

Newly introduced alcohol marketing strategies: Thai experience

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Introduction

Thailand has been defined as one of the 'Emerging markets' for the alcohol industry. While domestic entrepreneurs are still the key operators, multinational alcohol entrepreneurs have expanded their area of profitability to this market in recent years. Generally, these beverage categories are greatly different in terms of production, distribution, marketing and consumption [1]. For example, the attractiveness of traditional and indigenous beverages is on price, where it is rather the created image for cosmopolitan beverages, such as life success and friendship. Thai consumers align themselves with the mega trend in the developing world in which consumers are more and more shifting from primitive and local beverages toward cosmopolitan and international brands. However, indigenous beverages are still have significant share.

The World Health Organization (WHO) Global Alcohol Database tracks the increase in Thai adult per capita consumption from 0.26 litres in 1961 to 8.47 litres of pure alcohol in 2001 [2]. Most significant, beer consumption had an eightfold growth between 1982 and 2001. Thai unrecorded consumption was estimated to be 2 litres of pure alcohol per capita in 2003 [3]. A report from the alcohol industry states that Thailand has the world's highest income elasticity of beer demand during the 1996 to 2001 period [4]. By contrast, wine consumption is exceptionally low and stable.

Economic progress, demographic changes, weak alcohol policy and public health infrastructure, modernized life style, aggressive marketing practices including lower prices with high availability all are positive factors for the growth of alcohol consumption. There was a strong association between adult per capita consumption and per capita gross domestic product (GDP) between 1961 and 2000 [5].

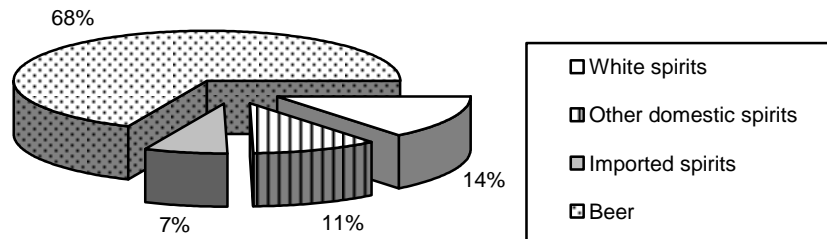
Thai alcohol market used to be dominated by very few companies [6]. The business of a single company accounted for more than 90% of the domestic spirits market in 1999 and 64% of the beer market in 2001 [7]. By the way, imported beverages used to have only a small foothold: for example, 3.9% of the total spirits and less than 0.1% of the beer market between 1998 and 2000. In the locally produced market, the "white spirit", the cheapest uncoloured and unseasoned spirits (close to Arrack) made from either rice or molass, shared almost three-quarters of overall distilled beverage production volume in 2004 [8].

Thai alcohol market is in the transitional period, facing with higher competition among operators and the increase role of modern trade system. Firstly, the confrontation among alcohol entrepreneurs has been increasingly vigorous, particularly after the repeal of production concession in 1999 and since the Asean Free Trade Agreement (AFTA) took effect in 2003. International operators and alcohol importers have had bigger share in both market and alcohol policy process. As a result, Thai alcohol market has become more open. Secondly, modern trade systems, including department stores, discount stores and convenience stores, have gradually become outlet of choice for many consumers, increasingly replacing the conventional alcohol business system, regional authorized agencies. The modern trade system has its own distribution system and can provide cheaper beverages for retail outlets and drinkers [Khookhang Thurakit Newspaper 30/06/1997].

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<insert figure 1>

Figure 1: Percentage of production and imported volume by beverage categories, 2005



Source: Excise Department cited in [9]

Thailand has a quite comprehensive alcohol policy content, including the taxation measure, seller license, regulations on time and place of sale, prohibition of broadcasting advertisement from 0500-2200 hours or so-called the partial ban introduced in 2003, and control of advertising content. Alcohol policy process in Thailand reflects the incompatibility of different interests, many strong measures, such as taxation and control on physical availability, are criticized for neglecting public health values [10, 11]. Furthermore, seriousness and reliability of policy implementation are a critical problem. Practically, some regulations have not been enforced since enacted.

This manuscript analyses the marketing strategies, lately launched to Thailand through the classic Marketing Mixed theory, or known as the 4P principle (Product-Price-Place-Promotion), introduced by McCarthy [12]. Where available, this article describes the impact of such strategies.

Product

Recently, the alcohol industry has focused on few market sectors with substantial growth including beer, RTD beverages, and secondary (economy grade) whisky. A number of international brands have been introduced to the Thai market. Many foreign entrepreneurs have extended their production lines from the conventionally luxury to the lower market segments.

Free trade agreements promote the freer flow of alcoholic beverage products and investment. Under the AFTA, some entrepreneurs repackage imported beverages and whisky concentrate from 'out-zone' Europe in 'in-zone' ASEAN countries and export the end product to Thailand. This practice largely supports the mushrooming of secondary whisky, which is generally rated as more luxury than indigenous beverages. To fight back, domestic producers have launched English-name drinks, adding on their conventional Thai-name beverages.

Thai government practically allowed the production of traditional fermented and distilled beverages by grassroots in 2001 and 2003, respectively. Since then, many traditional beverages have been selected and promoted as 'the product of (each) sub-district'. This legalization promoted the availability of cheap and legal beverages at the community level. Although produced by authorized brewers, a substantial proportion of traditional beverages is free from tax [13].

Apart from the diversification of alcoholic beverages, the alcohol industry tailored beverage types, sizes and drinking patterns to each consumer group. RTD and wine coolers have been symbolised as the female drink.

Alcoholic beverage and their packaging are well designed to fit with their target groups. Most RTDs have colourful packages, some are difficult to be separated from non-alcoholic beverages. A wine cooler brand launched its special edition product under the name of a famous rock band, and used them as brand ambassadors. The little bottles (150 ml.) of White spirits were particularly popular among youth, because of its cheapness and ease of carrying and hiding in their school uniforms [Than Setthakit Newspaper 14/01/2004].

An increase in the number of drinking sites around universities, with innovative drinking styles such as the Alcoholic Frappe and serve-in-a-shot, were reported [Than Setthakit Newspaper 24/03/2005]. Alcoholic Frappe, or cocktail-in-jug, has gained popularity among Thai youth from its cheapness (around 2-3 USD/ jug), physical appeal, relevant to Thailand's warm weather, and sweet taste albeit high alcohol content. In this recent years, Alcoholic Frappe selling has become a franchise business, with claimed margin at over 70% of the selling price [14]. The fashion of drinking the mixture between White spirits and red syrup (to lessen the strong taste of white spirit) among rural and worse-off youth is regarded as one of the cheapest way to be intoxicated.

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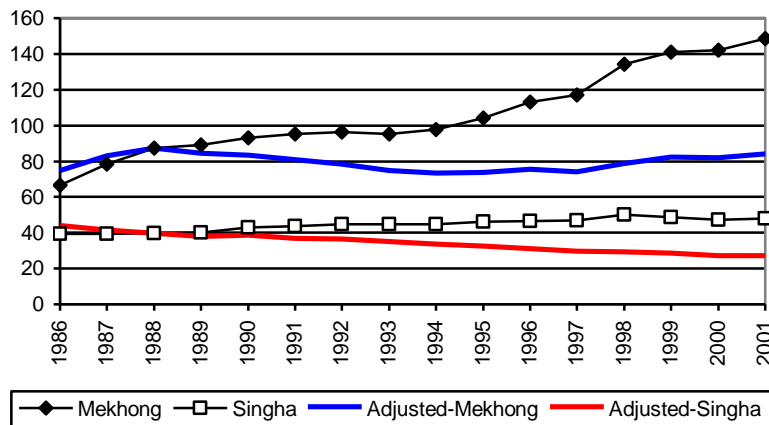
Price

WHO [15] reported that the relative beverage price in Thailand was low, compared to regional and global averages. The relative price for beer in Thailand in 2002 was 3.43 USD compared with a mean of 11.3 for the South-East Asia and Western Pacific WHO regions and 8.1 for global average. The relative price for spirits in Thailand was 22.21 USD, 10.8% and 43.3% lower than the regional and global averages respectively. The cheapness of beer and secondary whisky is a major factor shifting Thai consumers toward European-style beverages.

The change in price of alcoholic beverages in Thailand has been disproportionate to the economic growth. This scenario leads to the increase in the affordability of Thai consumers, and reflects the limitation of alcohol taxation measure to control consumption. After adjusting for inflation by using the consumer price index (CPI) as an indicator (using CPI at 1988=1), the price of Mekhong (750-ml bottle), popular domestic liquor, went up by only 12.7% from 1986 to 2001 which is still much less than 381% of GDP per capita growth in the same period. The adjusted price of Singha beer (630ml bottle) had gradually dropped by 38.5%, from 44.1 to 22.7 Baht (at 1988 constant price), as shown in Figure 7 [5]. The data outlined here indicates that the decline of real price of beverages was a factor encouraging consumption, particularly for beer. An alcohol giant admitted that the low price of its beer was the crucial determinant of increasing overall beer consumption [Prachachat Thurakit Newspaper 24/09/1998].

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Figure 7: Price and inflation-adjusted price of Mekhong spirit and Singha beer in Baht (CPI 1988=1)



Sources: [5]

Thai drinkers enjoy cheaper imported and locally produced branded beverages as the effect of trade agreements, leading to the expansion of alcohol market size. In Thai experience, AFTA effect has significantly reduced the retail price of imported beverages in both economy and premium grades, many of these branded drinks are drink-of-choice for young consumers [9]. The volume of imported whisky has significantly increased in the recent time, particularly after AFTA took effect [16]. The AFTA mechanism cut the custom duty for 12 times, compared with the conventional direct importation [10], and it has enhanced the competitive capacity of importers [17]. An RTD beverage could be sold at half price after switching to domestic production [Phoojadkarn Newspaper 30/09/05]. Furthermore, custom duties for alcoholic beverages are subject to further reduction to 0% in 2010 for AFTA, and 2015 for the Thailand-Australia Free Trade Agreement

Another significant business technique used, although officially denied, is the “Tied Selling” strategy. This is the practice of alcohol producers and distributors to force retail sellers to buy other merchandise together with certain popular and profitable products, such as the condition that retail outlet has to buy some undeniable amount of beer in order to buy profit-making white spirits. This is particularly to introduce and increase the market share of a new product. From a health perspective, this tactic led to a drop in overall beer price, not only of tied brands. This scenario inevitably boosted beer consumption. Moreover, the tied selling tactics also enhanced consumption of illegal spirits, and partly triggered a wave of commercialisation among illegal producers [18].

Place

The accessibility to alcohol for Thai consumers, including youth, seems not to be any hurdle. The increase in number of alcohol outlets is evident, particularly during the economic progress period [18]. The growth of modern trade system, particularly the emerging of chained convenient stores in residential areas, significantly enhances the alcohol availability. In 2004, there was an average of one authorised alcohol dealer for every 110 people and, and on average Thai drinkers took only 7.5 minutes to purchase alcohol., and [19]. From the same study, only 3% had to make significant journeys, while only 15.9% of drinkers decided to stop drinking if their regular outlet was closed.

Thailand has had a licensing system controlling the production, distribution and sale of alcoholic beverages since 1786 [11]. In this system, licensees have to conform to the additional regulations, including the regulation on time of sale and prohibition of selling to youth. Conventionally, policy of Ministry of Finance has been to expand retail selling to as many residential areas as possible [18]. This stance was affirmed by a recent reduction in outlet licensing fees, and the One-Stop Service campaign to ease the license application process. However, a considerable number of alcohol outlets, including street alcohol vendors,

still do their business without license. A 1997 survey of Lopburi province showed that only 80% of retail sellers were licensed [18].

Thai government restricted selling time to the periods between 11 AM and 2 PM and between 5 PM and 12 PM. However, the coverage and consistency of implementation is questionable. A survey of the northern region shows that 96.6% of outlet did not conform to time of sale regulations [20].

For off-premise licensing, the only geographical prohibition applies to areas 'within' and 'next to' educational and religious areas. This rule does not apply to other nearby areas including opposite and those that do not share fence with educational institutes, and is commonly seen as too superficial regulation to decrease accessibility for students to drink. In addition, to control youth drinking through Entertainment Venue Act was seen as infeasible, as most of drinking places around university are registered as restaurant, not entertainment venues [Khaosod Newspaper 15/05/2004]

In recent years, there has been the boom of modern-style street alcohol vendors, who sell beverages in mobile units and kiosks. These drinking sites have become famous among Thai youth, and are relatively difficult for the enforcement of time and place of sale regulations, as well as the minimum purchasing age.

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Promotion

Intense competition among alcohol entrepreneurs has forced entrepreneurs to employ many aggressive advertising strategies, including direct advertising on beverage's quality, the Beer Girl system, regulation circumventing and breaching, providing gift away and lucky draw, and promoting through innovative channels.

If the amount spent on alcohol advertising is seen as an indicator for level of exposure to alcohol promotions, it is significant that the advertising budget has risen by 7.41 times during the years 1989 to 2003. Conventionally, the content of alcohol advertising, beer in particular, used to be about images of brand and producer. But there has been an observation among Communication Art academics on the change in advertising content toward the direct advertising [13], such as stating about the quality and prestige of products.

After the partial ban took effect in 2003, the alcohol industry has found ways to circumvent the regulations by using indirect advertising in the controlled media and increasing promotions in unregulated, below-the-line media. A newspaper reports the high frequency of logos and names of alcohol beverages broadcast during prohibited times, as well as the promotion of surrogate products. The budgets for mobile advertisements such as ads-on-vehicle, and on-drinking-site promotions increased by 583% and 148% respectively from 2003 to 2004 [Krungthep Thurakit Newspaper 7/09/2005]. On its limitation, the 2003 partial ban regulation does not cover sponsorships and many advertising channels, such as internet and virus marketing. The alcohol industry has advertised their product and website at many popular websites, including websites about entertainment and sports which are attractive to youth. An alcohol company revealed that advertising through mobile phones to promote a lucky draw campaign was successful [Prachachat Thurakit Newspaper 8/11/2004].

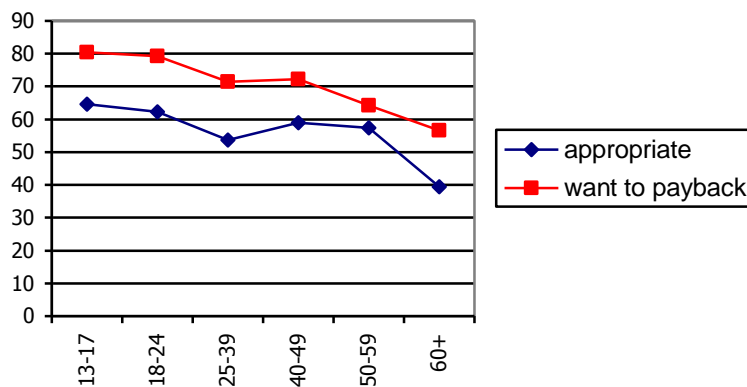
Promotion of surrogate products, or logo- and name-sharing products, include the broadcast and billboard advertising, as well as sponsorship on behalf of non-alcoholic products, such as a dancing competition for over 13 years old by a soda brand (see figure 18). A study shows that 99.9% of junior high school knew that a billboard advertising (see figure 19) is to promote beer, with out the name and bottle seen, [21].

The Beer Girl system is believed to be introduced by a foreign alcohol operator, and has become a necessity for most alcohol entrepreneurs. The main income for Beer Girls comes from commissions on sales, such as 3 Baht per bottle, and tips [Matichon Newspaper 25/02/2002]. A Beer company manager admitted that Beer Girls can create brand awareness, stimulate purchases, and is more important than broadcast advertising [Post Today Newspaper 12/12/2003]. A restaurant estimated that Beer Girls increase their income by 20 to 30% [Matichon Newspaper 25/02/2002].

Promotion on Corporate Social Responsibility (CSR) has been the recent trend among alcohol operators, including social donation and sponsorships to sport persons, events and broadcast. From a survey, 80.5% of teenagers wanted to payback to a beer company who sponsored the free broadcast of 2006 soccer world cup [22], as displayed in figure 13. Another study shows that, Thai students have high brand loyalty to the advertising of a beer company on national soccer team and a blanket donation program; while many primary students positively perceive this company and brand as the philanthropy who they should pay back [23].

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Figure 13: Percentage of respondents who see the appropriateness of the sponsorship of an alcohol company on free 2006 soccer world cup broadcast, and who want to support the company



Source: [22]

Conclusion

Analyzing through the Market Mixed model, both domestic and foreign alcohol entrepreneurs have employed many ground-breaking marketing strategies to increase their market share and overall market size. Many of these newly introduced strategies specifically target at youth. Some approaches are highly relevant to Thai context, while some can be seen in other countries.

In short, these strategies lead to the high availability of cheap beverages, create the youth-friendly beverages and drinking patterns and brand loyalty, and also shape the social climate on alcohol consumption and alcohol operators including the normalization of alcohol consumption in Thai society. Certainly, youth, commonly defined as the future of alcohol industry, are the most vulnerable group for these threatening scenarios. Most strategies negatively affect the effectiveness of alcohol policy. Thus, these strategies are well designed to gain both short and long term benefit.

The adequacy and ability of existing regulations to address these newly introduced strategies is largely questionable. Therefore, the regular review and strengthening of Thai alcohol policy are urgently needed, in order to promote the policy relevancy to the dynamic situations and to enhance the alcohol policy utility to protect the health of Thai people.

Note: figure 2, 3, 6, 10, 11 and 12 from various websites

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