

Alcopops Cheaper than Energy Drinks: 7-Eleven Gambles with Children's Lives



A Report by Alcohol Justice


**ALCOHOL
JUSTICE**TM
The Industry Watchdog

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Alcopops Cheaper than Energy Drinks: 7-Eleven Gambles with Children's Lives

Executive Summary

Alcopops, legally identified as “flavored malt beverages,” are sweet, bubbly high alcohol products that are packaged and marketed to appeal to youth. They are used by the alcohol industry as a transition beverage from soda and non-alcoholic energy drinks to hook youth on alcohol and secure customers for life. Supersized alcopops, available in single servings with up to 12% alcohol by volume, encourage excessive drinking and are available at convenience stores frequented by youth throughout the nation.

In Marin County in Northern California we surveyed the prices of supersized alcopops at popular 7-Eleven stores in Marin and found that supersized alcopops were being offered at a promotional price break, priced cheaper than non-alcoholic energy drinks, and priced cheaper per standard drink than beer and even malt liquor.

Excessive alcohol consumption is a substantial problem in Marin County, and alcohol is the most widely used drug among the county's youth. Although alcohol producers should ultimately be held accountable for the harm their products cause, alcopop retailers such as 7-Eleven, Inc. and its local franchisees bear responsibility for selling harmful products to their communities.

Because numerous attempts by federal and state regulators to address the alcopops problem have been thwarted by the alcohol industry, Alcohol Justice has turned to local, direct action as the only way to protect communities from these dangerous products. Along with Marin County community groups, public health advocates, youth and residents,

Alcohol Justice is building a community coalition for an Alcopop-Free Zone™ (AFZ), a campaign asking retailers to voluntarily stop selling alcopops. We recommend:

- 1) Community residents, led by youth and parents, should make their concerns about alcopops known to the Uppal and Singh families who operate 7-Eleven franchises in Marin County, and all other storeowners who sell alcopops in the area.
- 2) Counties and cities should put conditions on land use to protect the health and safety of youth. Specifically, officials (police, sheriff, land use and planning) should ask for restrictions on all single-serving alcopops and malt liquor sales as conditions for ABC licenses, and as conditions on use permits.
- 3) Retailers should voluntarily cease purchasing, selling and marketing of alcopops. We encourage Marin municipalities and policymakers to pass resolutions in support of the Alcopop-Free Zone™ Marin.
- 4) Youth and public health groups throughout the United States should consider forming Alcopop-Free Zone™ coalitions and demand that retailers stop selling the most youth-attractive drinks, alcopops.

Background

Alcohol Justice has been involved in several local and national campaigns to remove youth-oriented alcohol products, particularly alcopops, from the market. In our own backyard, along with Marin County community groups, public health advocates, and residents, Alcohol Justice is building a community coalition to get these insidious products off Marin's store shelves by asking retailers to agree not to sell alcopops, and passing local government resolutions to support an Alcopop-Free Zone™ Marin (AFZ).

Excessive alcohol consumption is a substantial problem in Marin County, and alcohol is the most widely used drug among the county's youth. Although alcohol producers should ultimately be held accountable for the harm their products cause, we believe that local retailers who sell alcopops also bear responsibility for selling harmful products to their communities.

This report looks at the appeal of alcopops to youth, and pricing strategies at 7-Eleven convenience stores that contribute to youth alcopops consumption in Marin County.

The Evolution of Supersized Alcopops

Alcopops originated as sweetened malt beverages in standard 12-oz sizes, such as Zima, a Coors product introduced in 1993 that looked like water. These products are similar to beer in alcohol content (usually 5%-8% alcohol by volume, or ABV). The alcohol industry calls them "flavored malt beverages" or "progressive adult beverages." In this report we call them alcopops, the name commonly used in Great Britain, Australia, Canada and New Zealand, and increasingly used in the United States. In those countries alcopops are overtly mixed with distilled spirits, while in the U.S. they are claimed to be primarily made with a malt brewing

process. These claims benefit the alcohol industry because alcopop products are taxed at the lower beer rate, but don't taste like, look like, nor are they called beer.

In the late 1990s, alcohol producers caught the wave of popular caffeine-laden, non-alcoholic energy drinks such as Red Bull. These energy drinks provide a "buzz" with high caffeine and stimulating additives such as L-carnitine, taurine, and ginseng, and are available to consumers of any age. Brands such as Sparks (MillerCoors), Tilt (Anheuser-Busch InBev), and Four Loko (Phusion Projects) combined caffeine and alcohol into premixed alcoholic energy drinks (AEDs). AEDs quickly became popular, and just as quickly resulted in a string of high-profile injuries and harm. The U.S. Food and Drug Administration (FDA), in response to alarm about the risk of AEDs and under pressure from state attorneys general, the Center for Science in the Public Interest, Alcohol Justice and many others, forced producers to remove the caffeine from alcopops. By that time many of those AEDs had grown in size and alcohol content, creating "supersized," high alcohol, single-serving alcopops.¹

Even without the added caffeine, supersized alcopops—16-ounce or larger single-serving containers—are dangerous products. The sizing (up to 23.5-ounce cans and 32-ounce bottles) and alcohol content (as much as 12% alcohol by volume, or ABV, in some products) have been widely criticized by public health advocates. One 23.5 ounce can of Four Loko, at 12% ABV, is equivalent to 4.7 standard drinks in a single serving. That is 4.7 shots of 80-proof vodka, 4.7 bottles of beer, or 4.7 6-ounce glasses of wine. Consuming one Four Loko in a sitting is considered by public health experts as binge drinking.² For this reason, supersized alcopops are often referred to as "binge-in-a-can."³

How Alcopops Appeal to Youth

Youth are the primary consumers of alcopops, with one-third of teenage girls age 12 to 18 and one-fifth of teenage boys having tried an alcopops product.⁴ Alcopops are used by the alcohol industry as a

“transitional beverage,” marketed specifically to teens and youth to get them hooked on alcohol and secure customers for life.

Youth consume an estimated 47% of alcopops products sold in California.⁵

Alcopop producers have been wildly successful in marketing alcopops to youth, although consistently denying underage consumption. Because the products are most often classified as beer, they can be advertised and placed with much fewer restrictions than distilled spirits products, and have frequently been criticized by public health advocates for overexposing underage youth to their advertisements.⁶

As part of the youth marketing strategy, alcopops are packaged and marketed similarly to non-alcoholic energy drinks. The popularity of energy drinks such as Monster and Rock Star, which are promoted heavily through video game systems and at youth sporting events such as snowboarding and BMX, is used by the producers of alcopops as an easy transition to alcopops. Young people already seeking the energy drink buzz are a vulnerable market for energy drinks' alcoholic cousins, alcopops. For example, hip-hop/rap

music artist Snoop Dogg is the celebrity spokesperson for Monster as well as Blast. Snoop Dogg's promotional videos for both products are accessible to viewers of all ages on social media sites such as YouTube and Twitter. This heavy-handed marketing and packaging obviously targets underage energy drink consumers. The ads are clear—drinking Monster is cool, but drinking Blast elevates the drinker to pimp status.



In addition to targeted marketing, alcopops are priced to appeal to the youth market. Research has shown that low pricing on alcoholic beverages directly contributes to increased consumption among youth, and that increasing price reduces consumption.⁷ Cheap pricing on alcopops makes them compelling to youth compared to other available products.

One final point about alcopops is so obvious that it is barely ever mentioned: if alcopops were popular with youth 21 and over they would be served at bars. In fact, they are primarily sold at convenience and liquor stores, such as 7-Eleven, where it is easy for youth to perform "shoulder tap" purchases (asking someone of legal age to purchase alcohol for them).



Marin County's Drinking Problem

Idyllic Marin County, in Northern California just north of San Francisco, is known for its

healthy lifestyles, quality schools and relative affluence, and was recently ranked the #1 healthiest county in the state. The caveat: it lays claim to the second highest excessive drinking rate in the state, with 24% having engaged in either binge drinking, defined as consuming more than 4 (women) or 5 (men) alcoholic beverages on a single occasion in the past 30 days, or heavy drinking, defined as drinking more than 1 (women) or 2 (men) drinks per day on average in the past 30 days, compared to 17% statewide.⁸

According to Larry Meredith, Marin County's Department of Health and Human Services Director, excessive drinking is problematic among all age groups, including Marin's youth.⁹

The California Department of Alcoholic Beverage Control (ABC) has granted 217 active off-sale liquor licenses in Marin County, approximately one per every 1,160 residents. 7-Eleven convenience stores have a visible presence in Marin, with eleven franchise stores throughout the county. 7-Eleven stores are easily recognizable and popular spots to grab snacks and drinks, especially alcohol. Ten of the stores are operated by the Petaluma-based Uppal and Singh families, who operate 7-Eleven stores throughout Northern California. Along with 7-Eleven, Inc., the Uppal/Singhs hold the liquor licenses for the stores.

7-Eleven, Inc., the actual owner of the stores, is the North American subsidiary based in Texas of Seven-Eleven Japan, a Tokyo-based, multinational corporation that owns or franchises 43,000 stores in 16 countries. 7-Eleven operates nearly 9,000 company-owned or franchised stores in the U.S. and Canada under the 7-Eleven name.

We noticed that some 7-Eleven stores in Marin have signs advertising prominent price breaks on Four Loko and Mike's Harder alcopops products. Because of 7-Eleven's

popularity in Marin County, we decided to take a closer look at alcopops pricing at these stores.

What We Did: Methodology

We conducted a limited pricing survey of alcopops and other beverages available at Marin 7-Eleven stores in March 2012 to better understand the special pricing appeal of alcopops relative to other beverage choices available. We wanted to find out for ourselves what price breaks on alcopops a Marin teenager would find when he or she walks into a 7-Eleven store looking for a buzz (or sends in a friend), and how price may influence the decision to purchase alcopops in lieu of other beverage choices, such as non-alcoholic energy drinks.



Selection of Beverage Types and Brands

At each of the Marin County 7-Eleven stores, we recorded the cost, container sizes and quantities available per price for each product surveyed. We limited our product selection to three distinct types of malt beverages for this study:

- 1) Domestic beer (Budweiser, Coors, Pabst, and Miller Genuine Draft),
- 2) "Malt liquor," typically priced cheaper than beer, containing higher ABV, and labeled as "malt liquor" (Steel Reserve and Olde English 800), and
- 3) Alcopops, sweetened "flavored malt

beverages" that do not look like or taste like beer (Mike's Hard, Mike's Harder, Smirnoff Ice, Sparks, Blast, Joose, and Jeremiah Weed). Within the alcopops category, we differentiated between "supersized" alcopops—those available in 16-oz servings or larger, with alcohol by volume higher than 5%, and regular serving sizes (approximately 12-oz) that contain about 5% ABV (Mike's Hard products, Smirnoff Ice).

We then compared alcopops to other drink types at two levels:

- 1) The relative price per fluid ounce of alcopops and their popular, similarly packaged and marketed cousins, non-alcoholic energy drinks, and
- 2) The relative price per standard drink (based on fluid ounces and alcohol by volume) of alcopops and other alcoholic malt beverages, beer and malt liquor.

We calculated the price per fluid ounce for each beverage type and quantity available. For alcopops and energy drinks, we analyzed cost per fluid ounce by specific brand.

To compare alcoholic beverages using a standard value measure of volume and alcohol content, we calculated the price per standard drink for each type, brand and quantity sold. In the U.S., a "standard" drink is any drink that contains about 0.6 fluid ounces or 14 grams of "pure" alcohol. One standard drink is equivalent to one 12-ounce bottle of beer at 5% ABV, one 6-ounce glass of wine at 12% ABV, or one shot (1.5-oz) of 80-proof spirits.

For each alcoholic beverage, we calculated the number of fluid ounces per each quantity sold, and calculated the total number of standard drinks for that quantity. We then divided

the price by the number of standard drinks. For example, a 6-pack of 12-ounce cans of Budweiser contains 6 standard drinks. Priced at \$6.99, the cost per standard drink was $\$6.99 / 6$, or \$1.17. A 23.5-ounce can of Four Loko, at 12% ABV, is 4.7 standard drinks, and priced at \$2.50, was \$0.53 per standard drink.

What We Found: Results

All 11 of the Marin County 7-Eleven stores sell alcopops. Of all products surveyed, beer was available in the largest variety of sizes and quantities. Malt liquor was available for purchase only in single-serving quantities. Only Mike's Hard products and Smirnoff Ice were available in multipacks, although 2-for-1 deals were offered on single-serving Mike's Harder and Four Loko products.

Supersized alcopops were priced cheaper per fluid ounce than non-alcoholic energy drinks.

Of all the beverage types surveyed, non-alcoholic energy drinks had the highest average price per fluid ounce at \$0.21, followed by alcopops (\$0.12), beer (\$0.09), and malt liquor (\$0.08). Red Bull was the most expensive beverage, even given the promotional price being offered: two 8.4-oz cans for \$4. The average price of Monster and Rock Star energy drinks alone was \$0.15/fl oz, still more expensive than the average cost of alcopops.

When just comparing supersized, single serving alcopops to similarly sized, single serving energy drinks, the price break on alcopops was even more stark. When looking at specific brands, Four Loko products were being offered as low as \$0.09-\$0.10/fl oz, significantly cheaper than any of the energy drinks, which ranged from \$0.13 - \$0.22/fl oz.

Supersized, Single-Serving Alcopops and Energy Drinks	Size	Price / fl. oz
Mike's Harder	16-oz	\$0.14
Mike's Harder (promotional price)		\$0.13
Four Loco (Poko Loko)		\$0.15
Four Loco (Poko Loko, promotional price)		\$0.09
Average 16-ounce Alcopops		\$0.13
Rock Star	16-oz	\$0.13
Monster		\$0.15
Red Bull		\$0.25
Average 16-ounce Energy Drinks		\$0.18
Mike's Harder	23.5-oz	\$0.14
Four Loco		\$0.12
Four Loco (promotional price)		\$0.10
Blast		\$0.12
Joose		\$0.11
Jeremiah Weed		\$0.12
Average 23.5-ounce Alcopops		\$0.12
Rock Star	24-oz	\$0.14
Monster		\$0.14
Red Bull	20-oz	\$0.22
Average 20+-ounce Energy Drinks		\$0.17



Supersized alcopops were priced cheaper per standard drink than beer.

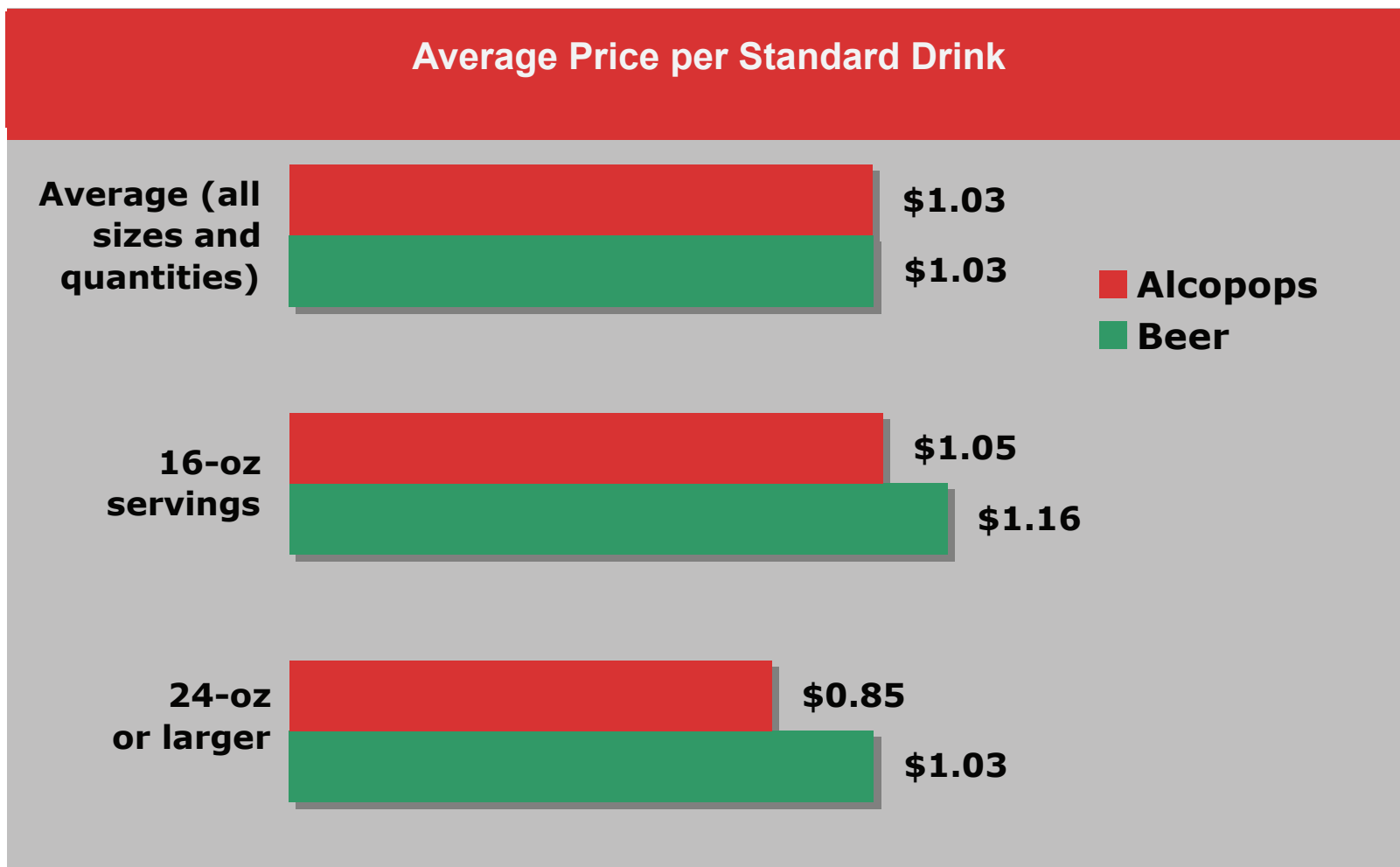
Comparing the average cost per standard drink by beverage type, including all products surveyed, alcopops and beer were comparable in price, at \$1.03 per standard drink for beer and \$1.01 for alcopops. Malt liquor was lowest in price per standard drink across all comparisons, at \$0.58 (malt liquor was only available in single-serving quantities of 24-oz or larger).

When single-serving quantities were compared, alcopops were priced less per standard drink than beer. Beer actually increased when purchased in single-serving sizes by \$0.04, to \$1.07, while alcopops decreased by \$0.08, to \$0.93. This is largely due to the higher ABV in supersized alcopops brands sold in single-serving quantities. Mike's Hard and Smirnoff Ice, the 12-oz alcopops available in multipacks, both have

the same ABV as the domestic beer brands (5%), while supersized, single-serving alcopops contain 6-12% ABV.

Looking at the largest available size of alcopops, 23.5-oz, compared to 24-oz beer, we saw an even larger price break. At these sizes, alcopops fell to \$0.85 per standard drink, while the price of beer is the same as its average, at \$1.03.

Single-serving, 24-oz supersized alcopops were 17% cheaper per standard drink than beer.



Some supersized alcopops were priced cheaper per standard drink than malt liquor.

The lowest price per standard drink, \$0.53, was the promotional price for single quantity, 23.5-oz cans of Four Loko, offered at 2 for \$5. Even at the regular price of \$2.79 each, the price per standard drink is \$0.58, the same as the price per standard drink for a 40-oz bottle of cheap malt liquor, and 23% less per standard drink than the cheapest beer product (\$0.75). Blast 23.5-oz cans were priced similarly to 40-oz bottles of malt liquor, at \$0.59 per standard drink.

Single-serving choices—What's most appealing to youth?

Four Loko
23.5-oz can



12% alcohol

=4.7
standard drinks at
\$.53_{ea}

Mike's Harder
16-oz can



8% alcohol

=2.1
standard drinks at
\$.95_{ea}

Smirnoff Ice
32-oz bottle



5% alcohol

=2.7
standard drinks at
\$1.29_{ea}

Steele Reserve
24-oz can



8.1% alcohol

=3.2
standard drinks at
\$.56_{ea}

MGD
40-oz bottle



5% alcohol

=3.3
standard drinks at
\$.75_{ea}

Conclusions

Alcopops, particularly supersized alcopops, are unquestionably dangerous products that encourage excessive alcohol consumption among youth. Supersized alcopops are youth-attractive flavored malt beverages from 16 to 24 fluid ounces, 6% to 12% ABV, and contain between 2.5 to 5 standard drinks in a single serving, enough to cause serious physical and mental harm to youth. The high-alcohol content in the products being offered encourages excessive drinking, already a substantial problem in Marin County.

Alcopops appeal to youth at several levels, including image, alcohol content, taste, and cheap pricing. The availability of cheap, single-serving, supersized alcopops offered by 7-Eleven stores makes them even more compelling to youth than comparable non-alcoholic energy drinks, beer, or malt liquor. 7-Eleven and the Uppal and Singh families, franchisees who operate the Marin 7-Eleven stores, have contributed to the problem by offering substantial price breaks on Four Loko, Mike's Harder products, and similar alcopops.

These alcopops are priced at dangerously low levels, gambling with the health and safety of our youth. We cannot determine with this study the culpability of 7-Eleven, Inc., the U.S. subsidiary, but distributors and 7-Eleven corporate executives could have some level of responsibility as well.

The cut-rate pricing of 16-24 ounce alcopops at 7-Eleven stores must end. This is the tip of the iceberg, as we have noted other stores that may be selling these products at even lower prices. Ending the sale of supersized alcopops and all alcopops in general is necessary at a local level because of the relentless political and economic power of the alcohol industry. For example:

- o The California State Board of Equalization decision to correct the tax rate to a distilled spirits level was overruled by a California appeals court,
- o Legislation to limit supersizing was introduced in other states but never in California,
- o The California Department of Alcoholic Beverage Control has refused to take action on alcopops,
- o Many active state attorneys general have been thwarted in attempts to limit marketing of Blast by Colt 45 (Pabst), and
- o The Federal Trade Commission has negotiated a deal with Phusion Projects, Inc., to place a resealable cap on supersized Four Loko to supposedly address the dangers inherent in the product—that is worse than no action at all.

Nothing is left but community-led local action, through the Alcopop-Free Zone™ Marin coalition.



Recommendations

While regulation and taxation of alcopops are the purview of the State of California, there is much that local residents and municipalities can do.

- 1) Community residents, led by youth and parents, need to make their concerns about alcopops known to 7-Eleven, the Uppal/Singh families and all other storeowners who sell alcopops.
- 2) While only the state can ban particular products, counties and cities should put conditions on land use to protect the health and safety of youth. Specifically, officials (police, sheriff, land use and planning) should ask for restrictions of selling single serving malt liquors and all flavored malt beverage sales written into ABC licenses and as conditions on use permits.
- 3) The community could gain power through the growing Alcopop-Free Zone™ coalition effort to ask retailers to voluntarily cease purchasing, selling and marketing of alcopops. The Marin County Board of Supervisors has already joined our efforts by unanimously passing a resolution, sponsored by Supervisors Steve Kinsey and Judy Arnold, supporting the establishment of the Alcopop-Free Zone™ Marin and encouraging all alcohol retailers in Marin County to voluntarily stop buying, stocking, selling, and marketing alcopops for the health of the county's youth. We encourage other Marin government entities and policy makers to pass resolutions in support of the Alcopop-Free Zone™.
- 4) Youth and public health groups throughout the United States should consider forming Alcopop-Free Zone™ coalitions and demand that retailers stop selling the most youth-attractive drinks, alcopops.

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Vision

Alcohol Justice envisions healthy communities free of the alcohol industry's negative impact.

Mission

Alcohol Justice, the industry watchdog, promotes evidence-based public health policies and organizes campaigns with diverse communities and youth against the alcohol industry's harmful practices.

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