



## Distilled Spirits: Two Decades of Progress

### 1980-1990's: An Industry in Continuous Decline

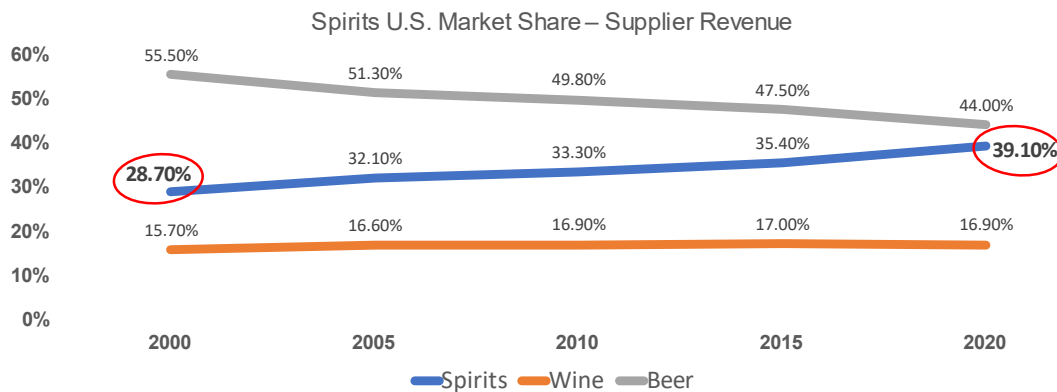
Distilled spirits sales fell almost continuously from the 1980's through the 1990's, hit by a number of challenges including: two significant federal excise tax hikes; state tax increases; aggressive beer marketing on television; far more liberal market access for beer and wine in many states; and growing consumer interest in wine. By 2000, distilled spirits market share had declined from 40 percent to just 28.7 percent of sales.

### 2000: Revitalization Begins / This Did Not Happen By Accident

Beginning in 2000 a complex, interrelated public affairs and government affairs cultural acceptance campaign was executed to normalize and equalize the treatment of distilled spirits, as well as to celebrate the cocktail and the notion of premiumization, "drinking better; not more."

By 2020 spirits' market share had grown to 39.1 percent of the total beverage alcohol market, adding \$8.3 billion to supplier revenues. The chart below demonstrates the impact on consumers and the beverage alcohol market.

## 10.4 Points of Market Share Since 2000 Each point worth \$800 million in supplier revenue



Sources: Derived from industry financial reports, Beverage Information Group Handbooks, NABCAFOB prices, DISCUS Brand Data and Council Estimates

## **Factors Contributing to Growth:**

In 2000, the DISCUS Board of Directors made the strategic decision to take a far more aggressive stance toward public policy and public perception. The campaign to win back market share was a multi-pronged approach including:

### **Expanding Consumer Access to Spirits and Leveling the Playing Field With Beer & Wine**

- Expanding market access through Sunday sales and tastings legislation contributed to equal treatment, normalization and premiumization trends. Since 2002, 21 states have passed laws permitting Sunday sales of spirits, bringing the total to 43 states. Forty-eight states now allow some form of distilled spirits tastings, critical to encouraging consumers to trade up and leveling the playing field with wine.

### **Holding the Line on New Taxes at the Federal and State Level**

Changing the paradigm in tax fights by emphasizing “hospitality taxes; not sin taxes” and aggressive lobbying at the state level. Since 2000, the industry has defeated 443 tax threats, saving \$16.9 billion in retail sales. Activating craft distillers to be local voices on market access and tax issues has been an important asset in these efforts.

### **Aggressively Pushing to get Spirits on Broadcast Advertising and Accepted in Professional Sports Marketing**

- Getting spirits advertising back on network television beginning on cable with BET, ESPN, CNN, etc. and then broadcast networks served to normalize spirits and buttressed efforts to achieve equal treatment in the policy arena.
- Sports marketing and sponsorships in major televised sports starting with NASCAR in 2004; then MLB, NBA, NHL, NFL etc.

### **Increasing Cultural Acceptance of Spirits by Bringing Cocktail Culture Back to the U.S. and Celebrating the Industry’s Rich Heritage**

- Launching a wide-ranging public relations campaign called, “Simple Pleasures,” designed to revive consumer interest in cocktail culture, luxury spirits trends and premiumization.
- Promoting industry heritage through the reconstruction of George Washington’s Distillery and creating the American Whiskey Trail linking major distilleries with historic sites.
- Launching a series of educational spirits category media trips and events to build relationships with top tier business and lifestyle reporters. At a time when there was little media coverage of distilled spirits, this effort resulted in hundreds of articles featuring member brands and distilleries.

### **Prioritizing Good Science in the Policy Arena**

- Utilizing evidence-based science to promote Beverage Alcohol Equivalence as the underpinning for public policy (standard drinks) changes, with a relentless focus on promoting responsible, moderate consumption.
- Aggressively pushing back against advocacy science and correcting the record in the media, beginning with Joseph Califano and CASA, and CAMY in 2001.

## **Establishing DISCUS as a Leading Trade Association With Policymakers, Influencers and Media**

- Launching the Annual Economic Briefing in New York for business media and Wall Street analysts in 2002, utilizing state-of-the-art data and generating billions of positive impressions.
- Creating the craft distiller membership in 2010, catching the wave of U.S. distillery growth, and contributing to political support in states across the country.
- Promoting U.S. spirits exports through the MAP program since 2006. Partnership with USDA built U.S. government support and funding for the spirits industry, and helped to generate record exports since 2009.

## **Showcasing the Spirits Industry's Longstanding Commitment to Responsibility**

- Continuously enhancing the Code of Responsible Practices to stay ahead of the changing media landscape and build recognition and credibility for policy changes from government leaders and commercial partners.
- Since the inception of Responsibility.org, drunk driving and underage drinking have reached record low levels. Drunk driving fatalities have decreased 24 percent since 2000 and lifetime alcohol consumption and binge drinking among our nation's youth has decreased 34 percent and 52 percent, respectively.
- Working with national partners in a public-private partnership, Responsibility.org made contributions toward perceptions regarding underage drinking prevention. Through its "We Don't Serve Teens" campaign with the Federal Trade Commission (FTC), the "Cops in Shops" campaign with law enforcement and retail partners across the country, and numerous public awareness campaigns, Responsibility.org reinforced research proving parents are the leading influence on a kid's decision to drink – or not to drink – alcohol.
- Nine in ten opinion elites believe the distilled spirits industry can make a positive contribution in the fight against drunk driving, underage drinking, and encouraging responsible consumption.

## **Navigating the Rapidly Changing Marketplace Ahead:**

- Increasing advocacy efforts for market modernizations that deliver consumer convenience by leveraging e-commerce, including direct-to-consumer shipping, and other market access opportunities that enable parity with beer and wine.
- Eliminating the punitive tariffs on distilled spirits between the U.S. and the EU will be paramount for the industry to continue its growth trajectory while helping the hospitality sector rebound from challenges associated with the pandemic.
- Providing critical resources and setting a strategic framework for the distilled spirits industry to achieve parity through broadening membership; unifying the supplier tier; leveraging the untapped political equity via Spirits United; and expanding the value proposition for spirits suppliers e.g. DISCUS Academy. Showcasing and building upon member companies' commitment to sustainability, diversity, equity and inclusion are critical initiatives moving forward.
- Through the efforts of Responsibility.org, continue making progress to eliminate underage, drunk and impaired driving, promoting responsible consumption will serve as a license to operate.