and economic interests.

### **The Government of India's Alcohol Policy**

Although the Constitution of India includes the prohibition of alcohol among its Directive Principles, more than 60 years later there is no national policy for alcohol control. Alcohol is a state subject and the aim of most state policies is to earn revenue from alcohol products. Most states derive around one-fifth of their revenue from alcohol taxation, which is their second largest source of income after sales tax<sup>14</sup>. Each state and union territory has full control of its alcohol legislation and state excise rates, as well as the organization of the production, distribution, and sale of alcohol. There are different policies that govern different aspects of alcohol in each state. However, there is a need for a comprehensive national policy that at a minimum would set standards for how states regulate alcohol production, distribution, and consumption.

One of the major problems faced in framing such a policy is that there is not enough research done in this area in India. Moreover, most of the alcohol consumed in the country is unrecorded as it is either illicit or home-brewed liquor<sup>8</sup>, which needs to be considered in research studies. This lack of data is the biggest barrier for policymakers and experts lobbying for a national alcohol policy.

## India's Alcohol Industry

The Indian alcohol industry focuses mainly on four types of alcoholic products: Indian Made Foreign Liquor (IMFL); Indian Made Indian Liquor (IMIL or country liquor); beer; and imported liquor (Table 1). The two most preferred forms of alcohol in India are country liquor and IMFL.

The per capita consumption is 2 liters/adult/year (calculated from official 2003 sales and population figures) and becomes 4 litres/adult/year taking into account undocumented consumption (45-50%). Licit and illicit spirits i.e. government licensed country liquor and illicitly distilled spirits constitute more than 95% of the beverages drunk by both men and women. Wine is a nascent but growing market. (Benegal, 2005)

This is a favorable time for the alcohol industry in India due to the following factors<sup>7</sup>:

**Urbanization:** More and more people are migrating towards bigger cities, where they are exposed to a wider variety of alcoholic products, including IMFL.

**Favourable demographics:** India is a young country, with more than 60 percent of Indians falling in the 15-45 years age group. This is the cohort the industry targets as potential customers. About 485 million Indians are currently of drinking age and another 150 million will be added to this group in the next five years.

**Changing social norms:** Over the years, there has been a change in attitudes, making consumption of alcohol more socially acceptable. This acceptability extends to drinking in family environments, at social events, and by females/youngsters.

**Rise in disposable income:** More and more Indians are now moving towards the upper/middle-income group. The per capita income has witnessed a continuous growth, from just over Rs. 27,000 in 2006 to over Rs. 54,000 in 2011 (projected: over Rs. 100,000 in 2015).

**Increased alcohol accessibility and availability:** There has been an increase in the variety of alcohol brands and types and all of them are easily available in government-licensed outlets, government shops (monopolies), private licensed retail chains (permitted since the past couple of years), restaurants, and bars.

Other factors that have been conducive to the industry include relaxed overseas trade rules, the availability of alternative and innovative means of targeted marketing and promotion, and the propagation of beliefs such as the health benefits of alcohol consumption. The influence of these factors is visible in the increase in alcohol consumption.

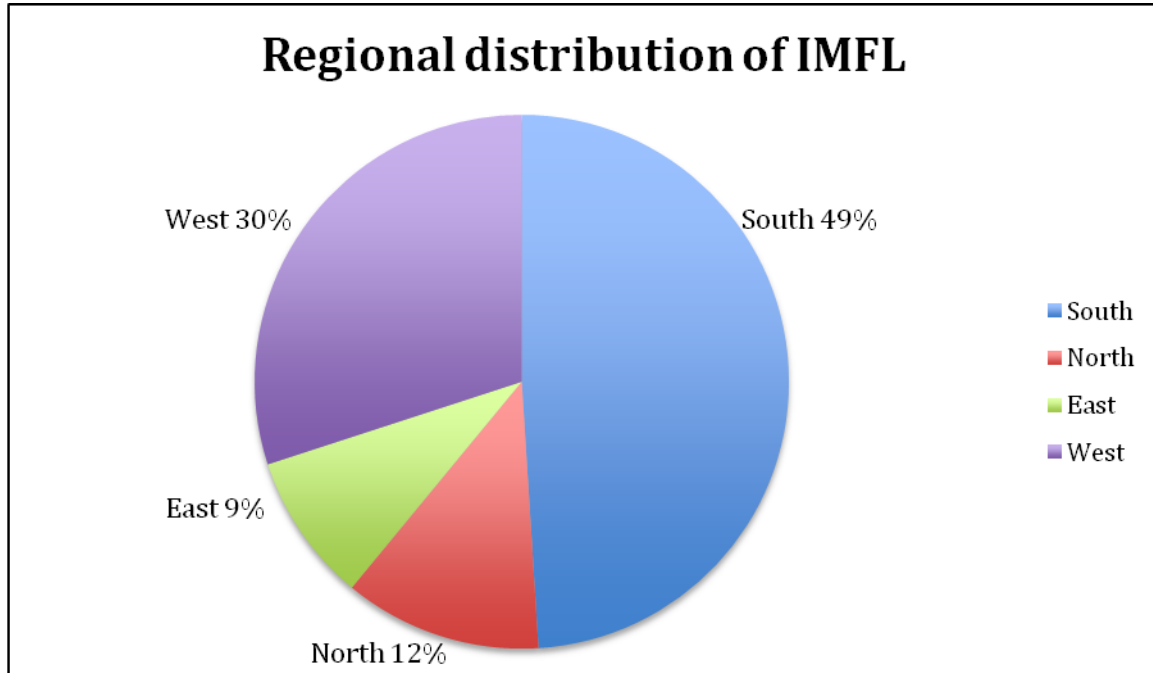
**Table 1. Structure of Alcohol Industry in India**

Type of Industry	Market Share	Pricing	Geographical Consumption	Target Audience
<b>IMFL</b>	36%	Affordable and competitive	Mostly south India	Above 35
<b>Country liquor</b>	48%	Cheap prices, that is the driving factor	All over/ large scale in tribal belt	Above 35
<b>Beer</b>	13%	Expensive	Urban cities, AP	18-40 years
<b>Illicit Liquor</b>	NA	Extremely cheap/no duty levy	Small towns and villages	NA
<b>Imported Liquor (BIO+ Wine)</b>	3%	Luxury	Metropolitan cities	Women/35 and above

### *Indian Made Foreign Liquor*

IMFL comprises brown spirits like whisky, rum, and brandy; and white spirits like gin, vodka, and white rum. Indians still prefer brown spirits (95 percent consumption by volume) over white spirits (5 percent consumption by volume)<sup>7</sup>. Whisky is the most popular drink among the spirits, accounting for about 60 percent of the IMFL market<sup>8</sup>. Whisky consumption is reportedly expected to grow 8-8.5 percent annually<sup>7</sup>. The overall IMFL market is increasing at the rate of 9-10 percent<sup>7</sup> annually. IMFL spirits are made under government license. The maximum permissible limit for alcohol content in spirits is 42.8 percent v/v (volume to volume). The IMFL industry saw a growth of 11.9 percent in the last financial year (2011-2012)<sup>11</sup>. Figure 1 shows the regional distribution of IMFL in India.

**Figure 1. Regional Distribution of Alcohol in India**



One notable factor in the IMFL segment is the tremendous growth in the vodka market. It is the fastest growing among all types of liquors. Although it accounts for only about 4 percent of the IMFL market, its consumption has been growing at the rate of about 44 percent over the past few years<sup>7</sup>. The major drivers for this growing demand seem to be its increasing popularity among young drinkers who prefer white spirits over brown spirits; aggressive marketing with the introduction of new flavors; increasing overseas travel among Indians, making them develop a taste for imported white spirits; and preference for white spirits among women.

### **Country Liquor**

Country liquor is the largest consumed alcohol type in India (about 50 percent of the market), growing at a rate of 6-8 percent per year with faster growth in some states in the north and east. The average alcohol content in country liquor is 33 percent v/v<sup>7</sup>. It is produced in local licensed distilleries and is made of cheap raw material, primarily rectified spirits of grains or molasses. The raw materials used in the production of country liquor vary from state to state. In the northern states, the availability of molasses is in abundance due to large sugarcane plantations<sup>12</sup>, while in the southern states coconut and other palms are used as raw materials in the production of local liquor<sup>12</sup>. Each state may have a different name for country liquor, but it is mostly known as *arrack*, *desi sharaab*, *daru*, *tharra*, *toddy*, *fenny* and *tari*<sup>10</sup>. As the production cost for country liquor is low, the excise duties are also lower than they are for other liquor. The idea behind country liquor was to provide cheap alcohol and thus check the illicit trade of alcohol. However, illicit production of

country liquor is still fairly common in India. Some alcoholic drinks that are low in alcohol content are also made in homes in some tribal areas<sup>10</sup>.

### ***Beer***

Although India got its first brewery in 1830 (in Kasauli, later shifted to Solan) and there has been steady beer-drinking through the centuries, beer has become a popular beverage in the country only over the last two decades. This could perhaps be linked to the entry of foreign companies which began acquiring Indian breweries around the late 1990s.

The market for beer is growing rapidly now, at a rate of about 17 percent per year. Indians consume about 1.5 litres of beer annually; the global average is 27 litres<sup>7</sup>. In India, beer is manufactured in licensed breweries and there are more than 60 beer brands available in the market<sup>12</sup>. Over the years, strong beers (which contain 5.1-8 percent of alcohol v/v) have been gaining popularity over standard and premium categories, which have lower alcohol content. The growth in the beer market appears to be driven by young consumers and professionals who consider beer a trendy drink, as compared with traditional spirits. There is also a small demand for foreign beer in the upmarket urban areas. The highest levels of beer consumption in India are observed in the southern states.

### ***Wine***

Wine was not produced or consumed on a large scale in India until recently. Urbanization and globalization have led to a radical increase in the sale of wine, mainly in the bigger cities like Mumbai, New Delhi, and Bangalore. Wine companies are especially targeting urban women<sup>10</sup>. The annual growth rates have been recorded at 20-25 percent and are expected to increase<sup>13</sup>. Though champagne and other sparkling wines are gaining popularity, they are far behind in comparison with red and white wines<sup>13</sup>. The major reasons for this upswing in wine consumption are: increase in the levels of disposable income, lifestyle changes, and exposure to international experiences<sup>13</sup>. India imports wine from many countries, with France being the leading exporter, followed by Australia, the United States, and Italy<sup>13</sup>. India has a small, but growing, production segment in wines. In 2000, there were only six wineries and the number rose to 65 in 2008. Most of the wineries are located on the Pune-Nashik belt. The major domestic players are Chateau Indage, Sula, and Grover Vineyards<sup>13</sup>.

### ***Foreign Liquor Bottled in Origin (BIO)***

Imported liquor forms a very small part of alcohol consumption in India. It is usually imbibed by the rich and upper middle class in metropolitan cities and is also popular among young professionals and entrepreneurs who migrate from local brands to international brands. International exposure to imported liquor and developing a taste for it during international travel are also reasons for its increasing popularity<sup>7</sup>. Apart from excise duties, it is also subjected to customs duty, making it much more expensive<sup>10</sup>. The imported spirits market in India is growing

25 percent yearly and it is estimated that Indian spirit imports will soar to five million cases (a case contains 12 bottles) by 2015<sup>14</sup>.

### ***Illicit Alcohol***

There are a number of distilleries that produce alcohol illegally. They do not follow any set standards and thus have no quality control. The alcohol produced from these units is usually adulterated and may contain a highly fatal substance called methylated spirit or methanol. This added methylated spirit can lead to death or blindness. Most of the illicit production occurs in a cottage industry like set-up. In addition to commercial production, it is fairly common to produce illicit liquor in homes for personal use<sup>12</sup>. Apart from being adulterated and harmful, illicit alcohol also evades all national and state-level taxes and duties, thus making it very cheap and affordable.

### **The Liquor Market in India**

South India dominates the alcohol market in India, with that region accounting for about 60 percent of total IMFL sales and 45 percent of total beer sales<sup>10</sup>.

Globally, most spirits are derived from grains and other raw materials may include potatoes, sugarcane, and fruit spirit<sup>10</sup>. However, in India, the most common raw material is molasses, a derivative of sugarcane. Some Indian alcohol industries are gradually introducing grain-based spirits<sup>10</sup>.

The consumption of spirits and hard liquor accounts for the majority of alcohol consumption in India. However, the scenario is gradually changing. In fact, most countries are experiencing changing trends, with people switching over to white spirits like vodka and gin and to drinks with lower alcoholic content like beer and wine<sup>9</sup>. In India, the IMFL (notably vodka) market is increasing at a higher rate as compared with country liquor categories and is likely to see tremendous growth in the distant future.

Though there is a huge market for country liquor and illicit alcohol in India, the most prominently visible markets are the ones for IMFL and beer. The reason for this is that these sectors have multiple production units, wide distribution networks, and strategic marketing plans<sup>12</sup>. These industries have an established infrastructure and they constantly monitor their growth, market share, and other competitors. On the other hand, the country liquor industry is more localized<sup>15</sup>. It does not have nationwide known brands; the producers are regional or local and make local brands<sup>15</sup>. This industry does not even engage in much advertising or promotion of its brands, partly because there is less competition and the market is local.

The illicit industry is also a local industry and is run by local criminals directly or sometimes indirectly when they provide protection to the owners of the illicit distilleries<sup>15</sup>. The price of the product is very low and no marketing is done as the industry cannot be legally visible<sup>16</sup>.

## Profile of Alcohol Companies and Brands in India

Country Liquor and IMFL have the highest consumption levels in India. The major players in the IMFL sector are highlighted below and shown in Table 2 and their popular products are shown in Table 3.

**Table No. 2—Profile of Indian Alcohol Companies<sup>15</sup>**

Company	Geographical Presence	Type of Liquor	Market Share	Business Model	CSR
Globus Spirits	Rural India, Rajasthan, Haryana, Delhi	IMIL, IMFL <sup>17</sup>	Big player in IMIL (Country Liquor)	Big presence in rural India, expanding in Europe and Africa.	Education
Radico Khaitan	Widely distributed	IMFL, IMIL and industrial alcohol	IMFL- 12%	Largest distribution network	Health sector
Empee	South- Tamil Nadu	Brandy and rum	NA	Grain-based production in south India	Education, environment
Mohan Meakins	North and east	IMFL, beer	IMFL- 9% Beer- 6%	Biggest selling- Old Monk, expanding in other sectors	NA
United Breweries	Wide network for beer	Beer	Beer- 48%	Presence in most Indian states; International partnerships and premiumization	Environment
United Spirits Ltd.	World leader in IMFL	IMFL	IMFL-53%	Premiumization of brands (high brand recall); Rising per capita consumption	Environment

-Jagatjit Industries has 9 percent market share and Tilaknagar Industries has 4 percent market share in the IMFL segment<sup>15</sup>

-Sab Miller has the second largest market share of 31 percent in the beer segment after United Breweries<sup>15</sup>

Top brands<sup>13</sup> ---The seven Indian brands that have made it to the list of 20 best-selling spirits in the world are *Officer's Choice, McDowell's No.1, Bagpiper, Royal Stag, McDowell's No.1, Old Tavern, and Original Choice.*

**Table No. 3—Popular Alcohol Brands in India<sup>15, 7</sup>**

Company	Whiskey	Vodka	Rum	Brandy	Gin	Beer
Globus Spirits	County Club		Hannibal		White Lace	
United Spirits Ltd.	McDowell's No. 1, Black Dog, Whyte & Mackay, Bagpiper, Royal Challenge, Vat 69, Officer's Choice, Royal Stag.	White Mischief, Red Romanov	McDowell Celebrations	McDowell's No. 1, Honeybee	Blue Riband	
United Breweries						Kingfisher, Zingaro, Black Label, London Pilsner, Heineken, Sandpiper.
* United Spirits Ltd. and United Breweries Ltd. are both wholly owned subsidiaries of the UB group						
Empee Distilleries			Old Secret	Napolean		
Tilaknagar Industries	Mansion House	Castle Club	Madira XXX Rum	Mansion House	Savoy Club	
Radico Khaitan	After Dark, 8 PM	Magic Moments	Contessa	Old Admiral, Morpheus		
Imperial Spirits	Glen Special, Gold Coast Malt	Black Magic, Imperial Iceberg	Black Magic	Imperial	Seagull London Dry	
Sab Miller						Haywards,



Som Distilleries	Black Fort	Knock Out, Fosters, Royal Challenge, Peroni Nastro Hunter, Woodpecker
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### *Globus Spirits*

*Production and Distribution* - Globus Spirits has a big presence in the rural market<sup>15</sup>, especially in Rajasthan, Haryana, and Delhi<sup>15</sup>. The prices of the liquor are kept low so that it is affordable for a larger section of the population. It produces IMFL along with country liquor. Globus has its manufacturing plants in Rajasthan and Haryana. They produce over 120 million bulk litres annually and have a bottling capacity of more than 18 million cases per annum<sup>19</sup>. Globus is one of the few organized companies in the country liquor market which helps it gain market share<sup>15</sup>.

The distribution network of the company is mostly in north India and it is slowly expanding to the south. The network is spread over Himachal Pradesh, Haryana, Punjab, Rajasthan, Andhra Pradesh (AP), and Kerala<sup>19</sup>.

*Products and Quality* - The company is amongst the few to use coarse grain and molasses. It produces superior quality alcohol, at low prices<sup>19</sup>. Raw materials like rectified spirit are used for manufacture of country liquor and Extra Neutral Alcohol (ENA) for IMFL<sup>19</sup>.

The company partners with other alcohol companies to manufacture products. It works with Jagatjit Industries Ltd. to manufacture the popular whisky brand Aristocrat and with ABD India to produce Officer's Choice Whisky<sup>19</sup>.

*Business Expansion*- In 2011-12, Globus ventured into exports and in a very short time has built a strong client base in Western Europe, Western Africa, and Southern Africa. The company claims to have good logistics support to cater to such markets along with European markets<sup>19</sup>. The factor that gives Globus an edge over many other alcohol companies is that it has access to supply sources for grain-based and molasses-based neutral spirits<sup>19</sup>. Most companies have access only to molasses-based spirits. Apart from expanding globally, Globus is also creating a large marketing and distribution network to enter new states in India where alcohol consumption is relatively lower<sup>20</sup>.

*Unique Selling Point* - Globus has a huge presence in north India for IMIL and IMFL. It is especially known to be an undisputed leader in the IMIL or country liquor section in this region. A large part of its revenue comes from the sale of country liquor as it does not face much competition in the market<sup>15</sup>. In the financial year 2010-11, the company recorded sales of 9mn IMIL/country liquor cases and had a

combined market share of 22 percent across Haryana, Rajasthan, and Delhi. In the first few months of 2011-12, the company had crossed sales of 8mn cases and was expecting a growth rate of 30-40 percent in the same year<sup>19</sup>.

*Corporate Social Responsibility (CSR)* -Globus Spirits promotes education through its GRAS Academy, established in 2006. The aim of the academy is to empower unemployed youth with vocational skills. GRAS Academy currently has 18 centres located in Uttar Pradesh, Punjab, Delhi, and Haryana.

### *Radico Khaitan*

*Production and Distribution* - A very old alcohol company which has a strong distribution network in India, Radico Khaitan was one of the first companies to register with the Canteen Stores Department (CSD) of the defence forces all over India. Radico Khaitan has been growing tremendously in the past few years. It uses effective advertising and promotion techniques, including use of high-profile celebrities for endorsing its products and also invests in point-of-sale promotions.<sup>15, 7</sup>

Radico has the second-largest distribution network in India, after United Spirits. It sells through 41,000 retail outlets and 5,000 on-premise outlets that cater to almost 80 percent of India's liquor-consuming areas<sup>15</sup>. Its distribution network runs through the CSD<sup>15</sup>. Radico has 18 of its products registered with the CSD, all of which have lifetime validity<sup>7</sup>. It is one of the few alcohol companies that have a strong presence in IMFL (whisky, rum, and vodka), in addition to country liquor and industrial alcohol.

*Business Expansion*- Like other alcohol companies, Radico is also aggressively forming its base in the international markets. It is collaborating with international brands to increase the sales of its own premium brands. According to Radico's Annual Report 2011-12, the company was expected to increase its sales by 12-15 percent in 2012<sup>15</sup>. The market observed a 15.27 percent increase in the net sales of Radico products in the second quarter of 2012 which, in figures, came up to Rs. 375.9 crore, compared to Rs. 326.1 crore in the previous year<sup>21</sup>. Radico is investing in a US\$10 billion fully owned subsidiary that it plans to set up in Mauritius<sup>11</sup>.

*Unique Selling Point*- The point that makes Radico slightly different from other alcohol companies is its consistent product launch and product packaging and labelling. Over the past 15 years, Radico has launched various products while increasing its distribution network<sup>11</sup>. As alcohol advertising is banned in India, the company is making optimum use of promoting its products through attractive and innovative packaging. The running brands are 8 PM Whisky, Old Admiral and Morpheus Brandy, Contessa Rum, and Magic Moments Vodka.

*Corporate Social Responsibility* -The CSR department of the company organizes regular eye camps and health camps. The company runs two primary schools in rural areas.

### *Empee Group*

Empee Distilleries has a focus on the south Indian market. Its two big alcohol brands are Napoleon Brandy and Old Secret Rum<sup>11</sup>. The Empee Group's headquarters are located in Chennai and it has a huge presence in the state of Tamil Nadu<sup>15</sup>. Despite operating in a stringent state government-controlled market (through the state monopoly Tamil Nadu State Marketing Corporation), it sees a growth of 10 percent in profitability every year<sup>15</sup>.

*Business Expansion-* The Empee Group, like its competitors, plans to set up grain-based alcohol plants in southern India. Keeping in line with International standards, grain-based distilleries would produce smoother and finer alcohol<sup>15</sup>. In Andhra Pradesh, a state-of-the-art grain-based alcohol plant with a capacity of 60 KLPD (kilo litres per day) became functional in Sangareddy district in March 2011. In Tamil Nadu, Empee has established a 60 KLPD molasses-based alcohol plant in addition to the 100 KLPD molasses-based alcohol plant in the integrated sugar complex being commissioned in Ambasamudram, Tirunelveli district<sup>22</sup>. Empee Industries also plans to tap into the rapidly growing beer market. Considering that Andhra Pradesh is the largest beer market in India, Empee Group is in the process of setting up a brewery in the state. It will cater to all the Southern states in India where beer consumption is increasing<sup>22</sup>. Empee group is also planning to increase its distribution in the following northern and eastern states of India by collaborating with local partners in those states to set up breweries: Uttar Pradesh, Rajasthan, Punjab, Maharashtra, Madhya Pradesh, West Bengal, and Orissa<sup>15</sup>.

*Corporate Social Responsibility* - Empee group has been engaged in CSR initiatives and follows a four-pronged strategy focussing on: education, professional training for better job opportunities, community development, environment protection / conservation.

### *Mohan Meakins*

*Production and Distribution-* Mohan Meakins is one of the oldest alcohol manufacturers in India. Focusing mainly on beer and rum<sup>15</sup>, it has a strong presence in the north and east of India. However, it has a planned strategy to get into the south where consumption levels are high. Apart from alcohol, the company is also into a lot of other consumer goods like juices and cereals<sup>15</sup>.

Mohan Meakins' major brands are Golden Eagle, Lion, and Meakins in beer. Its Old Monk is among the strongest brands in rum. The company's range of offerings also includes whiskies and brandies<sup>15</sup>.

*Business Expansion-* As Old Monk is its most popular brand and also one of the best-selling rum brands in the country, the company plans to aggressively market it and expand the distribution network to south and west India. It is also entering into non-alcoholic brands and increasing its sales in juices and breakfast cereals.

## **United Breweries Group**

**Production and Distribution** - United Breweries, owned by the UB Group, is the largest beer manufacturer in India. It has 48 percent of the market share in beer<sup>10</sup>. The company's main products are Kingfisher, Zingaro, London Pilsner, Heineken, and Sandpiper. Apart from its huge national market, it is also popular internationally. The company's flagship Kingfisher beer has won several international awards. However, as the biggest beer market is in Karnataka and Andhra Pradesh, it has a large presence in those states.

Another subsidiary of the UB Group, United Spirits Limited (USL) is one of the largest spirits companies by volume in the world and has a 53 percent market share in India. USL produces Scotch, whisky, rum, vodka, gin, and wine. Some of USL's popular products are Black Dog and Whyte & Mackay (Scotch), Royal Challenge, MacDowell's No. 1, Bagpiper, Royal Stag, Signature (whisky), White Mischief and Romanov (vodka), Celebration (rum), McDowell's No. 1, and Honeybee (brandy). Market research suggests that all brands of the company have high recall among the customers. The company has four of its brands among the top 25 brands in the world, with McDowell's being the largest spirit family in the world<sup>7</sup>.

**Business Expansion**- It wants to capitalize on its 48 percent beer market share and increase its distribution and sales nationally<sup>15</sup>. Despite the per capita consumption of beer being the lowest in India as compared to other brown spirits like rum, whisky, brandy etc, the company has huge profits. It is one of the few alcohol companies that have an established international market for its products. It is expanding its exports by setting its foot in new countries<sup>15</sup>.

**Corporate Social Responsibility** - Under its Go Green Initiative, the company discourages greenhouse gases, deforestation, and industrialization. The company regularly organizes social events like the Cycle Rally in which the Indian Premier League cricket players biked in Bangalore to create awareness on modes of low-carbon commute.

## **Trends and Market Segment in the Alcohol Industry in India**

**Global Development** - Indian alcohol manufacturers are tapping the international market by entering into joint ventures. The aim is to increase their sales and expand their operations globally<sup>12</sup>. For example, United Spirits completed the acquisition of major Scotch whisky player Whyte & Mackay in 2007 and it is also exporting its brands to China. Radico Khaitan has been building up its exports in the Middle East and Africa. Even as local companies are expanding globally, international companies are entering the Indian markets on a large scale<sup>15</sup>.

**Investment by International Companies** - Looking at the potential in the Indian alcohol market, many international companies have tied up with local players. Beer major InBev entered into a joint venture with Delhi based RJ Corp in 2007 so that they have access to RJ Corp's strong distribution network<sup>23</sup>. In 2012, Diageo, which is the biggest alcohol company globally, acquired a 27.4% stake in United Breweries

Ltd., which is a leading spirits company in India<sup>24</sup>. Other big liquor companies like SABMiller, AB InBev, and Carlsberg have also entered the Indian market and are geared to collaborate with Indian companies.

There is a decline in the consumption of whisky in the western world but an increase in India. This, and its huge population, makes India a very lucrative market for international companies. Along with the market for whisky, the market for other alcoholic drinks like beer and wine is also getting better and stronger, making India an even more attractive proposition. However, the levy of high taxes and customs duty is a deterrent. Despite its WTO commitments, India has not reduced the taxes and duties on certain products like alcohol. Therefore, there is no big inflow of imported liquor into India at cheap prices.

*Alcohol in the Supermarket* - The retailing regulation for alcoholic drinks was eased out a couple of years ago when some state governments gave permission to sell alcohol in supermarkets. Maharashtra has been at the forefront of these changes with retailing of beer and wine being permitted in supermarkets. West Bengal has also given the green light to the retailing of beer and wine through supermarkets. Chandigarh too jumped on the bandwagon, with excise policy changes allowing retailing of wine through supermarkets. Diageo tied up with retail giant Reliance Retail for the distribution of wine in 2007.

### **Illicit/Unregulated Alcohol**

Illicit/unregulated alcohol forms a large part of the alcohol consumed in India, especially in villages and tribal areas<sup>16</sup>. Smuggling of alcohol across state borders is also widespread, especially in states where alcohol is banned. However, statistics are not available as it is extremely difficult to trace illicit sales<sup>16</sup>.

Illicit alcohol is produced under unregulated circumstances and is often adulterated with chemicals like methanol, organo-phosphorus compounds and ethanol to save costs<sup>25</sup>. This adulteration makes it absolutely unfit for human consumption and could lead to blindness or even be fatal to the consumer<sup>25, 26</sup>.

With each state having its own excise policies to regulate alcohol, the implications of producing and consuming illicit alcohol vary across states. In the beginning of 2013, the Delhi state excise officials discovered a big illicit consignment of alcohol. It is often reported that it is mostly country liquor that is produced in an illicit manner. However, in this case it was IMFL with duplicate labels and it was meant for defence personnel. There have been several other cases where the Delhi government has seized smuggled alcohol in the capital. This has led not only to loss of revenue for the government, but also bad quality of alcohol being distributed and sold. In 2012, Delhi officials seized 82,589 bottles of IMFL and 2,656 bottles of foreign liquor<sup>27</sup>. These figures are more than double as compared with statistics reported in the past years<sup>27</sup>.

In Gujarat, like a few other states, alcohol is banned. Despite this, the production and consumption of illicit alcohol is rampant in the state. People who can afford to, manage to obtain original brands at exorbitant prices. However, the poor people who want to consume alcohol often have no option but to get cheap but adulterated alcohol. In a case in 2012, the state police found that the brewers were mixing a pesticide in the illicitly produced alcohol<sup>26</sup>. It has been reported that at least 140 litres of illicit alcohol is seized every day in Ahmedabad alone<sup>26</sup>.

In Karnataka too alcohol is produced illicitly on a large scale. In mid-2013 the state's excise minister told journalists that illicit alcohol is being manufactured in over 80 villages of Bijapur, Bagalkot, Gadag, and Belgaum districts. The excise department, in collaboration with the finance department, has come up with an innovative scheme to get rid of this spurious industry<sup>28</sup>. In the excise policy of 2013-14, the state government has decided to utilize 1 percent of the total revenue contributed by the excise department to rehabilitate and provide alternative jobs to those engaged in the illicit alcohol industry<sup>28</sup>. The estimated revenue target for the excise department for the year 2013-14 is Rs 12,400 crore<sup>28</sup>.

In another effort to curb this illicit trade, the Government of Kerala plans to introduce hologram tax stamps for alcohol products in its excise policy for 2013-14. These stamps will have information like the date of manufacture, batch number, and serial number so that the alcohol products can be traced. Some other states have also used tax stamps as a security measure for the same purpose<sup>25</sup>. However, the smugglers manage to make duplicate stamps – and thus the illicit trade continues<sup>29</sup>.

## SECTION 2: LEGAL ENVIRONMENT

Article 47 of the Constitution of India in its Directive Principles of State Policy, lays down that it is the *duty of the State to raise the level of nutrition and the standard of living and to improve public health: The State shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties and, in particular, the State shall endeavour to bring about prohibition of the consumption except for medicinal purpose of intoxicating drinks and of drugs which are injurious to health.*

As alcohol is a state subject, the production, distribution, and sale of alcohol is a state responsibility. Different state ministries and departments regulate different aspects of alcohol. For example, the Ministry of Social Justice and Empowerment (MoSJE) looks after alcohol use prevention programs, developing networks and capacity building for alcohol prevention and control, and monitoring. The Ministry of Health and Family Welfare (MoHFW) runs de-addiction centres. Taxation and excise is the responsibility of the Ministry of Finance and the state Excise department. There is no systematic coordination between these departments and, therefore, there is no comprehensive national data on the production and sale of alcohol. Only sporadic data through industry annual reports and market research is available.

Alcohol is regulated by state excise policies which cover multi-dimensional issues of alcohol control—possession, production, manufacture, selling, buying, and transport of liquor. There are three types of alcohol policies in India: a) *Total prohibition* of production and consumption of all kinds of alcohol; b) *Partial prohibition* of some kinds of liquor—for example, a ban on the production and consumption of arrack in Tamil Nadu, Kerala, Andhra Pradesh, Karnataka, and Uttar Pradesh; c) *Imposition of dry days*, where sale of alcohol is prohibited throughout the country on that day. State-specific legislations on these three kinds of regulatory policies are broadly similar and focus on penalizing producers rather than consumers.

*State Level Prohibition-* The following states (and one Union Territory) have *totally prohibited* the sale, production, and consumption of alcohol: Gujarat, Manipur, Mizoram, Nagaland, and the Union Territory of Lakshadweep. Gujarat has the oldest and the most consistent alcohol ban since 1960, when Bombay dissolved into Maharashtra and Gujarat<sup>30</sup>.

While alcohol policies may vary from one state to the other, most of them follow a similar prohibition program<sup>31</sup>, which includes:

- discontinuing advertisements of alcoholic drinks,
- not allowing drinking in public places,
- banning liquor shops,
- refusing permission to open new liquor shops,
- declaring paydays as dry days,
- punishing government servants who drink,
- enforcing strict restrictions on drivers and pilots,



- not allowing liquor shops on the wayside,
- not granting licenses for distillation or brewing of liquor, and
- urging leaders to set an example by not drinking.

In spite of all these restrictions, prohibition has failed.

*Dry Days*– India has a unique system of prohibition under which alcohol is not sold on certain days that are designated as dry days. The states usually observe dry days on major religious festivals and occasions. While it is the prerogative of each state government to decide on its dry days, national holidays like Republic Day (January 26), Independence Day (August 15), and Gandhi Jayanti (October 2) are dry days throughout India. Table 4 lists the Excise Policies in the states.

*State Excise and Revenue*– Alcohol taxes are the second major revenue-source for a majority of state governments, after sales tax. Although individual states have demonstrated disparities in terms of revenue collected, alcohol taxes comprise 90 percent of state excise duties. The total collections from excise and sales tax are estimated to be around US\$ 500,000 every year<sup>8</sup>. Apart from the legal revenues earned, alcohol also generates a huge sum of “black money” through bribes, protection payments, profits of illicit alcohol etc.<sup>8</sup> As a result, in alcohol policies, alcohol is treated as a revenue-generating commodity and its public health perspective is ignored.

In Maharashtra, where state excise accounts for a tenth of the state tax revenues<sup>32</sup>, in the financial year 2011-12 excise revenues increased by 48 percent, as compared to the previous year. The credit of course, goes to the way the state handles the production and distribution of alcohol. When the state government hiked the excise duties on alcohol in 2011-12, pushing up the price of alcohol products considerably, it was expected that the resulting dip in consumption would mean that the state may earn less revenue. But eventually the drop in sales was not so harsh and the state actually earned more revenue<sup>32</sup>.



**Table 4-State Excise Policies for Alcohol Control**

State/UT	Ban on sales and drinking in Public Places	Licensing of places for sale and consumption	Licensing of days and hours of sale	Minimum Sale price	Outlet density	Quota for retail sale/personnel limit	Minimum legal drinking age	Warnings/ quality standardization/ security hologram	Distribution system for alcoholic beverages	State regulations for ban on advertisement, promotion and sponsorship	Point of sale advertising under control
Andhra Pradesh	?	?	?	?	-	?	21 years	Excise Adhesive label	Distribution by Govt. Corporation - Andhra Pradesh Beverages Corporation Limited (monopoly on wholesale distribution)	-	-
Arunachal Pradesh	?	?	-	-	?	?	21 years	-	Open system	-	-
Assam	?	?	-	-	-	?	18 years	-	-	-	-
Bihar	?	?	?	?	-	?	21 years	?	Distribution by Govt. Corporation-Bihar State Beverages Corporation Limited (monopoly on retail sale)	-	?

Chhattisgarh	?	?	?	?	-	-	21 years	?	Distribution by Govt. Corporation-Chhattisgarh State Beverages Corporation Limited (monopoly on whole sale)	?	?
Goa	?	?	?	?	?	?	21 years	?	Open system	?	-
Haryana	?	?	?	?	?	?	25 years	?	Lottery system	-	-
Himachal Pradesh	?	?	?	?	?	?	18 years	?	Lottery system	?	?
Jammu and Kashmir	?	?	?	?	?	?	21 years	-	Open Market	?	?
Jharkhand	?	?	?	?	-	?	21 years	?	Distribution by Govt. Corporation-Jharkhand State Beverages Corporation Limited (monopoly on retail sale)	-	?
Karnataka	?	?	?	?	-	?	18 years	-	Distribution by Govt. Corporation - Karnataka State Beverages Corporation Limited (monopoly	?	-

									on retail sale)		
<b>Kerala</b>	?	?	?	-	?	?	21 years	-	Distribution by Govt. Corporation - Kerala State Beverages Corporation Ltd (monopoly on both retail and wholesale)	-	-
<b>Madhya Pradesh</b>	?	?	?	?	-	-	21 years	?	Lottery system	?	-
<b>Maharashtra</b>	?	?	?	-	?	?	25 years	-	Open system subject to local restrictions	?	?
<b>Meghalaya</b>	?	?	-	-	-	?	21 years	-	-	-	-
<b>Orissa</b>	?	?	-	?	?	-	21 years	?	Distribution by Govt. Corporation through Odisha State Beverages Corporation (monopoly on wholesale distribution)	-	-
<b>Punjab</b>	?	?	?	?	?	?	25 years	?	Lottery system	?	-
<b>Rajasthan</b>	?	?	?	-	?	-	18 years	?	Distribution by Govt. Corporation - Rajasthan State	?	?

									Beverages Corporation Limited (monopoly on both retail and wholesale)		
Tamil Nadu	?	?	?	-	?	?	21 years	Hologram restricted to foreign liquor	Distribution by Govt. Corporation – TASMAC (monopoly on both retail and wholesale)	-	?
Uttarakhand	?	?	?	?	-	-	21 years	?	Lottery system	-	-
Uttar Pradesh	?	?	?	?	?	?	21 years	?	Lottery system	-	-
West Bengal	?	?	?	-	-	?	21 years	-	Open Market	-	-
Andaman and Nicobar	?	?	?	?	-	?	18 years	-	-	?	?
Chandigarh	?	?	?	?	?	?	25 years	?	Licensing system	-	-
Delhi	?	?	?	?	?	?	25 years	Hologram restricted to foreign liquor	Retail by Govt. Corporation and Licenses to Distilleries/ Bottling (monopoly on wholesale distribution)	Foreign print media exempted from Advertisement restriction	?

<b>Sikkim</b>	✓	✓	✓	✓	✓	✓	18 years	✓	Licensing system	-	???-
<b>Tripura</b>	✓	✓	✓	✓	✓	✓	-	✓	Licensing system	-	-
<b>Dadra and Nagar Haveli</b>	✓	✓	✓	✓	✓	✓	18 years	✓	Licensing system	-	Sign- Board showing the nature and number of license
<b>Puducherry</b>	✓	✓	✓	✓	✓	✓	18 years	✓	Licensing system	-	-
<b>Daman and Diu</b>	✓	✓	✓	✓	✓	✓	18 years	✓	Licensing system	✓	Sign- Board showing the nature and number of license

The story in south India is very different since the governments there have a monopoly over alcohol distribution. The southern states, especially Tamil Nadu, are considered role models when it comes to collecting excise from alcohol<sup>32</sup>. Their objective is to maintain control over quality of alcohol, price, and taxation and to prevent illegal alcohol sale. Officials from other states have been visiting the Tamil Nadu State Marketing Corporation (TASMAC) to study its revenue system so that they can learn from its success<sup>32</sup>. TASMAC and the Kerala State Beverages Corporation are unique in the country, because they have a state-sanctioned monopoly on both the wholesale and retail trade of IMFL. In the other states, the governments control either the wholesale or the retail of alcohol. In 2011-12, TASMAC's earning from the sale of alcohol was Rs 1,800 crore, more than any other state in India<sup>32</sup>. The Tamil Nadu government earns around Rs. 1,413 per person in the state from the sale of liquor every year, whereas Maharashtra earns only Rs. 756 per person and the national average is about Rs. 576 per person<sup>32</sup>. In Delhi since 1979, the wholesale of alcohol was with the private sector and the Delhi government controlled the retail sale. However, since 1975, the private sector also has a share in the retail sale of alcohol<sup>32</sup>.

*Goods and Services Tax-* The Goods and Services Tax (GST), that has been long on the anvil, has not been implemented yet and is expected to be in force from April 2014<sup>30</sup>. Most of the states strongly oppose the inclusion of alcohol within the ambit of the GST as this would lead to a uniform rate of taxation on alcohol across the country.

The alcohol industry is subject to extensive government regulations at both the central and state levels, as well as regulations by a variety of local bodies. Some of the regulations are listed below.

- Apart from the taxes on the final alcohol product, there are interstate duties levied on molasses, the raw material that is used in producing most of the liquor in India. As molasses is produced majorly in Uttar Pradesh and Maharashtra, the liquor companies have to pay duties when they import it into their state<sup>15</sup>.
- Alcohol companies are not allowed more than five stock keeping units and thus cannot offer many different pack sizes. Different pack sizes can be used to promote alcohol to students and women and for promotional activities during festivals. Thus this prohibition is actually proving to be helpful in achieving low branding for alcohol products – and reducing the consumption of alcohol<sup>15</sup>.
- Both direct and indirect advertising of alcohol is prohibited and it can be advertised only at point of sale (POS).
- Launching a new alcohol brand/product is a difficult and time-consuming process. It can take months to years and the company needs to seek several permissions and approvals from the government for the same. Further, if it seeks to register the product with CSD, it requires further approvals and time. This process too can be quite cumbersome<sup>15</sup>. To overcome this issue, the companies prefer to expand business by buying subsidiaries with pre-existing licenses for their products and an established market. This process is much easier for alcohol companies<sup>7</sup>.
- Alcohol companies can change/increase the price of their products only once a year, when the state governments determine the alcohol prices. Thus the state governments have a lot of control on alcohol products and this can be effectively used in regulating alcohol<sup>15</sup>.
- An export duty is imposed by the state from which the alcohol is sourced and an import duty is imposed by the state to which the alcohol is transported<sup>32</sup>.
- Registration with CSD, which accounts for 15 percent of the overall liquor consumption, takes over nine months. It is extremely beneficial to sell alcohol through CSD as the prices are much lower because the alcohol is not taxed as much as the liquor that is sold at other stores<sup>15</sup>.

Other features (except taxation) of state excise policies are described in Table 5

**Table 5: Other Key Features of State Excise Policies**

<b>State Excise Policy</b>	<b>Features</b>
<b>Ban on sale and consumption of alcohol in public places</b>	All the Indian states and UTs have implemented this ban, with penalties for violation varying from Rs. 200 to Rs. 50,000
<b>Licensing of days and hours of sale</b>	All states/UTs have provisions for closure of liquor shops generally on national holidays, election days, particular day(s) in week/month, and other occasions calling for special consideration - days of national solemnity, Public Order, homage to national figures, fairs, festivals, frenzied situations, or periods of tension.
<b>Minimum sale price</b>	17 states and UTs have fixed minimum sale price to ensure uniformity and quality, and to prevent illegal sale.
<b>Restriction of outlet density</b>	No license if the premises is located near an educational institution, place of worship, main bus stand, crematorium, burial ground, socio-economically backward colony, labor colony, market place, or established habitat. This guideline is observed by 14 states.
<b>Quota for retail sale/personnel limit</b>	Provisions for quotas vary based on the type of product - and also from state to state. Most states observe this policy measure that up to 2 litres of alcohol can be brought by a person into India from a foreign country per visit. Defence personnel up to the rank of Brigadier (or equivalent) are allowed up to 10 bottles of liquor every month and a larger amount of beer stock too.
<b>Minimum legal drinking age (MLDA)</b>	Different states in India have different MLDA prescribed for purchase and consumption of alcohol, varying from 18-25 years. Maharashtra, Punjab, Chandigarh, Haryana and Delhi have the maximum MLDA.
<b>Health warnings on alcohol containers/bottles and security holograms for quality control</b>	Observed by 14 states. Some have warnings only on IMFL liquor.

**Ban on advertising, promotion  
and sponsorship (including POS  
advertising)**

Complete ban in nine states, with Delhi offering an exception to the foreign print media.

POS advertising ban observed by 10 states.



### SECTION 3: MARKETING AND PROMOTION OF ALCOHOL PRODUCTS

As evidence suggests, exposure to alcohol advertising and promotion increases the likelihood of people (including young people in impressionable age groups) initiating drinking, or increasing their consumption of alcoholic products. The association between exposure to alcohol marketing and youth drinking behavior, even after accounting for a variety of variables, has been established through research studies<sup>34</sup>.

The Press Council of India (PCI) strictly bars any advertisement that “promotes directly or indirectly production, sale or consumption of cigarettes, tobacco products, wine, alcohol, liquor and other intoxicants”. A similar code is prescribed under Cable TV Networks Act of 1995. The industry circumvents bans on advertising by surrogate advertising, and the subject of alcohol advertising (surrogate and point-of-purchase) has changed from voluptuous pin-ups (targeting the traditional market of middle-aged male consumers) to lifestyle advertisements promoting the connection with good times, aimed clearly at women and youth.

Of all WHO member states, 30% reported to have either a full or partial ban for one or more beverage type, 41% reported no regulation, and 5% indicated that product placement for at least one beverage category was self-regulated by the alcohol industry. For example, Thailand allows alcohol advertising only with the health warnings on them. Sri Lanka has enacted legislation on a comprehensive prohibition of promotion of all alcohol products, which has prevented indirect advertising and circumventions.

India has stronger policies on advertising, promotion and sponsorship but weaker enforcement over surrogate advertisements. The major producers of alcohol are innovating, redefining, and creating new categories in their products. This includes introducing new flavors and mixed-category variants and evolving product packaging to suit consumer convenience. For example, ready-to-drink mixed cans and pouches offer greater convenience to the consumer. Manufacturers are using innovative and out-of-box marketing strategies and sales techniques that focus on the needs of buyers to increase product consumption. Creative advertising and sophisticated marketing techniques are being used to achieve maximum outreach and ensure a lasting impact on young people.

A basic marketing approach relies on the 4Ps of marketing- Product, Price, Place, and Promotion<sup>35</sup>:

- Product is the physical product or the service offered to the consumer. Companies work on product characteristics like, appearance, packaging, and labelling<sup>35</sup>.
- Price - companies use discounts and competitive pricing to lure customers<sup>35</sup>.
- Place includes supply chain and the distribution network and this is how companies reach their target consumers<sup>35</sup>.
- Promotion includes advertising, personal selling, media, public relations, and publicizing of budget<sup>35</sup>.

## Strategies for Promotion and Advertisements of Alcohol Products

### *Surrogate Advertising of Alcohol Products*

Alcohol brands are making strides by engaging with the social media in different ways to exploit the opportunity that it offers. The tone and content of advertising is being altered to resonate with consumers' needs and lifestyles. Select brands are innovating and succeeding by using mobile applications and popular events to promote responsible drinking. Aspirational advertising is an important advertising strategy for premium brands. There is a trend towards identifying more with and relating to things drinkers care about to generate excitement and a deeper emotional engagement.

Though advertising of liquor products is banned in India, alcohol companies can promote their brands legally at points of sale. But they know that is not enough to boost their sales.

Given the levy of heavy taxes and duties and a competitive market (especially for IMFL), the alcohol companies feel that to sustain themselves and engage their existing and potential customers, it is essential for them to invest heavily in advertising and promotion<sup>36</sup>. Their objectives are to expand their brand, beat the competition, make the consumers switch to their brands, ensure that consumers do not forget their liquor brands, and to persuade non-drinkers and the youth who are entering the drinking age to begin drinking<sup>36</sup>.

As there is a complete ban on advertising of alcohol brands, the companies resort to covert advertising strategies such as surrogate advertising. Despite the fact that surrogate advertising is also prohibited under Indian laws, the companies manage to promote their products through such strategies. Surrogate advertising involves advertising for products (non-alcoholic) that use the same brand name as the alcohol products. For example, many alcohol companies advertise music CDs, packaged drinking water and other items under the same brand name as their alcohol product. Table 6 depicts key strategies employed by the alcohol industry for advertising, with examples. Alcohol companies have also entered the market for non-alcoholic drinks and other items – for example, Tuborg makes a soft drink and Miller makes Miller Time Pieces (watches). Companies also sponsor many events by endorsing their alcohol brands. There are achievement awards, cricket teams, and even airlines in the same name as alcohol products. In its annual report, Radico Khaitan has claimed that events like cricket matches and Formula One racing lead to increase in sales in India<sup>11</sup>.

**Table 6 : Key Strategies for Advertising and Promotion of Alcohol**

Type of advertising and promotion	Examples
<p><i>Point-of-sale advertising</i></p> <p>a) <i>Oversized/backlit advertisement boards at points of sale/attractive imagery/logos/models</i></p> <p>b) <i>Misleading messages at point of sale</i></p>	   

## Surrogate advertising/Brand stretching

- a) Music CDs
- b) Packaged drinking water
- c) Advertising on the back of flight boarding passes

a



## Sponsorship of sports/musical events and awards

- a) Formula One race sponsorship
- b) Sunburn music event sponsorship
- c) Indian Premier League (IPL) cricket match team sponsorship
- d) Teacher's Achievement Awards
- e) Officer's Choice Salaam India Awards
- f) Seagram's Blenders Pride Fashion Tour





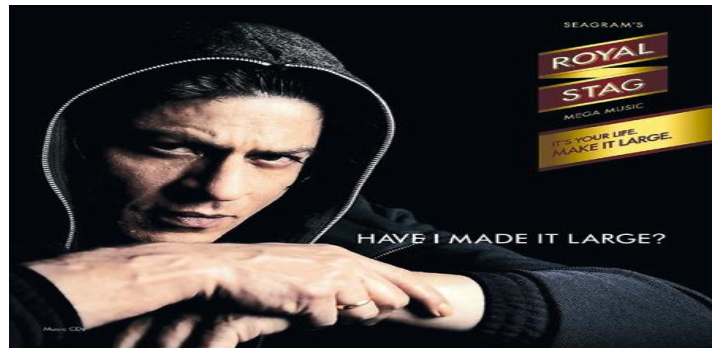
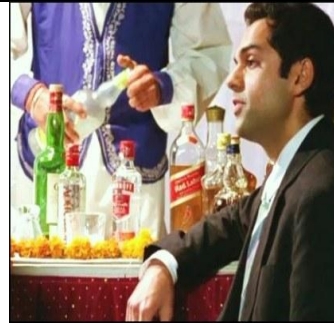


*the spirit of achievement*



**Promotion through media (including social media) and the entertainment industry**

- a) Alcohol promotion with brand placement in Bollywood films
- b) Alcohol promotion on Facebook (social media)
- c) Popular south Indian actor in alcohol advertisement
- d) Promotion of industry sponsored music CDs by Bollywood star



**Attractive packaging and labelling**

- a) Attractive Smirnoff bottle with logo
- b) Labelling used on Kingfisher brand alcohol



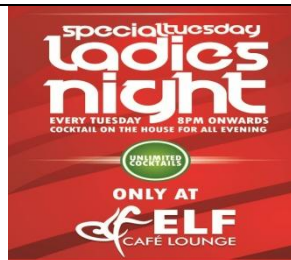
**Advertising targeted towards youth and women**

- a) Absolut Vodka flavors
- b) Dia, a premium sparkling wine launched by Sula Vineyards
- c) Bacardi breezer (a pre-mixed flavored rum) flavors



**Promotional events (E.g. Ladies Nights with unlimited alcohol)**

- a) Promotional events for ladies at high-profile lounges/bars/restaurants
- b) Happy hours (discounted prices/free drinks during certain hours of the day)



### ***Strategic brand placement and promotional offers***

- a) *Johnnie Walker liquor display at airport*
- b) *Promotional offer on the Johnnie Walker brand*



Alcohol companies spend a large part of their budget on marketing their products. The budget on marketing and promotion is usually 5-10 percent of the total turnover. The brands use different mediums and strategies to promote their products and their budgets may vary a little based on this. But the process of marketing and promotion of all products is the same.

The marketing strategy varies, depending on what the company offers and needs to promote. For example, larger companies like United Breweries have many brands so they indulge in brand extension. But this is not required for companies like Beam Global, which do not have a big market in India. The strategy also depends on the audience for the products and the place of promotion where that audience is expected to be present.

### ***Sponsorship of Events***

Among the many innovative ways that alcohol companies have devised to promote their products, one of the most effective has been sponsorship of events. In India the alcohol industry sponsors major cricket events since cricket is the most popular sport here and is highly watched across all ages and genders. It has the maximum youth viewership and that is what works very well for the alcohol industry. The Indian Premier League (IPL), which is one of the most popular annual cricket events, had a cricket team named after a very popular whisky brand. And, in a clear violation of the law, the sports gear of the team has been directly advertising the whisky brand - Royal Challenge – since 2008<sup>37</sup>. Apart from this, the same alcohol group, United Breweries, has associated itself with six IPL teams as the 'Good Times' Partner, a direct reference to their advertising campaign for their popular brand, Kingfisher beer. As cricket is an international sport, and IPL not only has foreign players but also many viewers outside India, this event offers alcohol companies a very good opportunity to establish a global market for their brands<sup>35</sup>.

Alcohol companies also indulge in sponsoring other events such as the Johnnie Walker Awards for Excellence, the Teacher's Achievement Awards, and the Officer's Choice Salaam India Awards, all of which recognize and reward people from various fields for their achievements. Johnnie Walker and Teacher's are both premium whisky brands while Officer's Choice is an economy/regular brand.



Smirnoff, a popular vodka brand, has sponsored the Smirnoff International Fashion Awards in India, and so has Blenders Pride (whisky) through sponsorship of the Blender's Pride fashion tour in India. By sponsoring such events, the alcohol industry wants to associate their brands with glamour and achievement in the minds of consumers. This message reaches all sections of the society since both the premium and regular/economy brands widely sponsor such events.

### *Promotion and the Entertainment Industry*

The entertainment industry is used extensively to promote alcohol products<sup>38</sup>. Earlier, only the bad guys in the movies were shown drinking. But now, it is the hero or the protagonist who is promoting alcohol brands. A study conducted by Delhi-based NGO, HRIDAY, revealed that students who were highly exposed to glamorized alcohol use occurrences in Bollywood movies were 2.78 times more likely to have tried alcohol as compared with those who were not exposed to the movies in a big way<sup>38</sup>.

Research studies have also shown that more alcohol is consumed in the southern states of India and that whisky and brandy are the most popular among alcohol products. Some time ago hoardings all over Kerala featured popular south Indian actor Mohall advertising for a whisky brand, holding the brand's whisky bottle and asking people what they were planning to do that evening<sup>39</sup>. It was a violation of the state law and the hoarding was eventually taken out.

In the case of product/brand placement in the entertainment media, the involved audience gets exposed to the products during the process of watching the movie or television show. The product is sometimes presented actively and sometimes passively. In the active presentation the product is given clear attention in the scene<sup>40</sup>. The aim of such product placement is to nudge the viewer into recalling and recognizing the brand at the time of purchase<sup>40</sup>. One recent example is the movie *Cocktail*, in which certain multinational alcohol brands were advertised. The name of the movie itself resonates with alcohol. Such references to alcohol are extremely common in Bollywood blockbuster movies, particularly in the songs: "Daaru Desi" (*Cocktail*); "Humka Peeni Hai" (*Dabangg*); "Chikni Chameli ...Pauva Chadha Ke Aayi" (*Agneepath*); "Talli Hua" (*Singh is King*); "Talli ho gayi" (*Ugly aur Pagli*). Bollywood songs are extremely popular not only in India, but the world over. Such references to alcohol in popular films, contribute to making alcohol use acceptable in a society in which it has always had negative connotations.

A new trend that has been observed recently on India satellite television is that the home channel of every satellite television regularly shows indirect advertising of alcohol brands. They advertise water bottles and music CDs that have the same brand name as an alcohol brand name. For example, Imperial Blue music CDs—Imperial Blue is also a well-known whisky brand.

### *Sexually Explicit Content*

The alcohol industry in India (and abroad) has often come up with advertisements that have explicit sexual content and exploit male sexual fantasies<sup>35</sup>. The television ads of Imperial Blue CDs use the tagline "Men will be Men" in their advertisements which are indirectly advertising Imperial Blue whisky<sup>35</sup>.

### *Attractive Packaging and Labelling of Alcohol Products*

Another very important strategy that alcohol industry uses to market its products is making the

products look attractive through eye-catching packaging and labelling of their bottles and cans<sup>35</sup>.

Many people choose their drinks after reaching the bar and looking at the available choices. This decision, to an extent, is influenced by the look and labels on the alcohol products<sup>35</sup>. Packaging and labelling is also necessary to differentiate between alcohol products from various companies<sup>35</sup>. In an effort to make their products stand out, companies use bright colors, metallic effects on labels, catchy names and other such devices<sup>35</sup>. They also sometimes change the packaging and labelling of an existing product completely, to make it appear that they are launching a new product...and thus attract new customers.

### *Targeting the Audience*

Another way of promoting alcohol products is to target a specific population and come out with tailor-made products for them. Women are a key target today. It is well established that the alcohol market in India is growing fast and international alcohol companies are looking to expand in India. One major reason for this is that more and more women are taking up drinking – leading to the opening of a new market. Alcohol drinking by women, once seen as immoral and unacceptable, is gaining social acceptance in India. According to the India Centre for Alcohol Studies (INCAS), women's market for alcohol is going to increase by 25 percent in the next few years<sup>40</sup>. There are various reasons behind this: women today form an important part of the workforce, they are financially independent, and they have huge social exposure. Besides, alcohol is now available in many supermarkets, which makes it feasible for women to go and buy it on their own. Earlier, women found it embarrassing to go to liquor shops, which did not have a decent atmosphere and usually had long queues of men, some in various stages of drunkenness.

The biggest wine producer in India, Sula Vineyards, have come out with Dia, a sparkling white wine, and in its launch statement the Sula Managing Director mentioned that it is a product that is beautifully packaged to attract urban women<sup>42</sup>. Another marketing technique for promoting specific brands is announcing ladies nights in bars and pubs weekly, during which the ladies may be offered unlimited free alcoholic drinks from a specific brand; sometimes all the drinks are available in the offer. The aim of these strategies is to lure urban Indian women into drinking.

To reach the youth market, alcohol companies use advertising techniques that link alcohol to physical attractiveness and promote age and image identification through the use of popular culture icons as spokespersons. The industry also uses effective packaging and labelling that will attract youngsters.

### *Promotional Events*

As noted above, many clubs and pubs organize ladies nights where drinks are offered free to the women. Apart from being a marketing strategy to initiate women into drinking alcohol, it is also a sustenance strategy for the clubs. Most clubs get their maximum business over weekends and need such events to get customers on weekdays and to compete against other clubs.

### *Social Media*

Alcohol companies use the social media as a marketing medium because it is an easy way to promote products. There is also a perception that there are fewer legal restrictions and even those are not implemented effectively on the Internet. Companies promote brands directly on Twitter but indirectly

on Facebook (FB) as the latter has users who could be underage. Twitter is still not as popular as FB in India.

The social media is most effective for targeting the younger generation, especially people under 30. However, if a brand wants to target mature and affluent people then the social media medium may not work as effectively. A single-malt Scotch whisky brand will not resort to the social media as most of their consumers will not be very active on these platforms. The Kingfisher brand, which is quite youth-focused, invests heavily in promotion on the social media – from having its own website to Instagram, Flickr, Reddit, Facebook, and Twitter. It's a 360 degree engagement interactive platform for the brand<sup>43</sup>.

### *Newer Promotion Channels*

Telemarketing through mobile networks by sending bulk promotional messages is now common in India. Such messages may have content such as: "Complete your bar with Chivas Regal 12 YO. Buy two bottles at the Duty Free Shop and get a trolley bag FREE. Redeem your points on your purchase and save more..." or other similar messages directly advertising alcohol, which is against the law.

Some retail outlets and bars use point-of-sale advertising to spread misleading information with slogans and catch lines like 'Beer is the third largest consumed beverage after water and tea,' 'Beer is brotherhood,' 'Stout is beautiful.' Such advertising, which targets the middle and upper income groups, promotes alcohol by exploiting the sociocultural milieu.

### *Regulations on Alcohol Advertisements*

The Cable Television Network Rules, 1994; the advertising codes of Doordarshan and All India Radio; and the norms for journalist's conduct issued by the Press Council of India prohibit any advertisement directly or indirectly promoting the production, sale, or consumption of cigarettes, tobacco products, wine, liquor, or other intoxicants. The government-controlled channel, Doordarshan, does not broadcast such advertisements. From September 2009 the Cable Television Network (Regulation) Amendment Act prohibited alcohol and tobacco advertisements. However, surrogate ads continue to be seen via satellite channels.

The Advertising Standard Council of India (ASCI) has laid down specific rules and guidelines prohibiting surrogate advertising. Section 6 of the ASCI Code states: "Advertisements for products whose advertising is prohibited or restricted by law or by this Code must not circumvent such restrictions by purporting to be advertisements for other products the advertising of which is not prohibited or restricted by law or by this Code<sup>44</sup>. In judging whether or not any particular advertisement is an indirect advertisement for product whose advertising is restricted or prohibited, due attention shall be paid to the following: (a) visual content of the advertisement must depict only the product being advertised and not the prohibited or restricted product in any form or manner, (b) the advertisement must not make any direct or indirect reference to the prohibited or restricted products, (c) the advertisement must not create any nuances or phrases promoting prohibited products and (d) the advertisement must not use particular colours and layout or presentations associated with prohibited or restricted products."

There has been court cases filed against surrogate advertising including the United Breweries Limited vs. Mumbai Grahak Panchayat on 4 September, 2006, In Re: McDowell And Co. Ltd. vs. Unknown on 7 February, 1997 and a petition filed against *Outlook* magazine for publishing surrogate advertisements of Royal Challenge whisky.

## CONCLUSION

Recognising alcohol use as a public health issue alongside a social and development concern is a crucial step towards developing responsive policy action. Drinking behaviour is changing in India, with differences narrowing between younger and older adults and between men and women as more and more women and youth taking up drinking. As the per capita consumption of alcohol is increasing, it also leads to rise in consumption of alcohol in heavy drinkers and this in turn raises the rate of alcohol related harm<sup>3</sup>. Alcohol producers are responding with new innovations and by creating and reinventing categories to boost growth in both volume and value. Alcohol advertising and marketing is transforming, with the use of new approaches and the social media becoming increasingly important in shaping consumer perspectives and choices.

But as alcohol use increases, so do the deaths and diseases caused by alcohol use and abuse. It has an enormous public health burden. In India, the current policy environment regulating alcohol at state level seems fragmented, non-uniform and weakly enforced. As alcohol is a state subject, every state has different legal provisions that govern alcohol and the alcohol industry, leading to non-uniformity of law. A multi-pronged strategy is thus needed to tackle the growing burden of alcohol use in India. The policy analysis presented in this report, reveals that hitherto alcohol control policies are being implemented without a public health perspective. Prevention of alcohol does not seem to be a priority and all efforts are currently on de addiction, thus adopting a high-risk approach only. It is important to address this issue in a concerted and scientific manner and design an inter-sectoral, well-coordinated strategy that can be converted into a national law. As the alcohol problem is diverse in nature and concerns multiple sectors, different ministries, government departments, and state governments need to adopt an integrated approach. A central legislation in line with WHO Resolution- 'Global Strategy to reduce the harmful use of alcohol' is the need of the hour in India.

India is a diverse country and so it has diverse drinking patterns. It is generally considered a dry country, but the trends are changing now. Different parts of the country have different drinking practices. There is no uniform drinking pattern.

The Constitution of India prescribes that the states shall aim to prohibit the consumption of intoxicating products. However, it is not easy to ban alcohol completely. The state governments receive a large part of their cash flow from this industry. Also, the demand in some markets is so high that banning alcohol may lead to an increase in spurious illicit liquor, which can prove fatal. Therefore, the best way forward is to combine best practices into a multi-component strategy and enact a national level legislation to regulate production, sale, distribution, and licensing of alcohol. The state governments should be allowed to make state-specific rules, which should be in conformity with the national legislation.

Key consequences and adverse effects of alcohol use include a continuum health effects, accidents and injuries, domestic and other forms of violence, indulgence in high risk behaviours and serious social and occupational problems like absenteeism and low work productivity stemming from episodic excessive use, long term use and addiction. However, marketing and promotion activities have only favoured greater availability and consumption, as surrogate advertising and product placement is rampant across India. Enforcement of policies too varies from State to State and needs improvement to lower alcohol related social and physical harms.

Thus, given the fragmented nature of alcohol policies in India, and the widespread circumvention of

existing policies, much greater attention needs to be devoted to the promotion of enforcement, and the prevention of alcohol problems in women and children through the regulation of alcohol marketing.

The WHO Global Strategy to Reduce the Harmful Use of Alcohol recommends specific recommendation for regulating advertisement, which has strong relevance for adaptation in the Indian context. Specific policy options and interventions include setting up regulatory or co-regulatory frameworks, preferably with a legislative basis, and supported when appropriate by self-regulatory measures, for alcohol marketing. It calls for development of effective surveillance systems to monitor marketing of alcohol products and recommends setting up effective administrative and deterrence systems for infringements on marketing restrictions.

There is a need to strengthen evidence base through epidemiological and policy-related research to enhance public health advocacy and partnership. There are seven key strategies and interventions that can prevent or minimize alcohol related harm:

### **1. Pricing and taxation**

Studies worldwide have proved that increased alcohol prices reduce the level of alcohol consumption and its impact including death, diseases, crime and road accidents. Pricing of alcohol has an impact on all groups of alcohol consumers; however, the government can administer special taxes on alcoholic beverages targeted at vulnerable groups like youth and women (especially in the Indian context).

### **2. Regulating the access and availability of alcohol**

It is important to limit the availability of alcohol, as this will put an extra pressure on the consumer to obtain alcohol and thereby reduce total volume consumed. Government intervention in alcohol outlets can regulate alcohol availability in a big way. There is a three-fold approach to this strategy:

- a) Regulate the shops/places where alcohol is sold, density of outlets and control the timings of the outlet
- b) Enforce a uniform minimum legal age for purchase and sale of alcohol and a ban on the sale of alcohol to intoxicated persons
- c) Enforce an effective licensing system to regulate wholesale and retail sale of alcohol

### **3. Comprehensive prohibition on advertising and promotion**

Imposing a comprehensive ban on all kinds of marketing strategies (advertisements, promotion, sponsorship, product placement etc.) that normalize drinking will reduce the number of alcohol beginners considerably. Research has shown that exposure of young people to alcohol marketing leads to alcohol initiation and increases the amount consumed by those already drinking.

Many governments enforce partial bans or allow advertising at point of sale. These bans will not lead to effective results. To reduce alcohol consumption and related harms, it is very important that the governments enforce comprehensive ban on all kinds of advertising of alcohol brands and products. A separate government agency should be formed to monitor this ban.

### **4. Drink-driving laws**

Alcohol has been a major cause of road accidents leading to death and fatal injuries. Every country has a drink-driving law but the enforcement is often weak or delayed. Such faintly enforced laws do not deter people from driving after drinking. It is crucial that the drink-driving laws are extremely strict and a reasonably low level of blood alcohol concentration at which one may drive legally is administered; best

practices suggest 'zero tolerance' for young drivers. There should be frequent checkpoints within cities and random breath testing should be done for men and women. The enforcement must be effective with driving license suspensions or revocations for those caught driving drunk.

### **5. Modifying the drinking context**

There is evidence that alcohol consumed in licensed premises can prevent alcohol related problems. It can be done in a variety of ways like the staff of the bar where alcohol is being served can be trained in responsible beverage service, regular renewal of liquor license, ensuring responsible drinking by consumers etc. If every premise enforces alcohol control policies and legal requirements, then the problem can be reduced because it becomes a community action.

### **6. Education and community engagement**

Education and community engagement are very important and popular strategies and interventions that can prevent alcohol related problems. Education programmes can be at individual level and at community level, that include training and normative education of adolescents to understand the alcohol related harms and the impact of peer pressure. Schools and communities should institute programmes supporting healthier lifestyles, mass media campaigns that demonstrates the advantages of reduced consumption, communicate the harms associated with heavy alcohol consumption and its effect on community development are needed.

### **7. Treatment and intervention services**

It is essential that steps be taken to reduce alcohol consumption overall, however, it is also very important to help those who are heavy drinkers, by motivating them to drink moderately. There are various therapeutic interventions that can increase abstinence among people who have developed a dependence on alcohol. Mutual help groups based on the Twelve Steps of Alcoholics Anonymous (AA) have developed throughout the world that have helped many heavy drinkers.

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