

# KANE'S BEVERAGE NEWS DAILY

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## **A-B Tops Corporate Social Responsibility Awards; Diageo, Hensley Also 'Best'**

The results are in, and **Anheuser-Busch Cos.** swept Kane's Corporate Social Responsibility Awards competition.

**Diageo** led the distillers category, and **Hensley** led the beer wholesalers.

More than most industries, the alcohol beverage industry depends upon not simply marketing prowess, or quality products but the goodwill of the communities in which each member company operates.

Kane's Corporate Social Responsibility Awards are intended to recognize outstanding performances in the industry. We believe that the future of the industry depends upon winning and maintaining the good will of the communities in which suppliers and wholesalers operate. We hope the awards will not only honor those who have done outstanding jobs, but also will provide all industry members with insights that will improve their own CSR efforts.

Today's issue focuses on the three companies our judges rated as best overall (see stories below). Future issues will look at winners in particular categories.

### **Who Won in Particular Categories?**

Here are the winners in other categories:

**Annual CSR Report** – *Brown-Forman Corp.*

**Corporate-Community Partnership** - (Supplier) (1) *Beam Global*; (2) *Anheuser-Busch*; (Large Budget) *Southern Eagle Distributing Inc.* (Small Budget) *Dana Distributors*

**Corporate Citizenship**— (Supplier) (1) "Here's to the Heroes," *Anheuser-Busch*; (2) "Spirit of the Americas," **Diageo**

Philanthropy – (Supplier) "Making Friends in Time of Need," *Anheuser-Busch*; (Special Honor to Affiliate): "SeaWorld/Busch Gardens Conservation Fund," *Anheuser-Busch*

**Diversity Communications** – **Diageo**

**Employee Volunteer Programs** – "Making Friends," *Anheuser-Busch*; **Diageo 100**, *Diageo*

**Cause Branding** -- *Diageo North America*

**Employee Relations** – *Anheuser-Busch* "Street Smart" and Safe Ride Home

**Environmental Programs** – "Our Pledge" *Anheuser-Busch*

**Media Relations** – "Tow to Go – 10<sup>th</sup> Anniversary Holiday Initiative," *Anheuser-Busch*

## **A-B's Comprehensive CSR Program is Unified, Research Based**

**Anheuser-Busch** uses a number of CSR initiatives to provide a unified platform highlighting and enhancing its role as the industry leader and an overall corporate leader in social responsibility.

Research underlies the development of programs, and ensures a program is both useful and contributes to favorable outcomes.

A-B's strategy involves four major areas: alcohol awareness and education, philanthropy, community outreach and environmental.

Since 1982, A-B and its 600 wholesalers nationwide have invested more than \$675 million, about

\$40 million a year, in a comprehensive portfolio of more than two dozen community-based programs and national advertising campaigns to promote responsible drinking and help prevent underage drinking and drunk driving.

### **Alcohol Awareness and Education**

In 2007, A-B's efforts to prevent drunk driving and underage drinking included: ID checks at retail establishments, server training to promote responsible service and sale of alcohol; Family Talk, which encourages parents to talk with their children about underage drinking; Prevent, Don't Provide, which recognizes the important role parents and other adults play in the fight against underage drinking; a Speakers Bureau, whose speakers address young people about making good choices, and Alert Cab, which provides free or reduced-fare cab rides home for adults who may have overindulged.

A-B partnered with law enforcement agencies in Michigan and Arizona to create statewide billboard advertisements that featured state officials encouraging motorists to use seat belts and designated drivers. A-B supported the Federal Trade Commission's "We Don't Serve Teens" program with ads in national publications and on nearly 900 billboards across the country. And, for the third year, it worked with state attorneys general to air radio spots about preventing underage drinking and promoting designated drivers.

### **Philanthropy**

A-B's philanthropic activities include education, health care, arts, cultural enrichment, social services and environmental conservation. A-B supports causes in its hometown and other locations where it has facilities. Indeed, in the past decade, A-B and the **Anheuser-Busch Foundation** gave contributed more than \$360 million to nonprofit organizations dedicated to improving and enhancing the well-being of communities where its employees live and work.

But A-B helps alleviate tragedy in areas where it hasn't any facilities. In 2007 it donated \$500,000 to the American Red Cross to aid relief efforts for victims of Southern California wildfires; 500,000 cans of drinking water, and nearly 15,000 cans of **180** energy drinks for victims of the fires and relief workers.

Since 1988, A-B supplied nearly 60 million cans of drinking water to various recovery efforts, including hurricanes, wildfires and chemical spills.

### **Community Outreach**

Following a 150-year tradition of supporting community organizations in education, health care, leadership development, economic empowerment and the arts and cultural preservation, A-B:

- Funded scholarship programs through groups such as the Tom Joyner Foundation.
- Through 2007, A-B has helped more than 9,000 through its Partners in Economic Progress with funding that amounts to \$309 million a year;
- Grants and contributions to support the Latino community reached more than \$45 million last year;
- Through the A-B Foundation, made a \$100,000 annual gift to support Teach for America in the St. Louis Public School System. Teach for America receives commitments from recent college graduates who commit two years to teach in urban and rural public schools.
- Was a platinum sponsor of the Komen Race for the Cure. The organization has raised more than \$10 million in St. Louis to help save lives and end breast cancer.

### **Environmental**

In 2007, A-B breweries recycled more than 99% of the solid waste it created. A-B Recycling Corp. continues to be one of the world's largest recyclers of aluminum beverage containers, recycling more than 27 billion cans a year.

A-B is the world's largest operator of the Bio-Energy Recovery System technology, reclaiming nutrient-rich leftover water from the brewing process and creating renewable energy, generating up to 15% of the fuel for nine of its U.S. breweries, as well as its brewery in Wuhan, China.

A-B's breweries have reduced water use by 5% in the past five years, saving 3.5 billion liters of water.

### **The Payoff**

A-B measured its success in two ways. First, through signs of progress in alcohol responsibility. The brewer is careful to note that as a result of "the collective efforts of law enforcement, community

groups, government officials,” drunk-driving fatalities have declined 36% since 1982; drinking among high school seniors is at the lowest level since tracking began, and drinking among college freshmen is down 44% since 1982 and is at its lowest level since tracking began in 1966.

The second way A-B measures its success is by recognition from outside authorities, including: For the fourth consecutive year, *Fortune* magazine ranked A-B No. 1 in “Global Most Admired Companies” for social responsibility in the beverage industry, and No. 4 in social responsibility among all companies globally; “Governor’s Award for Environmental Excellence,” presented to A-B’s Williamsburg, Va., brewery for pollution prevention; a “Water Conservation Model Enterprises” award from the Chinese government for water conservation at A-B’s Wuhan, China, brewery; recognition as a corporate champion by the Gateway Area Chapter of the National Multiple Sclerosis Society, and a “WRAPPY” award from the Washington Regional Alcohol Program (WRAP).

## **Diageo: Aspiring to the Highest Standards Everywhere, Every Day**

The world’s largest total bev/al company, Diageo operates in 180 markets. Within six months of its formation in 1988, Diageo developed a set of company values and a code of business conduct and employee expectations to establish Diageo as an industry leader in CSR.

“It has been Diageo’s goal to be an industry leader in social responsibility and corporate citizenship. But it has also been our goal to do more than give aid to the communities in which we do business and in which we live,” the company said in its submission. “We want communities to experience Diageo and the people of Diageo as friends and neighbors, as partners and helper whose work for their communities is tireless and far-reaching.”

Diageo commits 1% of its operating profit each year to CSR initiatives and community investment; supports the UN’s Millennium Development Goals with Diageo’s One Million Challenge (providing clean water to 1 million Africans) and HIV/AIDs programs; created the Diageo Responsible Drinking Fund, valued at £800,000 (about \$1.6 million) to provide “seed money” to Diageo business around the world for their own in-market initiatives; completed or initiated responsible drinking initiatives in 45 markets, and invested £20.7 million (about \$41.2 million) in community projects last year.

### **Responsible Drinking**

Among Diageo’s initiatives to raise awareness of responsible drinking:

- Delivering “proper partying” information on the Smirnoff mobile internet site in Great Britain;
- Using a mobile phone game in Greece to randomly select a designated driver from a group of friend.
- Using Formula One and NASCAR sponsorships to promote responsible drinking messages and actions.

### **Community Outreach**

Community outreach incorporates not only corporate programs, such as “Water of Life,” which focuses on protecting the environment and improving access to safe drinking water in development countries, but also community volunteerism, involving Diageo personally in its communities through its people.

“The people of Diageo have been the faces and voices that have transformed the way people around the world perceive and experience not only our company but also our business,” the company said in its submission. For instance:

- Employees contributed £100,000 (about \$199,212) to Diageo’s One Million Challenge through fund-raising events, including auctions, African-themed events and karaoke.
- In Miami, employees helped build and install houses for low-income, single-parent families,
- In Singapore, employees raised money, food and clothes to help a center for women in crisis.
- In the U.S. employees participated in Diageo’s Spirit of the Americas program, which provides emergency relief and supports long-term reparation projects in areas struck by disaster,

including Jamaica, Louisiana, Mississippi, Texas and Sumatra. In Sumatra, the relief effort was requested by employees and employee-driven. Diageo promised to match, dollar for dollar, all funds raised by Diageo employees. Within 10 week, the funds totaled more than £1 million (about \$1.9 million) for relief efforts. Funds also went to India, Indonesia, Sri Lanka and Thailand.

## How Hensley Prevents Drunk Driving, Underage Drinking

“While Hensley's business is to sell fresh A-B beers and provide excellent customer service, our philosophy is to do much more,” says the website for **Hensley & Co.** “As a longstanding member of Phoenix and its surrounding communities, the company expends great effort to sell responsibly -- and promote responsibility. We are a nationally-recognized leader in campaigns to reduce alcohol abuse, underage drinking, and drunk driving.”

Hensley’s submission won it recognition as the best bev/al wholesaler in overall corporate social responsibility.

The company seeks to “dramatically reduce incidences of drunken driving in our distribution area by creating programs to get those people who have had too much to drink home safely and off our roads and to provide educational materials to parents and educators to help stop underage drinking,” the company says.

The company’s CSR programs are driven by research by the **National Highway Traffic Safety Administration** and the company’s sales force.

The sales force? Doing research on drunk driving?

Yes, indeed. “Our sales force works closely with our on-premise chain accounts and other large on-premise customers to determine the extent and type of programming they would like to have in addressing the problem of drunken driving. Retailers that serve alcohol have a legal responsibility not to overserve, but in the event that it does happen, they are looking for solutions, and Hensley has designed many options to help,” the company explains.

Hensley says it’s finding success with the following programs:

- **Do the Ride Thing with Discount Cab Co.** Hensley offers a reduced rate home through a coupon incentive for those that have had too much to drink, and a free ride back the next day to retrieve their car, sponsored by Discount Cab. On holidays such as St. Patty’s Day and Cinco de Mayo, when alcohol consumption is up, Hensley will pay “cab waiting” fees to make sure there’s a cab available on site at larger venues.

- **ZINGO** – A scooter service in the East Valley of Phoenix that is expanding to the greater Phoenix area. A foldable scooter is placed in the trunk of the customer’s car by a ZINGO representative. The ZINGO driver then drives the customer home in his/her own vehicle, retrieves the scooter from the truck, and rides back to help another patron if necessary. Hensley sponsors coupons to reduce the rate paid by the customer.

- **Desi – the Designated Driver** – The customer is transported in the cab of the Desi truck while the customer’s vehicle is driven onto a flatbed and hauled to the customer’s home. Hensley provide monthly sponsorship to reduce the rate.

- **Yellow Cab** – This new program is for those planning their evening and who don’t want to take the chance they might drink more than they should. The schedule Yellow Cab to pick them up and then retrieve them at a specific place and time. Hensley sponsors part of the ride.

- **Tailored Programs with Retailers** – Hensley has partnered with Macayo’s , a Mexican restaurant chain, and **golden Eagle Distributors**, the A-B distributor in Tucson, to provide a free ride home for Macayo’s customers statewide. The program involves partnering with many cab companies to cover both Hensley’s and Golden Eagle’s territories. In the Phoenix area, this involved setting up a new account with Discount Cab that can only be charged for Macayo’s customers. Hensley and Golden Eagle pay the full charge for the ride home.

Hensley is working with T.G.I. Friday’s to established a tailored approach with the “Do the Ride Thing” program through Discount Cab, Desi- the Designated Driver, and the pre-plan program through

Yellow Cab to get their patrons home safely. The distributor is creating “Wanna go home with me tonight?” posters and menu inserts to educate customers on the options they have. “This program offers a ‘no excuses’ message to their patrons,” Hensley says.

- **Billboard** – Hensley partnered with the Arizona Governor’s Office of Highway Safety to create a billboard featuring Department of Public Safety officers reminding Phoenix citizens to both buckle up and use a designated driver. The billboard is displayed in the downtown Phoenix area.

- **Good Sport** – With the cooperation of each sports team, Hensley has initiated the A-B “Good Sport” “Good Sport” designated driver program at all major stadiums in its area. The program offers free non-alcohol drinks and raffle prizes (courtesy of Hensley) to patrons that sign up to be a designated driver. Grand prizes are raffled at each end game. Public service announcements during the game insure fans are aware of the program.

- **Radio Spots** – Hensley runs a number of radio spots in both Greater Phoenix and Prescott Valley, Ariz., reminding people to designate a driver or use one of Hensley’s safe-ride-home services.

- **News articles and press releases** reinforce the safe-ride message.
- **Print Ads** – Hensley uses many CSR ads that Anheuser-Busch makes available.
- **TIPS Training** – Hensley sponsors regular TIPS (Training for Intervention Procedures) training seminars to teach managers and wait staff about the responsible service, sale and consumption of alcohol.

- **“Street Smart”** – These presentations focus on helping young adults avoid the dangers and consequences of underage and illegal use of alcohol, driving under the influence, and provides critical highway safety information. In 2007, Hensley sponsored this program at five high schools and Luke Air Force Base, and it was presented to members and legislators at a joint hearing of the Arizona Senate and House Health Committee. Some 2,500 students and adults attended in 2007.

- **Safe, No-Alcohol**
- **High School Prom and Grad Night Sponsorships**
- **College Talk/Family Talk** booklets are distributed to high schools and parent/civic groups, especially at prom and graduation time.

- **Social Norming** – Hensley works closely with Arizona State University and sponsors programs on social normal to encourage students to engage in non-alcohol-related activities.

- **College Marketing Code** – Because many college students are under the legal drinking age, Hensley proactively distributes the College Marketing Code to new employees. It stresses responsible marketing activities on a college campus.

## Thinking of Beer Like Wine

Tucked in a corner at the **Deschutes Brewery**, barrels that once aged fine wines and whiskeys are nurturing beverages that are challenging drinkers to think of beer more like wine.

High-alcohol brews like **Black Butte XX** and **The Abyss**, known in the trade as big or extreme beers, are among many craft beers that are grabbing a growing market share in the United States from their mass-produced and heavily advertised counterparts. Even at prices ranging from \$4 to more than \$100 for a single bottle.

"We are looking for what we like to term that 'Wow Factor,'" said Deschutes CEO **Gary Fish**. "We want somebody to take a drink, stop, look at the glass and say, 'What was that?'"

Sales of premium beers, which include the household names of **Budweiser**, **Coors Light** and **Miller High Life**, have been nearly flat - up just 1.9% last year according to **Information Resources Inc.**, a retail research firm.

As consumer tastes change and rising costs for ingredients pinch their profits, the nation's biggest

brewers are looking for relief in consolidation. No. 1 **Anheuser-Busch** is being taken over by **InBev SA**. No. 2 **Miller Brewing Co.** and No. 3 **Molson Coors Brewing Co.** are combining U.S. operations.

Meanwhile, craft brewers are grabbing more of the market as they reshape the image of beer. They posted 17.1% growth last year over 2006 and accounted for 6.5% of the \$9 billion in supermarket sales of beer in the U.S., up from 4.5% in 2003. Many in the craft beer industry expect their products to continue tugging at "premium" beers' share of a market valued at \$95 billion, including sales in bars and restaurants.

"It is not a fad," said **Julia Herz**, director of craft beer marketing for the **Brewers Association**, a Denver-based trade group that represents more than 1,000 of the 1,400 craft breweries in the nation. "It's a solid direction the market is going."

It is uncertain how fast craft beers will continue to grow, but Herz said the indicators are good. After a shakeout in the mid 1990s, the nation's remaining 1,400 craft brewers have a stronger hold on shelf space and restaurant menus. Anheuser-Busch and Coors are making their own line of full-flavored beers. And the Brewers Association's book "Start Your Own Brewery" has sold more than 1,000 copies.

"A brewery in every town is not so crazy to think about in the future," she said. "It all goes back to the movement of consuming products that are locally produced."

"Who would have ever thought that Denver, Colo., would become the Napa Valley of beer?" she said. More than 60 breweries lie within in a 100-mile radius of Denver.

Their small size gives craft brewers the freedom to explore the outer limits of beer, and they are being rewarded by consumers who value good flavor, said **Sam Calagione**, founder of **Dogfish Head Brewery** in Milton, Del.

"This hasn't happened because of some half-billion dollar advertising campaign on behalf of the big brewers," he said. "It's truly the consumer becoming self-educated."

"It's a kind of a blue-collar connoisseurship. Anybody can afford to buy the world's best beers. But if you wanted to buy a bottle of the world's best wine, you'd have to spend thousands of dollars."

Growing out of homebrewers' efforts to emulate British and German beers, craft beers started showing up about 30 years ago, and bigger varieties bubbled up in the mid-1990s on both coasts as brewmasters chased their fantasies to the outer limits.

That's when **Vinnie Cilurzo**, a former wine maker, made his first double India pale ale at the bygone **Blind Pig Brewery** in California. It's when **Rogue Ales** in Oregon packed extra hops into its Imperial Stout, Calagione opened Dogfish Head and Boston Beer Co. founder Jim Koch started brewing Samuel Adams Triple Bock, which evolved into **Utopias**. The market's strongest beer at 27% alcohol, Utopias is also its most expensive at \$140 for a 24-ounce bottle.

"They are not lawnmower beers," cautioned **Don Younger**, owner of the **Horse Brass Pub** in Portland, who has been a close observer of the craft beer scene from its beginnings. "Your average run-of-the-mill lager will in most states come in around 3.8% or 4% alcohol. These have got something like 10% or 11%, so you are getting two and a half times the alcohol delivery with them."

"You've got to be careful with them. But they are self-limiting. They are very rich. It would be like trying to drink a quart of whipping cream. Your body will reject it because they are so rich."

The wine-level prices may limit their mass appeal, but plenty of people are still interested, brewers say.

"I sell beer for \$15 a bottle and I can't make enough of it," said **Natalie Cilurzo**, who co-owns **Russian River Brewing Co.** in Santa Rosa, Calif., with her husband, Vinnie.

Unlike wine, which is just grapes, beer is generally made from three or four ingredients. Malted barley delivers the body, yeast ferments with the sugar in the barley to make the alcohol, and hops deliver the bitterness. Some are flavored with offbeat ingredients, such as coffee, chocolate, spices and fruit. Wooden barrels that formerly held wine or whisky can add nuance and structure.

"It's just become like an arms race," said Younger, the Portland bar owner. "One brewer did it. Another said, 'I can kick it up a notch.'"

At **Elegance**, a wine and antiques shop in Grants Pass, owner **Carl Raskin** recently bowed to entreaties from local beer distributors to add high-end beers. He found them a refreshing change from wine, which besides being pricier seems more serious.

At one of his monthly tastings, he served beer floats in champagne flutes. The drinks consisted of

apple-flavored Belgian-style ale with dollops of caramel-vanilla ice cream. Another tasting ran through a range of IPAs and finished with a Belgian-style ale in bottles sealed with a cork.

"To me, beer is just fun," he said. "Drink it. Enjoy it."

Brewers have yet to map craft beers' precise limits, however.

Calagione has pushed his IPAs from 6% alcohol to 20%. Boston Beer's Koch said his company made 10,000 bottles of pricey Utopias last year and sold every one within months. "People bought them and began scalping them on eBay," he said.

Fish said he is asked all the time where the saturation point comes. "My response is, 'I don't know: How many wineries can we handle?'" said Fish. "There are 80 breweries in Oregon and 350 wineries." -- AP

### **Correction**

**Brown-Forman Corp.** passed the \$3 billion mark (actually \$3.3 billion) in fiscal 2008. Our report Friday had an incorrect amount.

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