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Ready-to-drink products have been the subject of considerable concern in relation to their contribution to the problems associated with alcohol consumption among young people. In recognition of the impact of low price of RTDs on adolescent and young peoples alcohol consumption, the Federal Government introduced an increase in the tax on RTDs on Sunday 27th of April 2008. The purpose of the current study was to examine the current price of RTDs in New South Wales, and whether the taxation change has increased the price of RTDs to a point where they are unlikely to be affordable for underage drinkers.

Keywords

Cheap, chips, price, RTDs, South, Wales

Disciplines

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Cheap as chips: The price of RTDs in New South Wales

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Abstract

Ready-to-drink products have been the subject of considerable concern in relation to their contribution to the problems associated with alcohol consumption among young people. In recognition of the impact of low price of RTDs on adolescent and young people's alcohol consumption, the Federal Government introduced an increase in the tax on RTDs on Sunday 27th of April 2008. The purpose of the current study was to examine the current price of RTDs in New South Wales, and whether the taxation change has increased the price of RTDs to a point where they are unlikely to be affordable for underage drinkers.

Introduction

Alcohol consumption among young Australians

The Australian School Students Alcohol and Drugs Survey (White and Hayman 2006) established that by the age of 12, around 73% of students had tried alcohol, climbing steadily to around 80% by age 13, 86% by age 14, and 91% by age 15. Alarming, 30% of 15-year-olds and 44% of 17-year-olds reported consuming at levels that placed them at risk of alcohol-related harm (i.e., drinking seven or more standard drinks on one day for males and 5 or more for females) in the last week (White and Hayman 2006).

Ready-to-drink (RTD) alcohol products

Ready-to-drink products (RTDs and also known as 'designer drinks' or 'flavoured alcoholic beverages') have been the subject of considerable concern in relation to their contribution to the problems associated with alcohol consumption, and consequently alcohol-related harm, among young people. RTDs or 'alcopops' are beverages made with a spirit or wine base and a non-alcoholic mixer such as juice or soft drink, served in a pre-mixed package (Gates et al. 2007). They were first introduced in Australia in the mid 1990s, then later into Great Britain and the United States (Jernigan 2007).

From 2003 there has been a steady increase in the amount of ready-to-drink pre-mixed spirits available for consumption – as well as apparent consumption per person (Australian Bureau of Statistics 2005; 2007). RTDs in Australia now comprise 10.9% of the alcohol available for consumption, with a 5.9% increase in apparent consumption between 2005-2006 and 2006-2007 (Australian Bureau of Statistics 2005; 2008), and the ready-to-drink market accounts for 20% of all retail liquor sales (Smith et al. 2005).

Range and availability of RTDs

An *Australian Standard Drink* (SD) contains 10 grams (12.5 millilitres) of alcohol (National Health & Medical Research Council 2001), and the NHMRC guidelines define standard drinks as, for example, one can (375mL) of low-alcohol beer; 100mL (small glass) of table

wine; or $\frac{3}{4}$ of a bottle (330mL) of alcoholic soda.¹ However, the educational materials distributed to educational institutions in association with the guidelines (e.g., standard drink posters) were not designed to keep pace with changes to the potency of ready-to-drink beverages (RTDs), which have in recent years increased their variation in alcohol content. For example, a recent study of alcohol point-of-sale promotions identified common RTDs ranging from 1.1 SD (5% alcohol, 275ml) to 2.7 SD (9% alcohol, 375ml), with minimal price differences (Jones and Lynch 2007). As reported by Munro and De Wever (2008), premium-strength RTDs grew by 34% in the 12 months to August 2007 and now represent 17% of the RTD market.

Foster's group and Lion Nathan recently introduced voluntary restrictions on the alcohol content of their RTD products, limiting them to two SD per single serve, and capping alcohol content at 7%. However, some have argued that this is a token move (Kaye 2008), with these companies being described as 'minor players in the high alcohol market' (Lee 2008).

Price of RTDs

An important component of the marketing mix, particularly when targeting young people, is price. There is considerable evidence that there is a direct relationship between reduced alcohol prices and increased consumption among young people (see, for example, Chaloupka and Weschler 1996; Grossman et al. 1994; Kenkel 1993; Sutton and Godfrey 1995). Both anecdotal evidence (which is easily obtainable by reading advertisements in metropolitan and community newspapers) and recent Australian quantitative and qualitative research demonstrates that RTDs are priced well within the budget of young people (Jones and Lynch 2007; Munro and de Wever 2008; Hemphill et al, 2007) and, importantly, that young people actively search out and purchase products with the highest alcohol content for the lowest price (Jones & Gregory, in press).

In recognition of the impact of low price of RTDs on adolescent and young people's alcohol consumption, and concerns that the introduction of the GST in 2000 resulted in a slight increase in the price of premium beer but a concurrent reduction in the price of RTDs by 20%, the Federal Government introduced an increase in the tax on RTDs on Sunday 27th of April 2008. The excise rose from \$39 per litre of pure alcohol to \$67 per litre, putting this product category on a par with bottled spirits, and estimated to raise \$2 billion which will be put into a preventative health program (McManus 2008; Milne 2008). It has been estimated that this will increase the price of a single drink by somewhere between 30 cents and \$1.30, and a 'case' of RTDs by around \$15 (Northern Territory News 2008).

However, this move has been criticized as insufficient and potentially ineffective in reducing excessive consumption among this age group. Despite the apparent jump in price inferred by statements such as 'prices jump' (Edmiston 2008) and 'hefty tax rise' (Vaughan 2008), it has been estimated that, for example, the price of a four pack of Bacardi Breezers or Vodka Cruisers from bottleshops in Newcastle will increase from \$12 to \$14 (Smeaton 2008), leaving it well within the budget of most young drinkers.

The purpose of the current study was to examine the current price of RTDs in New South Wales, and whether the taxation change has increased the price of RTDs to a point where they are unlikely to be affordable for underage drinkers.

¹ Note that while 'soda' is an American term – and the usual Australian term is 'soft drink,' this is the wording used in the NHMRC school education materials.

Method

A list of target alcohol outlets was developed; with the aim of developing an audit sample that comprised a mixture of bottle shops (i.e. attached to hotels) and liquor stores (including those co-located with supermarkets) in metropolitan, regional and rural areas, as defined by RRMA codes (see Table 1). After identification of suitable liquor outlets, the project officer wrote to the licensee/manager describing the purpose and nature of the study to obtain their consent to conduct an audit in their store. A total of 52 alcohol outlet audits were conducted across nine locations (see Table 1). The response rate varied across locations; from a 20% acceptance rate (Sydney) to a 71% acceptance rate (Shellharbour), with the regional and remote outlets considerably more likely to agree to participate.

Table 1: Audits of RTD products conducted by location

RRMA Area	Locations (Local Government Areas - LGAs)	Audits
M 1	Sydney, North Sydney, Cronulla/Sutherland, Eastern Suburbs	24
M2	Wollongong, Shellharbour	10
R1-R3	Shoalhaven, Dubbo, Coffs Harbour	18
Total		52

A detailed audit tool was developed to identify the range and nature of RTDs available in these outlets. Utilising the audit tool, trained auditors measured and recorded the nature of the products (i.e. including a record of a wide range of product characteristics, such as price, packaging, volume, percentage of alcohol, type of flavour, soft-drink based, fruit based, milk based). Data was entered into the statistical software package SPSS version 15.0 and Microsoft Excel, from which frequencies and descriptive statistics formed the basis of analysis.

Results

Across all 52 bottle shops audited, 150 individual RTD alcohol products were identified – this was based on the number of unique combinations of alcohol percentage and volume (for example, ‘Jim Beam White’ bottles and cans were considered two different products as they differ in volume and therefore in the number of standard drinks, however different flavours of ‘Vodka Crusiers’ (for example) were not treated as separate products as strength and size remain consistent). Bourbon and whiskey based RTD products dominated the market (67 out of 150 products), followed by vodka-based (35), rum-based (15), RTD shots (11), and tequila-based (4) products. There were 18 ‘other’ product types. Interestingly, RTD products occupied 4.9 out of 14.5 fridges, on average – more than one third of the fridge space in each bottle shop. Bacardi Breezers (which have multiple flavours) were the most frequently identified RTD (available in 50/52, or 96.1%, of stores), closely followed by Kristov Cruisers (49/52; 94.2%) and Jim Beam White Label cans (48/52; 92.3%).

For the purposes of this paper, we have focused on the 13 RTD products that were the most widely available across bottleshops in all nine locations (see Table 2). For each of these products, the number of SD per unit, the average price per unit, the average price (and number of drinks) per multipack and the number of SD per multipack is also provided. Finally, the average cost per SD has been calculated.

Table 2: Alcohol products that were readily available in NSW bottle shops

Product	Base spirit	Number of stores selling product	Alcohol percentage (SD per unit)	Average price per unit	Average price per multipack (units per multipack)	Lowest price per multipack	SD per Multipack	Cost per SD (based on average multipack price)
<i>Bacardi Breezer (275ml)</i>	Bacardi	50/52	4.8% (1.0)	\$4.59	\$13.87 (4)	\$11.99	4	\$3.47
<i>Kristov Cruiser (275ml)</i>	Vodka	49/52	5.0% (1.1)	\$4.18	\$13.41 (4)	\$10.99	4.4	\$3.05
<i>Jim Beam White (375ml)</i>	Bourbon	48/52	5.0% (1.5)	\$5.10	\$24.82 (6)	\$21.99	9	\$2.76
<i>UDL vodka (375ml)</i>	Vodka	47/52	4.8% (1.4)	\$4.33	\$19.03 (6)	\$14.99	8.4	\$2.27
<i>Woodstock Bourbon and Cola (440ml)</i>	Bourbon	47/52	5.0% (1.7)	\$4.53	\$20.35 (6)	\$14.99	10.2	\$2.00
<i>Bacardi and Cola (375ml)</i>	Bacardi	46/52	5.0% (1.5)	\$4.79	\$21.95 (6)	\$16.00	9	\$2.44
<i>Bundaberg OP Rum (375ml)</i>	Rum	46/52	7.0% (2.1)	\$6.16	\$30.44 (6)	\$19.99	12.6	\$2.42
<i>Johnnie Walker (375ml)</i>	Bourbon	46/52	5.0% (1.5)	\$5.00	\$23.07 (6)	\$16.00	9	\$2.56
<i>Smirnoff Double Black (340ml)</i>	Vodka	45/52	7.0% (1.9)	\$5.76	\$18.99 (4)	\$16.99	7.6	\$2.50
<i>Jack Daniels (340ml)</i>	Bourbon	44/52	6.0% (1.6)	\$6.17	\$20.79 (4)	\$15.99	6.4	\$3.25
<i>Midori Splice/Paradiso/Illusion (275ml)</i>	Midori	43/52	4.8% (1.0)	\$4.77	\$14.46 (4)	\$9.99	4	\$3.62
<i>Jose Cuervo (330ml)</i>	Tequila	36/52	7.5% (2.0)	\$5.90	\$20.42 (4)	\$16.49	8	\$2.55
<i>Cougar Bourbon and Cola (440ml)</i>	Bourbon	34/52	5.0% (1.7)	\$5.13	\$19.86 (6)	\$13.99	10.2	\$1.95

While the cost per unit may appear to be fairly high, ranging from \$4.18 (Kristov Cruiser) to \$6.17 (Jack Daniels), these prices must be considered in the context of alcohol strength, of which the simplest indicator is SD per unit. Alcohol percentage ranged from 4.8% (Bacardi Breezer) to 7.5% (Jose Cuervo), and the number of SD in each RTD product ranged from 1.0 (4.8%, 275ml: Bacardi Breezers and Midori range) to 2.1 (7.0%, 375ml: Bundaberg Rum OP), although products not included in this table have as many as 2.7 SD per unit (9%, 375ml: Bulleit Bourbon and Cola). Furthermore, when purchased in multi-packs, the price of these RTDs significantly drops. For example, UDLs had an average per unit price of \$4.33 when purchased individually but this reduced to an average of just \$3.17 per unit when bought in a pack of 6 (8.4 SD in total). Using these cheaper multi-pack prices and SDs as a guide, the cost per standard drink for the selected 13 products ranged from \$1.95 (Cougar Bourbon and Cola) to \$3.62 (Midori range).

Discussion

A 2002 study conducted in Victoria found that minors aged 13- 17 years who paid for alcohol spent an average of \$22 on the last occasion they purchased alcohol (Munro and de Weaver 2008). Of the 13 products discussed above, 10 can be bought in multi-packs of 4 or 6 for less than this amount. Only the Jim Beam White, Bundaberg OP Rum and Johnnie Walker multi-packs were, on average, more expensive than this, and it is important to note that the products which are traditionally seen as favourites of underage drinkers (i.e. “lollipop drinks” such as Crusiers, Breezers and UDLs) can all be purchased in multi-packs of 4 for less than \$15 or 6 for less than \$20. It is also important to note that the Victorian data on average spend is eight years old; even a simple adjustment for inflation (without any consideration of other changes to youth income and expenditure levels) results in a 2008 equivalent of \$25.93 per drinking occasion (based on Reserve Bank of Australia official inflation rates). That is, following the ‘dramatic increase’ in the price of alcopops, the average 13-17 year old (spending the average amount of \$25.93) will be purchasing somewhere between 7 and 13 standard drinks (or as many as 18 standard drinks if they shop around for specials).

These findings should be considered in the context of ‘safe drinking’ levels. The NMHRC recommends that adult males drink an *average* of no more than 4 standard drinks a day, and not more than 6 standard drinks in any one day; adult females an *average* of no more than 2 standard drinks a day, and not more than 4 standard drinks in any one day; and that those aged under 18 should keep any drinking to a minimum and, most importantly, should not drink to become intoxicated (NHMRC, 2001).² That is, even if these young people are buying the most expensive RTDs (dollar per SD), they will be exceeding the safe drinking levels for adults; if they are buying the cheapest ones they will be consuming three times this amount.

It is also important to note that RTDs are increasing in strength: with common RTDs ranging from 1.1 to 2.7 standard drinks (Jones and Lynch, 2007). More importantly, research with young people has demonstrated that they actively search for the products which provide the highest number of standard drinks per dollar (Jones & Gregory, in press).

It is clear that this recent increase in the price of RTDs, despite the outcry from the industry, has not made significant progress towards reducing the affordability of these products for underage drinkers.

² Note that the revised NHMRC guidelines, currently being circulated for comment, state a maximum of two standard drinks per day for males and females and that not drinking is the safest option for those aged under 18.

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