



## Standard Drinks Consumption

What's happened since the RTD Tax Excise Increase?

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## Contents

Executive Summary	3
Research Design - What is a standard drink?	4
Impact on Packaged Liquor - Standard Drinks	5
Impact on Liquor Categories - Standard Drinks	6
Impact on Liquor Categories - Value & Volume Share	8

## Executive Summary

A recent research report by the Nielsen Company talked to consumers and asked how the RTD tax increase had influenced their liquor purchasing behaviour. A couple of the key outcomes were that consumers were drinking less alcohol and spirits & beer were the most likely categories that RTD consumers had switched to.

This report uses Scantrack Liquor data translated into standard drinks to see what impact the RTD tax increase has had on off-premise consumer sales. It compares the quarter to April 2008 (pre RTD tax increase) and the quarter to July (post RTD tax increase) versus the same quarters a year ago. In brief the analysis showed that:

- The total number of packaged liquor standard drinks has declined at a faster rate since the introduction of the RTD tax increase.
- The RTD category has changed from 3.5% growth in standard drinks pre RTD tax to 26.2% decline post RTD tax - down 7 million standard drinks per week.
- Spirits has moved from a 2% decline to a growth of 11.2% - up 2.9 million standard drinks per week.
- Packaged beer has changed from a 2.2% decline to a 1.5% growth - up 1.1 million standard drinks per week.

Retail volume and value category share changes were directionally the same as the standard drinks movements.

Due to seasonality and a short time frame since the RTD tax increase, a clear conclusion of the full impact on consumer off premise liquor sales will be able to be assessed in the coming months

Pre RTD Tax				
Standard Drinks Consumed (Millions)	Feb to April 07	Feb to April 08	Standard Drinks +/-	% Change
Packaged Beer	1,010	988	-22	-2.2%
Wine	749	737	-12	-1.6%
Spirits	297	291	-6	-2.0%
RTD	353	365	12	3.5%
Packaged Liquor	2,409	2,382	-27	-1.1%

Post RTD Tax				
Standard Drinks Consumed (Millions)	May To July 07	May To July 08	Standard Drinks +/-	Percentage Change
Packaged Beer	886	899	13	1.5%
Wine	797	776	-21	-2.7%
Spirits	313	348	35	11.2%
RTD	348	257	-91	-26.2%
Packaged Liquor	2,344	2,280	-64	-2.7%

## Research Design - What is Standard Drink?

A standard drink is a unit of measure used to calculate the amount of alcohol in a drink regardless of segment or packaging size, calculated by the following:

Volume x % Alcohol x Gravity\*

Gravity\* = The Specific Gravity of Ethyl Alcohol is 0.789

[www.alcohol.gov.au/internet/alcohol/publishing.nsf/Content/standard](http://www.alcohol.gov.au/internet/alcohol/publishing.nsf/Content/standard)

The table below show an example of how many standard drinks are in a litre of each alcohol category.

<b>Average Standard Drinks per Litre of Alcohol by Category</b>			
<b>Standard Drink = 10 grams of Alcohol</b>			
Category	Ave Alcohol %	Gravity*	Standard Drinks Per Litre
<b>Packaged Beer</b>	4.8	0.789	3.79
<b>Wine</b>	13.0	0.789	10.26
<b>Spirits</b>	38.0	0.789	29.98
<b>RTD's</b>	5.0	0.789	3.95

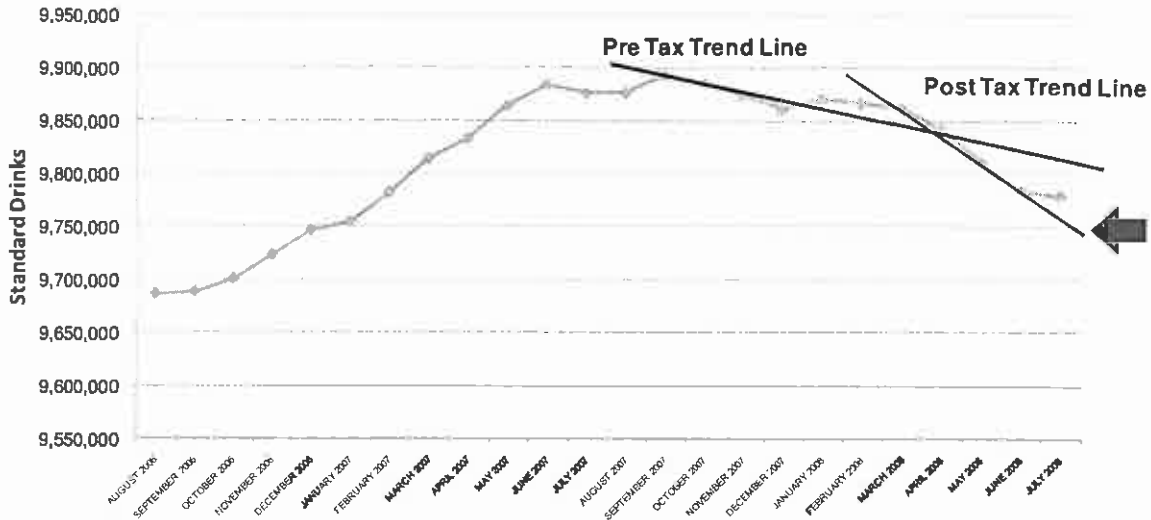
To ensure the conversion from litres to standard drinks was as accurate, both beer and RTD's were broken down to their respective strength segments. Liqueurs were broken down by brand to ensure the changing mix across brands with significantly different alcohol levels were accounted for.

## Nielsen ScanTrack Liquor

This data covers total off premise sales from Liquor Stores, Licensed Supermarkets and Hotels for the 5 mainland States of Australia. This data includes point-of sale data plus field methodologies which represent the non-scan environment,

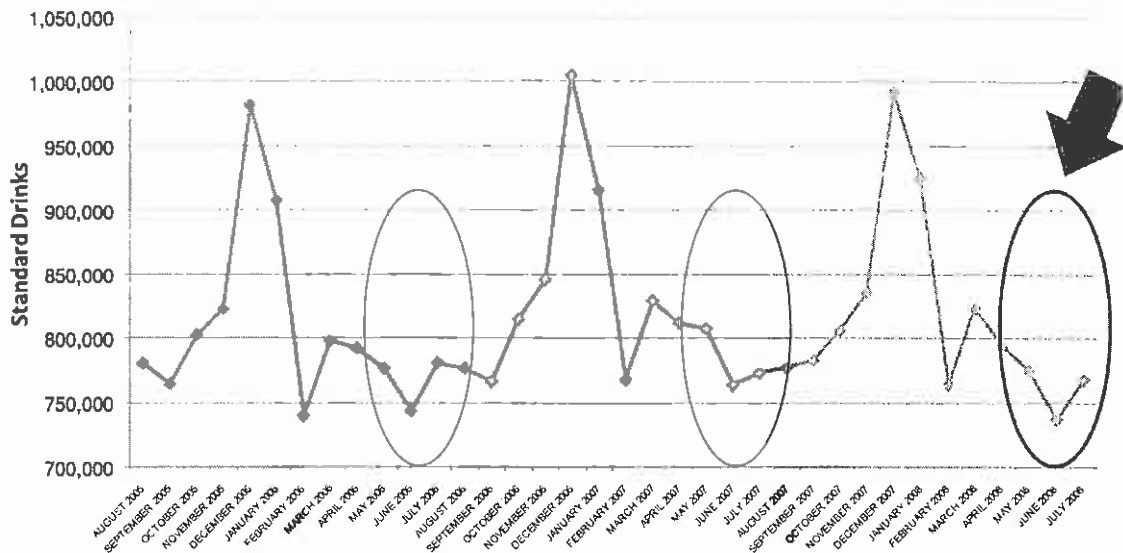
## Impact on Total Liquor - Standard Drinks

*Packaged Liquor Standard Drinks Rolling 12 Month Trend?*



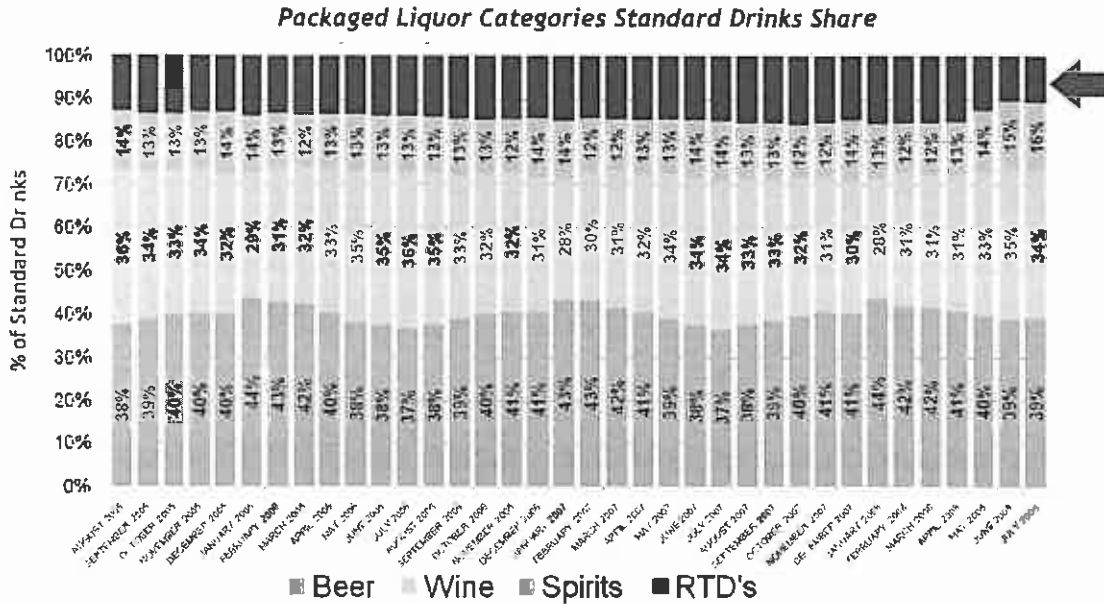
The total number of standard drinks has been declining since mid 2007. However the trend lines show the additional drop in standard drinks below expectations post the RTD tax introduction.

*Packaged Liquor Standard Drinks Monthly Trend*

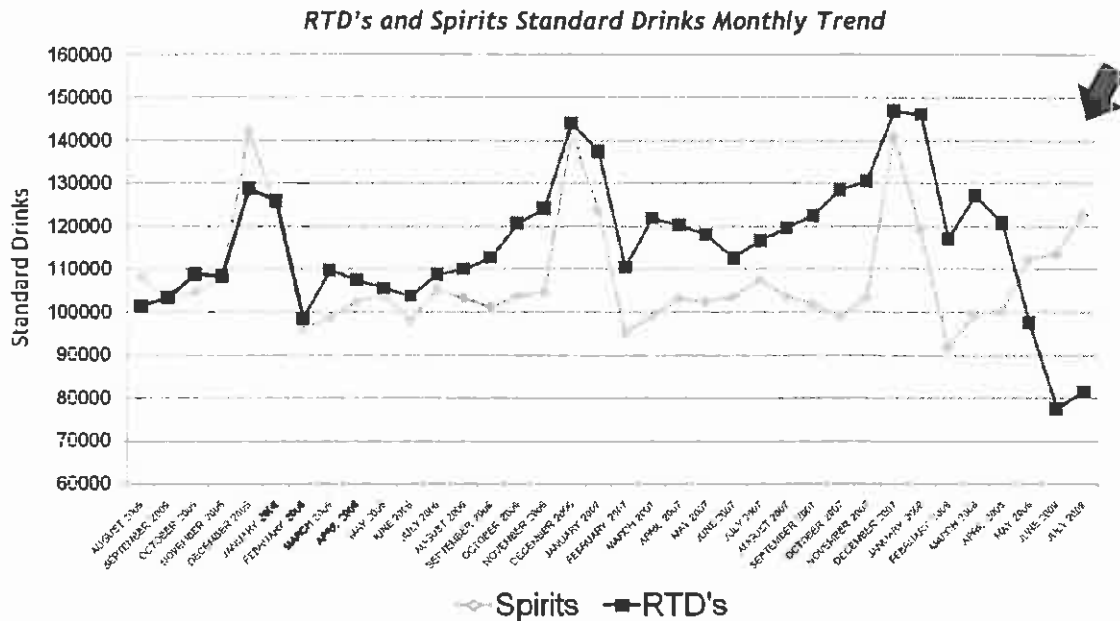


Total packaged liquor month on month shows that even when accounting for seasonality June/July periods show the lowest actual standard drinks consumed in 36 months.

## Impact on Packaged Liquor Categories - Standard Drinks

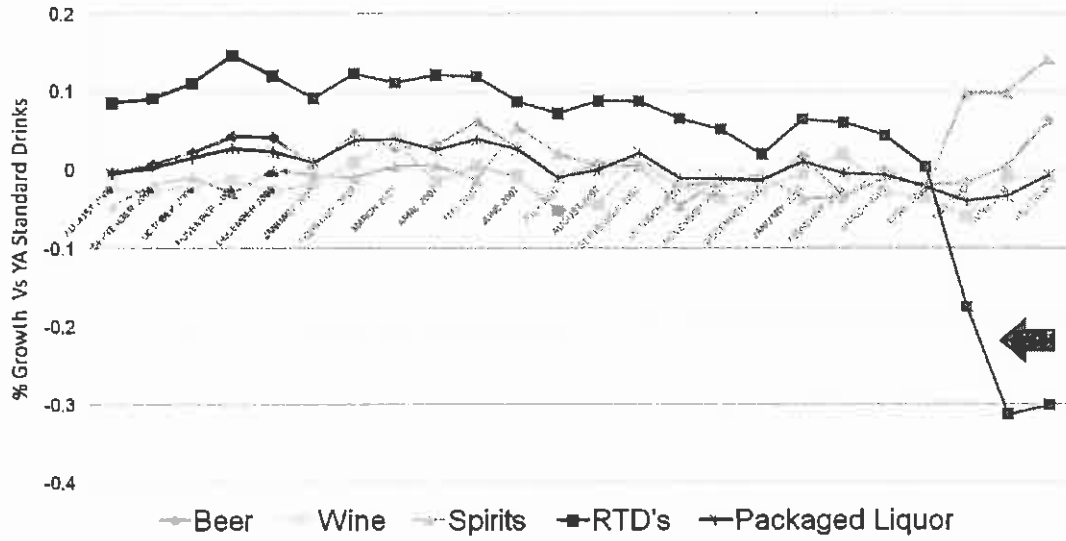


Following a gradual increase to 15% of standard drinks over the last three years, RTD share fell to 11% in the last three months. The spirits category has recorded its highest share of packaged liquor standard drinks in 3 years.



The level of RTD standard drinks has fallen below spirits for the first time in two and half years.

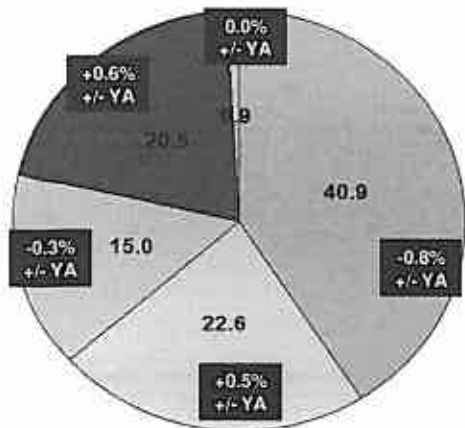
**Packaged Liquor Categories Standard Drinks Monthly Growth versus Year Ago**



*The decline in RTD standard drinks versus and year ago levelled out in July while spirits and beer growth is increasing.*

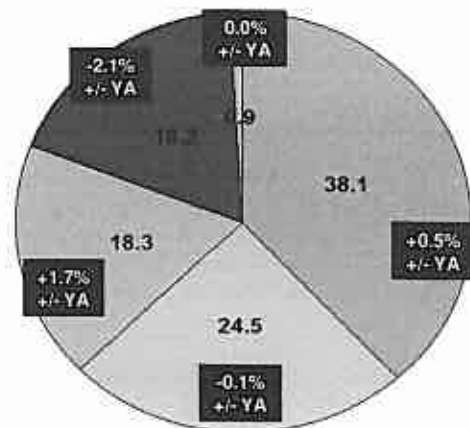
## Impact on Packaged Liquor Categories - Value Share

Pre RTD Tax Hike (Feb - April 08)  
Value Share of Packaged Liquor, +/- Value Share Vs Year Ago



■ Beer □ Wine ▣ Spirits ■ RTD's ▤ Cider

Post RTD Tax Hike (May - July 08)  
Value Share of Packaged Liquor, +/- Value Share Vs Year Ago

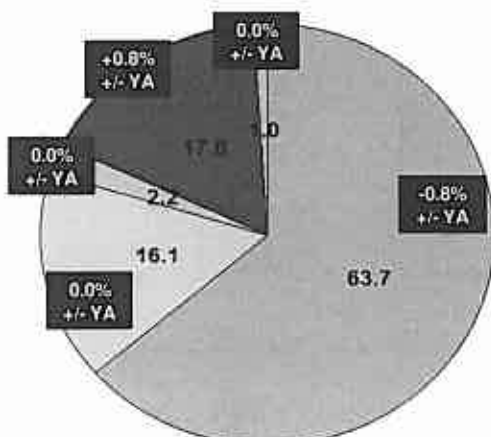


■ Beer □ Wine ▣ Spirits ■ RTD's ▤ Cider

Post RTD tax hike show that beer, wine & spirits have all gained value share versus a year ago. Spirits has gained the most with an additional 1.7% share points versus the same quarter a year ago.

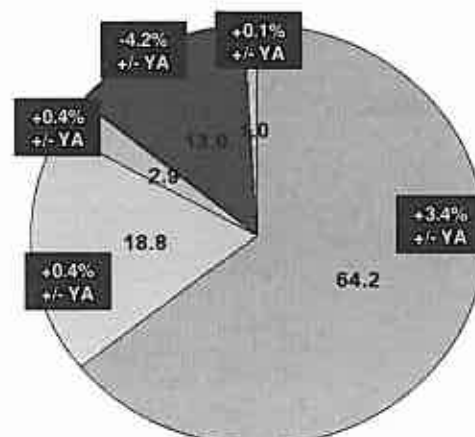
## Impact on Packaged Liquor Categories - Volume Share

Pre RTD Tax Hike (Feb - April 08)  
Volume Share of Packaged Liquor, +/- Volume Share Vs Year Ago



■ Beer □ Wine ▣ Spirits ■ RTD's ▤ Cider

Post RTD Tax Hike (May - July 08)  
Volume Share of Packaged Liquor, +/- Volume Share Vs Year Ago



■ Beer □ Wine ▣ Spirits ■ RTD's ▤ Cider

Post RTD tax hike show that all segments (except RTD's) have gained volume share versus a year ago with beer gaining 3.4% additional share and spirits gaining 0.4% share of packaged liquor.