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## Point-of-sale alcohol promotions in the Perth and Sydney metropolitan areas

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## Point-of-sale alcohol promotions in the Perth and Sydney metropolitan areas

### Abstract

**Introduction and Aims.** Point-of-sale (POS) is increasingly being used as a marketing tool for alcohol products, and there is a growing body of evidence suggesting that these materials are positively associated with drinking and contribute to creating a pro-alcohol environment. The purpose of the present study was to document the nature and extent of POS alcohol promotions in bottle shops in two Australian capital cities. **Design and Methods.** A purposive sample of 24 hotel bottle shops and liquor stores was selected across Sydney (New South Wales) and Perth (Western Australia) and audited for the presence and nature of POS marketing. **Results.** Point-of-sale promotions were found to be ubiquitous, with an average of 33 promotions per outlet. Just over half were classified as 'non-price' promotions (e.g. giveaways and competitions). Spirits were the most commonly promoted type of alcohol. The average number of standard drinks required to participate in the promotions ranged from 12 for ready to drinks to 22 for beer. Alcohol outlets that were part of supermarket chains had a higher number of promotions, more price-based promotions, and required a greater quantity of alcohol to be purchased to participate in the promotion. **Discussion and Conclusions.** The data collected in this study provides a starting point for our understanding of POS promotions in Australia, and poses important questions for future research in this area.

### Keywords

alcohol, marketing, point-of-sale, Australia, pricing

### Disciplines

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## **Point-of-sale alcohol promotions in the Perth and Sydney metropolitan areas**

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### **Abstract**

There is considerable evidence that reducing the price of alcohol increases the amount consumed, particularly among young people. However, there is an absence of research on other point-of-sale (POS) alcohol marketing strategies - such as those that 'reward' purchasers with free gifts. The purpose of the present study was to document the nature and extent of POS alcohol promotions in bottle shops in two Australian capital cities. An audit tool was developed and point-of-sale promotions were found to be ubiquitous, with 416 promotions identified across 24 audits (an average of 17.3 promotions per outlet; 19.8 in Sydney and 14.9 in Perth). The most concerning finding was that these promotions appear to provide an incentive for (young) consumers to increase their purchase quantity.

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## **Point-of-sale alcohol promotions in the Perth and Sydney metropolitan areas**

### **Introduction**

Excessive alcohol consumption is a major public health issue for Australia, the US, the UK and most other industrialized countries. As well as the obvious long-term risks associated with high levels of alcohol consumption, binge-drinking is associated with a range of short-term risks including alcohol poisoning, unsafe sex, sexual assault, physical violence, motor vehicle accidents, property damage and other criminal activities (Perkins and Wesley, 2002; Wechsler *et al.*, 1995; Wechsler *et al.*, 1994). The National Alcohol Indicators Project (NAIP) has estimated that between 1993 and 2002, over 2,500 young people aged between 15 and 24 years died from alcohol-attributable injury and disease and more than 100,000 were hospitalized (Chikritzhs *et al.*, 2004).

Recent Australian research has found that alcohol is widely used by secondary students, with 50% of 16-17 year olds surveyed having consumed alcohol in the week prior to the survey, and 35% having consumed at dangerous levels (White *et al.*, 2003). This continues into young adulthood, with the 2004 National Drug Strategy Household Survey finding that approximately 64.7% of males and 57.2% of females aged between 20 and 29 years consumed alcohol at risky or high-risk levels (seven or more alcoholic beverages on at least one occasion for males, five or more for females) in the 12 months prior to the survey, and 17.4% of males and 10.9% of females consumed this amount at least weekly during the same 12 month period (AIHW, 2005).

### **Alcohol point-of-sale promotions**

In recent years alcohol advertising has come under scrutiny from both researchers and policy makers, resulting in efforts to improve the regulation of advertising practices. The potential influence of mass media – and particularly advertising – on the alcohol-related attitudes and behaviours of young people has been widely recognised. The promotion of alcohol by retailers and media can contribute to the creation of a culture in which excessive alcohol consumption is seen as the norm. There is considerable evidence that increased availability of alcohol is associated with increased alcohol consumption; that there is an inverse relationship between the price of alcohol and the level of consumption (Coate and Grossman, 1988; Osterberg, 1995; Levy and Sheflin, 1983); and that this effect is even more pronounced among young people (Chaloupka and Weschler, 1996; Kenkel, 1993; Sutton and Godfrey, 1995). For example, a study of the effect of promotions on US university students (Kuo *et al.*, 2003) found that for off-premise outlets (e.g. bottle shops) higher binge-drinking rates were correlated with: the availability of large volumes of beer; lower average price of a carton of beer; interior and exterior advertising; and promotions such as volume discounts, advertised price specials, or coupons.

Point-of-sale (POS) refers to promotional materials that are found within a store or venue, at the point where a purchase will be made. This differs from more traditional media

channels that capture the audience's attention at a time when they have no direct opportunity to purchase. This form of promotion is of increasing importance to many marketers, with U.S companies alone spending an estimated \$17 billion on promoting their products within supermarkets and other stores (Belch and Belch, 2001). Point-of-sale promotions have been shown to encourage product trial and increase purchase volume (Gilpin *et al.*, 1997). A UK study found that young people's smoking status was associated with tobacco point of sales marketing, such as gifts with purchases and special price offers (MacFadyen *et al.*, 2001). Australian research on tobacco point-of-sale has shown that adolescents exposed to this form of marketing have higher recall of cigarette brands, and weaker intentions not to smoke (Wakefield *et al.*, 2006); and report more positive brand user imagery – such as describing the typical user as interesting, relaxed, adventurous and cool (Donovan *et al.*, 2002).

POS is increasingly being used as a marketing tool for alcohol products, to the point where it is has been coined as “aggressive” (Howard *et al.*, 2004); with the alcohol industry becoming increasingly competitive, marketers are turning to POS promotions to appeal to a captive audience. These marketers are exploiting activities such as providing price promotions, gift-with-purchase incentives, as well as bulk-purchase incentives, all of which can be seen as encouraging sales figures rather than brand loyalty or development. There is a growing body of evidence suggesting that these point-of-purchase materials are positively associated with drinking and contribute to creating a pro-alcohol environment (Howard *et al.*, 2004). A US study of POS promotions across a range of store types in 2000-2001 found that the majority of stores (94%) had some form of POS alcohol marketing, and 44% of stores had low-height (and thus visible to children) interior alcohol advertising; (Terry-McElrath *et al.*, 2003). A US study found that young people (mid-adolescents, grades 7 and 9) with higher levels of exposure to in-store beer displays and promotions were more likely to be drinking by grade nine (Ellickson *et al.*, 2005), although this could be confounded by other factors which increase the likelihood of both exposure and consumption.

In Australia, the sale of alcohol for on-premise consumption is covered by rules that are designed to prevent practices that encourage excessive consumption. For example, the industry's *Alcohol Beverages Advertising (And Packaging) Code* states that “Promotional staff at events do not promote consumption patterns that are inconsistent with responsible consumption, as defined in the NHMRC Guidelines”; and the NSW Office of Liquor Gaming and Racing's *Liquor Promotion Guidelines* (2009) prohibit promotions that “encourage irresponsible, rapid or excessive consumption of liquor” including, specifically, “two for the price of one offers”. However, such rules do not currently extend to off-premise (bottleshop) sales. The purpose of the present study was to document the nature and extent of POS alcohol promotions in bottleshops in two Australian capital cities.

## Method

Based on the evidence and practice of the only published POS alcohol research conducted in Australia (Jones and Lynch, 2007) and research conducted by the Centre for Health

Initiatives in 2007 for NSW Health (Jones *et al.*, confidential report to NSW Health); a draft audit tool was developed to identify the nature of promotions (location, size, dominance), details of the promotional products (e.g. quantity and/or alcohol percentage required to purchase to receive promotion); and the type of promotions typically used by alcohol companies. Promotions were defined as any activity initiated by the manufacturer or retailer which aims to develop and maintain brand awareness and/or to influence purchasing intentions (e.g. price promotions, competitions, gift promotions, and percentage discounts on bulk sales). This approach is based on techniques used in tobacco point of sale research (Jalleh *et al.*, 2005) and recent alcohol research (Smith *et al.*, 2005).

The target venues were hotel bottle shops and liquor stores. A purposive sample was selected across Sydney (New South Wales) and Perth (Western Australia) to include a representative mix of independently owned and run stores, national liquor chain group member stores (e.g., Cellarbrations, Liquor Barons, Bottlemart, the Bottle-O) and alcohol outlets connected with large supermarket chain (e.g., BWS, Liquorland, First Choice etc). Where possible, advertisements in local print media were reviewed to identify hotel and liquor store advertisements two - three weeks before the data are to be collected (bottle shops and liquor stores regularly advertise in this manner). Bottleshops were selected across a range of major metropolitan areas in Sydney and Perth (i.e., north, south east, west) and, where possible, were located within a close vicinity of large shopping centres (Smith *et al.*, 2005). This type of purposive sampling does not result in a fully representative sample of all off-premise outlets. The procedure does, however, identify the larger consortia of liquor outlets and allows description of the nature of alcohol promotions in a range of outlets in different geographical locations. After suitable liquor outlets had been identified, the project officer formally contacted (by letter or by phone) the Licensee/manager and described the purpose and nature of the research and gained consent to undertake the audit. Outlets were able to refuse participation at this initial stage and were not identified in the reporting of data. A moderate rejection rate was anticipated (30%) however previous studies have demonstrated high willingness to participate among licensees (Smith *et al.*, 2005).

In each city, auditors were trained to use the audit tool and were given an information sheet about the project and a script to use when speaking to bottleshop owners/licensees about the project, and to respond to questions from customers if they made any enquiries as to the nature and purpose of the audit. When entering the bottleshop, auditors identified themselves to the manager as researchers from the University of Wollongong/Curtin University and provided evidence of permission granted to complete the audit and/or sought permission from the manager at the time of the audit). All audit staff worked in pairs. Each auditor conducted an independent audit and upon completion, the two auditors compared their findings and verbally discussed any discrepancies before jointly compiling a report using the specified format. Data from the audit tool were entered into the statistical software package, SPSS (Version 17.0). Simple frequencies and descriptive statistics form the basis of analysis which focuses on the nature and variety of POS promotions and the types of advertising or marketing strategies used.

## Results

The rejection rate from stores approached was 24.5% (slightly lower than anticipated); 25.9% in Sydney and 23.1% in Perth. Point-of-sale promotions were found to be ubiquitous, with 416 promotions identified across 24 audits (an average of 17.3 promotions per outlet; 19.8 in Sydney and 14.9 in Perth). A total of 175 different promotions were identified in Sydney and Perth. Table 1 shows the type of promotion identified in Sydney and Perth.

Table 1: Average number of promotions per outlet and types of promotions

Type of Promotion	Sydney	Perth	Overall
Competition	49%	56%	53%
Free Gifts	26%	28%	27%
Other	25%	16%	20%

Most promotions were attached to spirit or liqueur products (n=73) or to wines (n=56), followed by beer (n=36) and RTD's (n=19). In several instances, the same promotion was seen on both a RTD and a spirit of the same brand, which is why the total number of promotions (n=184) differs from the number of unique promotions identified (n=175).

The vast majority of unique promotions (97%) required the purchase of more than four standard drinks to participate; with total standard drinks ranging from 1.4 to 92.4, with an average of 19.3 per promotion. Table 2 shows the total number of promotions of each type, and the average number of standard drinks required to participate in the promotions, across each of the three store types.

Table 2: Total number of promotions by store type

Type of Promotion	Type of Store		
	Independent store	Liquor Chain	Supermarket Chain
Competitions	42	97	83
Free gift	24	53	35
Get some alcohol free	2	4	2
Discounted price	1	0	0
Gift pack	2	14	37
other	3	8	7
<b>Total</b>	<b>74</b>	<b>176</b>	<b>164</b>
<b>Type of alcohol</b>			
Beer or cider	19	37	49
Spirits or liqueur	20	68	77
Wine or any purchase	21	48	12
RTD	14	23	26
<b>Total</b>	<b>74</b>	<b>176</b>	<b>164</b>
<b>Average Standard drinks per promotion</b>	<b>20.1</b>	<b>19.2</b>	<b>19.0</b>

## Discussion

As noted in the introduction, there is a virtual absence of research into (non-price) point-of-sale alcohol marketing, particularly in the Australian context (although we can draw some parallels to tobacco POS marketing, which has been more extensively researched). Thus, the data collected in this study provides a starting point for our understanding of this type of promotion in Australia, and poses important questions for future research in this area. Our audit of 24 alcohol outlets in metropolitan Sydney and Perth identified 416 POS promotions (excluding simple price reductions), an average of 17.3 per outlet. We note that this was substantially higher than the average of 10 promotions per outlet found in a 2008 study of bottleshops in metropolitan, regional and rural areas of New South Wales (Jones *et al.*, confidential report to NSW Health). Importantly, the rate of promotions in urban areas was lower than in rural and remote areas (mean of 7.7 across the 23 Sydney audits; lowest in the Sydney CBD, with an average of 4.8 across the six audits). This suggests that the frequency of promotions has increased over time.

Competitions were the most frequently identified type of promotion, accounting for over 50% of the total, consistent with the 2008 NSW data. A total of 175 different promotions were identified in Sydney and Perth. Free gifts with alcohol purchase accounted for over a quarter of identified POS promotions, which is particularly concerning given the strong evidence from the United States of an association between adolescents' ownership of alcohol-branded merchandise and future drinking (Henriksen *et al.*, 2006; McClure *et al.*, 2006). While alcohol is sold in bottleshops only to people over the age of 18, and thus it could be argued that the merchandise is targeted to those over the legal drinking age, qualitative research with young people shows that they are frequently the final recipients of such materials and that this is associated with positive brand associations (Jones *et al.*, confidential report to NSW Health). Further, free gift promotions were most commonly associated with the product types consumed by young drinkers (that is beer and RTDs).

However, the most concerning finding was that participation in POS promotions almost universally required the purchase of a large number of standard drinks, on average just under 19 per promotion. The linking of desirable items to the purchase of multiple units of alcohol, particularly given existing pricing strategies which often result in it being (for example) cheaper to purchase six RTDs than four of the identical product (Jones and Barrie, 2010), has clear potential to increase the amount of alcohol purchased and, in many cases, consumed on a single occasion.

There is a need for further research to investigate the effects of such promotions on purchase, and consumption, volumes (particularly among younger drinkers). However, we argue that there is also a need to consider the regulation of such promotions, perhaps by expanding the remit of existing codes – or, ideally, for marketers to consider modifying the nature of point-of-sale alcohol promotions – to reduce the impact of marketing activities on alcohol-related harms. Based on this data, the most immediate recommendation for policy and practice would be restrictions on the use of promotions that require the purchase of large volumes of alcohol to obtain a free gift or enter a competition.



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