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TITLE: " WHISKY MANUFACTURE. DECLINE ?
STRATEGIES FOR THEFUTURE."



BY

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ABSTRACT

The purpose of this dissertation is to analyze the performance of the Scotch whisky industry in both UK and worldwide. As Scotch whisky industry is of major importance to the UK economy, this dissertation is also an examination of the problems relating to the industry and its markets, and above all an analysis of the decline that has been recently identified.

The first chapter is a general overview of Scotch whisky. An historical account, a definition, types and characteristics of the Scotch whisky are described in this chapter. The second chapter discuss the main problems faced by the industry. In the third chapter, the success and the failure of the industry are shown. The first part if this chapter describes the elements contributing to the success of the industry and the second part discuss the decline of the industry.

The fifth chapter contains a present and strategic analysis, and recommended strategies for the future of the industry. Finally conclusions of the whole dissertation are given in chapter six.

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AIM

The following dissertation aims to identify the main problems the industry faces and their influence in the financial and commercial life not only of Scotland, but of the UK as a whole. Therefore, I will attempt to investigate the success of the whisky manufacture and to illustrate the decline of the industry. Another main point of this dissertation is to define and analyze the reasons for the trend. Finally, strategies and ways will be suggested in order to avoid the full decline of the Scotch whisky industry.

RESEARCH METHODS

The **research methods** followed for the whole study were:

1. Library research, through books and special references about Scotch whisky.
2. Research from newspaper articles, periodicals and journals.
3. Contact with institutions related with Scotch whisky.
4. Questionnaire, that sent to Scotch whisky companies and organisations. A copy of the questionnaire can be found in appendix.

INTRODUCTION

Scotch whisky is of major importance to the economy not only of Scotland but of the United Kingdom as a whole. Now established as a popular drink all over the world, Scotch is one of Britain's most important exports and increasing interest is being shown in the achievements and problems of the scotch whisky industry.

The UK whisky market continues to be dominated by Scotch whisky. Consumption is, however, in decline and is becoming increasingly concentrated among older consumers. However, imported whiskies, mainly from the USA, though still accounting for a tiny share of the market, continue to succeed in attracting younger upmarket drinkers.

As the country's most consistently successful export, Scotch whisky makes a substantial net contribution to Britain's foreign exchange earnings and to companies profits.

Financing stocks of maturing whisky is the most significant capital investment which Scotch whisky companies have to undertake. The long period of maturation which Scotch whisky must undergo poses a number of commercial problems. Not the least among these is the difficulty of forecasting accurately the demand for whisky several years ahead, which blenders must do when deciding how much new whisky to buy in any one season. Recession is driving drinkers off the bottle-and the scotch whisky industry into one of its worst-ever hangovers. Latest

estimates suggest British sales may have slumped by as much as a million cases - 12 million bottles of scotch. The is caused not only by recession but also by duty rises and growing health concerns. Since 1980 home sales have plunged by 30% The decline is now accelerating with the industry fearing of one of its worst sales collapses. The sales collapse has added to fears that a further duty hike could turn the slump into a rout, with job losses and distilleries closures.

1. A BRIEF HISTORY OF SCOTCH WHISKY

The term whisky derives originally from the gaelic "uisge beatha", or "usquebaugh", meaning "water of life". Gaelic is that branch of celtic spoken in the highlands of Scotland. Whisky has been distilled in Scotland for hundreds of years. There is some evidence to show that the art of distilling could have been brought to the country by christian missionary monks, but it has never been proved that highland farmers did not themselves discover how to distil spirits from their surplus barley. The earliest historical reference to whisky comes much later. Mr J. Marshall Robb, in his book "Scotch Whisky", says:"The oldest reference to whisky occurs in the Scottish Exchequer Rolls for 1494, where there is an entry of "eight bolls of malt to Friar John Cor wherewith to make aquavitae". "A boll was an old scottish measure of not more than six bushels. (One bushel is equivalent to 25.4 kilograms). When King James IV was in inverness during September 1506, his treasurer's accounts had

entries for the 15th and 17th of the month respectively: "For aqua vite to the king..." and "For ane flacat of aqua vite to the King...". It is probable that the aquavita in this case was spirit for drinking. The earliest reference to a distillery in the Acts of the Scottish Parliament appears to be in 1690, when mention is made of the famous Ferintosh distillery owned by Duncan Forbes of Culloden. There is also a reference to distilling a private house in the parish of Gamrie in Banffshire in 1614. This occurs in the Register of the Privy Council, where a man accused of the crime of breaking into a private house, combined with assault, was said to have knocked over some aquavitie. One of the earliest references to "uiskie" occurs in the funeral account of a highland laird about 1618.

An unpublished letter of February 1622, written by Sir Duncan Cambell of Glenorchy to the Earl of Mar, reported that certain officers sent to Glenorchy by the King had been given the best entertainment that the season and the country allowed. It stated: "For they wanted not wine nor aquavite. "This "aquavite" was no doubt locally distilled whisky.

Another writer affirms that aquavita occasionally formed part of the rent paid for highland farms, at any rate in Perthshire, but no actual date is given for this practice.

2. DEFINITION

Scotch Whisky has been defined in United Kingdom law since 1909 and recognised in European Community legislation since 1989. The

current UK legislation relating specifically to Scotch Whisky is The Scotch Whisky Act 1988 and the Orders made under it, which came into effect in June 1990 and superseded that part of the Finance Act 1969, as subsequently amended, defining Scotch Whisky. For the purposes of the Scotch Whisky Act 1988 "Scotch Whisky" means whisky:

- A. which has been produced at a distillery in Scotland from water and malted barley (to which only whole grains of other cereals may be added) all of which have been:
 - 1. processed at that distillery into mash;
 - 2. converted to a fermentable substrate only by endogenous enzyme systems; and
 - 3. fermented only by the addition of yeast;
- B. which has been distilled at an alcoholic strength by volume of less than 94.4 per cent so that the distillate has an aroma and taste derived from the raw materials used in, and the method of, its production;
- C. which has been matured in an excise warehouse in Scotland in oak casks of a capacity not exceeding 700 litres, the period of that maturation being not less than three years;
- D. which retains the colour, aroma and taste derived from the raw materials used in, and the method of, its production and maturation; and
- E. to which no substance other than water and spirit caramel has been added.

The Scotch Whisky Act 1988 prohibits inter alia the

production in Scotland of whisky other than scotch whisky.

The Scotch Whisky Act 1988 and European Community (EC) legislation both specify a minimum alcoholic strength of 40 per cent by volume, which applies to all scotch whisky bottled and/or put up for sale within or exported from the community.

However, transitional arrangements allow whiskies which do not comply with the EC Spirit Drinks Regulation, including those at an alcoholic strength lower than 40 per cent by volume, to be bottled until 14th December 1990 provided that their preparation had begun before 15th June 1990. These whiskies may continue to be sold by wholesale or retail until 14th December 1991 and thereafter by retailers until such time as the stock they held on 14th December 1991 is exhausted.

TYPES OF WHISKY

There are two main types of scotch whisky, malt whisky which is used as an essential ingredient in the creation of blended whiskies, or bottled as single malt, and grain whisky which combines with malt whisky to make the standard blends. Malt whisky is made by the pot still process from malted barley only, while grain whisky is made by the patent still or coffey still process from a mixture of malted barley, unmalted barley and maize. Malt whiskies are generally classified into four main groups according to the geographical location of the distillers.

1. **Lowland** malt whiskies, are made in an area south of an imaginary line drawn from Dundee to Greenock.

2. **Highland** malt whiskies, made north of that line and within that area Speyside malt whiskies from the valley of the river Spey.
3. **Islay** malt whiskies, from the island of Islay.
4. **Campeltown** malt whiskies, from Campeltown in the Mull of kintyre.

Each group has its own distinct characteristics, ranging from the lighter Lowland whiskies to the heavier malt whiskies distilled on Islay. Generally malt whiskies differ considerably in flavour and have more pronounced bouquet than the grain varieties. The scotch whisky market can be separated into three main types. These are standard blends, de luxe blends and single malts.

STANDARD BLENDS

Most whisky sold and consumed in the UK is of the standard blend variety. One blend may contain as many as 50 individual Scotch malt and Scotch grain whiskies. The quality of each blend depends upon the skill with which the malts are combined but also upon the proportion of grain whisky it contains. Blended whiskies can contain from 30% to 70% of grain whisky by volume. Legal requirements that the youngest of all the constituent whiskies should be at least three years old, although most are older at around five years. In recent years, increased polarization in the blended market has created a new subsector, that of premium standard blends as opposed to the "standard" standard blends. At the bottom end of the market are the low price brands and sub norms. The latter are generally sold in smaller bottles (70cl)

or have a lower proof rating (37.5%).

SINGLE MALTS

These are the products of a single distillery. Most distilleries produce scotch whisky primarily for the purpose of blending, but many retain some of the production for sale as single whiskies. The market for single malts has expanded greatly over the years, although it accounts for only around 3% of the total market in volume terms. Most single malts are sold at one age and proof and the majority are in the range of 8-15 years. There are also vatted malts which are blends consisting of different malt whiskies without the addition of grain whisky. Single malts are also vatted in that they require a minimum age and can comprise whiskies of different maturity.

DE LUXE BLENDED SCOTCH

De Luxe blends are those which contain a higher proportion of carefully selected older and therefore expensive whiskies. The legal requirement is that the blend must contain whiskies at least 8 years old. Most De luxe blends are sold as 12 years or 15 years old.

CHAPTER 2

SCOTCH WHISKY

INDUSTRY'S PROBLEMS

Introduction

There are many problems that Scotch whisky industry faces, such as taxation, general economic recession and discrimination.

Taxation is a problem for the industry for over 200 years now. As a result of the taxation the price for a bottle of whisky has driven up over the years. These taxes consist of the corporation tax, the excise duty and the Value Added Tax (VAT).

Scotch whisky is also discriminated by a large number of taxes which have been identified in over 140 markets. At the same time a general economic recession hits the industry.

Some other problems are the new regulations of the Single European Market and the threat of the duty free trade.

The difficulties Scotch whisky brewers face will be further explained in this chapter.

1. Duty on Scotch whisky

The Scotch Parliament in 1644 passed an Excise Act fixing the duty at 2/8d per pint of whisky or other strong liquor. The Scotch pint being approximately one third of a gallon.

In 1707, after the Union of the Parliaments, English revenue

staff crossed the border to begin their lengthy attempts to bring whisky production under control. After a lengthy Royal Commission, the Act of 1823 sanctioned legal distilling at a duty of 2/8d per gallon for stills with a capacity of more than 40 gallons. There was a licence fee of £10 annually and no stills under the legal limit were allowed.

In 1840 the duty was 5d per bottle and by the beginning of the first world war it has risen to 1/9d.

In 1939 a typical bottle a Scotch whisky cost 14/3d of which 9/8d was duty. By 1992 after a succession of duty increases, the same bottle was costing around £10.80. The duty on it was £5.55, the equivalent of £19.81 per litre of pure alcohol. (TABLE 1) Since 1973 the price of a bottle of whisky including the excise duty, has been subject to a Value Added Tax.

TABLE. 1 UK TAX ON SCOTCH WHISKY

YEAR	TAX	YEAR	TAX
1900	6.5p	1981	£4.08
1920	42p	1982	£4.34
1940	57p	1983	£4.56
1947	£1.11	1984	£4.64
1968	£2.20	1985	£4.73
1975	£2.57	1990	£5.21
1976	£2.87	1991	£5.69
1977	£3.16	1992	£5.94
1980	£3.56		

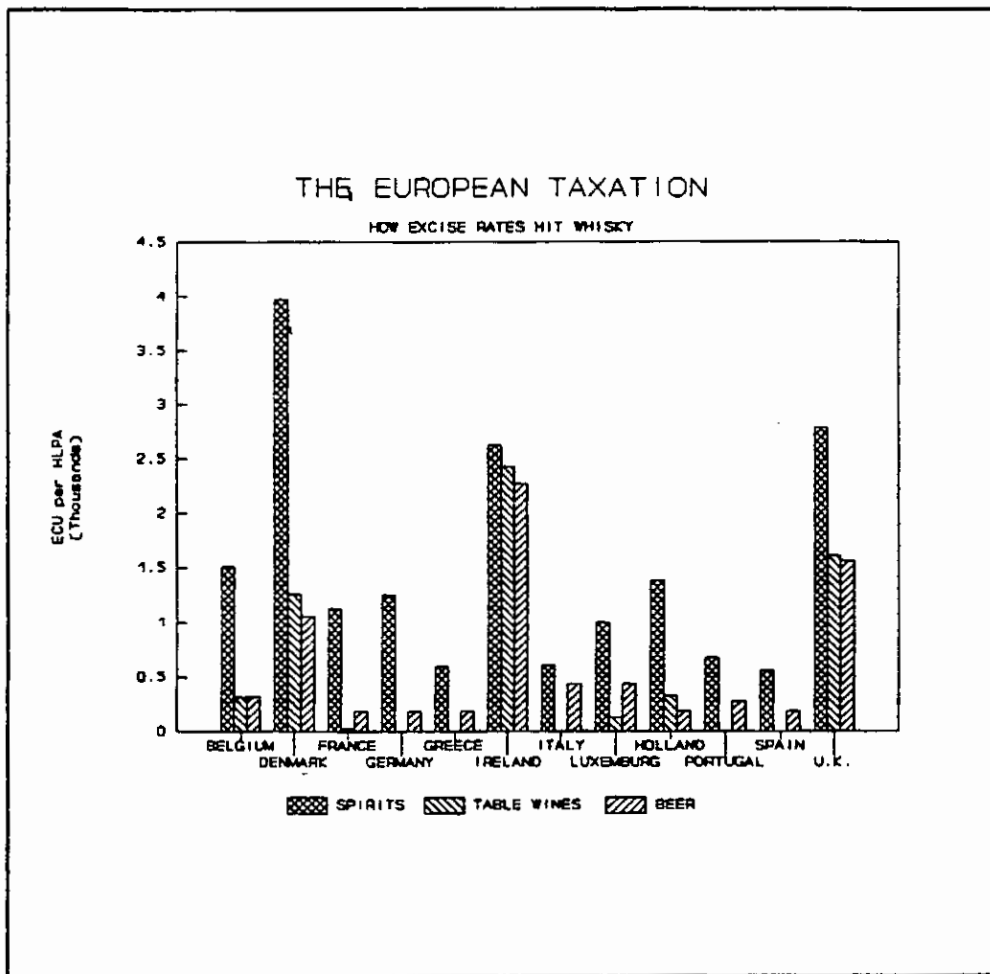
SOURCE: STATISTICAL REPORT 1991 (SCOTCH AT A GLANCE)

2. Taxation

The answer on why is Scotch whisky so expensive and especially in Britain is because taxation is extremely high, accounting for around 70% of the retail price of a bottle of standard blended whisky. This includes the Value Added Tax and Excise duty.

The remainder of the retail price goes towards paying for manufacturing and storage costs, transport, advertising, selling and administration expenses and wholesale and retail profits. The

FIGURE NO.1



SOURCE: STATISTICAL REPORT 1991

Government is thus by far the biggest beneficiary.

The high taxes on Scotch whisky make the competition with other alcoholic drinks completely unfair. (Figure 1) No other drink faces such a range of direct or indirect taxes. The only reduction in the Excise duty since the last century was the one made in 1973, when the rate was lower to compensate for the extra taxation which resulted from the introduction of the Value Added Tax. By contrast, during the last few years more than once there have been reductions in the duty on high strength wines which are made largely from imported grape juice.

Corporation tax bears hard on the distillers because of the maturation period needed for whisky. The longer the period the heavier the tax tends to be. This means the worst hit distillers are mostly those making malt whiskies which are often kept for ten years or more to bring them that much nearer to perfection. By law, whisky distillers must mature their spirits for at least three years although the average is about five. As a partial offset to the higher bills the Scotch Whisky Association (SWA) is asking the Chancellor for a three year maturation allowance in line with the legal minimum.

The whisky distillers have faced bigger tax bills ever since stock relief phased out. The manufacturing cost of the whisky is stuck when it is distilled plus the warehousing cost. The more inflation there is during the period whisky is maturing the higher the tax.

The distillers are paying 70 percent Corporation tax or even more compared with the normal corporation tax of 35 percent. The

normal corporation tax to be paid with the inflation factor becomes the equivalent of the 70 percent. This is extremely painful. It is particular unfair because virtually no other business activity suffers so much from the problem of necessarily long period stocks. For example aircraft spares specialists are one of the few in carrying key high value items like spare engines.

In countries with competitive products, notably France with its cognacs and the United States with its Bourbons distillers, have an option to be taxed on a current accounting basis which takes account of inflation.

Value Added Tax (VAT) was introduced in 1973. The Government subjected the price of a bottle of whisky, including the excise duty, to a Value Added Tax, which means is levied on the duty paid price. The price of a bottle of whisky was increased by a tax upon a tax. The VAT was 15 percent in 1990, and increased to 17.5 percent since last years budget.

Scotch whisky distillers are asking through the Scotch Whisky Association (SWA) the Chancellor to mitigate the effects of "unfairly" high tax bills. As it seems, every plea is always falling on deaf ears.

3. 1992 Regulations

An area that affects the whisky industry is the E.C. regulations on alcoholic drinks. Even 1992 and the integration of the

European Markets is not of a great importance to senior marketers from the U.K. and European distillers and alcoholic drinks distributors. However, after 1992 the regulation of advertising may cause problems. There is a fear that strict Scandinavian-style rules will apply to all alcoholic advertising across Europe. Other believe that there will be confusion regarding whose predominate and how new regulations will work. Scotch whisky industry,s world believe that these changes have already started to cause problems in the industry. More problems are anticipated in the very close future as nothing has been clear enough in order to allow the distillers to keep pursuing their strategies on promotion, advertising etc.

4. The effects of the recession

A recessionary spirit seems to have hit the Scotch whisky industry and its figures. This is another major problem that the industry is facing in recent years.

Guinness, by far the market leader in the sector, with its subsidiary United Distillers accounting 38% of worldwide whisky sales, has already been hit by the recession showing a very static ore-tax figure. Despite Guinness owns three of the world's top six brands, Johnie Walker red label, Bell's and Dewars, its growth was only 4% compared with 13% of 1991.

The recession home and abroad does not seem to have a speedy end, as there are many problems in several main markets, notably in U.K. and North America. Many distillers who produce famous whisky

brands have been hit by a drop of sales, in the U.K. market as hard-pressed consumers switched to cheaper brands. For example Macallan Glenlivet's main brand The Macallan, which is the third best selling quality malt in the U.K. has been hit by the drop in disposable income.

5. Threat of duty free trade within the Common Market

The annual duty free sales in the European Community airport shops, airlines and ferries amount to £1.5 billion, of which around 60% represent purchases by travellers within the E.C.

The abolition of intra- E.C. duty free sales will result in a potential loss a £900 million per annum to producers.

The Scotch whisky industry accounts for 30% of all E.C. duty free wines and spirits sales and will therefore stand to lose £40 million per annum, what is equivalent to its eighth largest export market. The abolition of the intra-E.C. duty will also cause loss of employment. Not only for suppliers and their subordinate industries, but also for outlet operators. Besides it will cause ferry fares to increase to finance essential developments and infrastructure investments. This will then result in a loss of benefits and choice for intra-E.C. travellers, and therefore a loss of intra-E.C. travellers and tourists to travel routes and holiday destinations outside the Community.

The SWA claims that arguments that lost sales will be recouped as a result of the proposed abolition of the E.C. duty paid

allowances fail to recognise that, given the virtual certainty of continuing excise duty differentials, discrimination against spirits and minimum taxation of wine in the E.C. Member States post 1992, the greatest benefits from any additional sales in domestic markets to cross-border shoppers seem certain to be achieved by the wine rather than the spirits sector. The association has long recognised that full fiscal harmonisation will probably result in moves to abolish intra-E.C. duty free allowances. However, it argues that duty-free sales to intra-E.C. travellers are compatible with the single internal market by a tax "approximation" and removal of frontier controls provided administrative arrangements are made to satisfy the concern of Member States that such sales do not exceed acceptable levels. Consequently, the SWA supports the establishment of administrative arrangements involving "control" of intra-E.C. duty-free allowances by vendors of point of sale when frontier controls are removed and calls on the E.C. Commission and all Member States to endorse the continuance of intra-E.C. duty free trade, subject to such "vender controls", until full fiscal harmonisation is achieved.

6. Discrimination

Although Scotch whisky is performing well in a difficult international market, problems lie ahead. At the international level, tax controls across the world are viewed by the industry in the U.K. as barriers to trade. According to the Scotch Whisky

Association more than 300 discriminatory taxes and other barriers have been identified in over 140 markets. Scotch whisky is not protected in any way against competition from spirits produced overseas, even those from the countries which themselves discriminate against imports of Scotch whisky. At the same time Scotch whisky at the moment is more heavily taxed than those most competing drinks. Scotch whisky is therefore discriminated against when competing in the U.K. market against imported wines. What happens in South Korea is a very good example about the unfair competition and the discrimination. European Community Ministers are expected to approve a complaint to the General Agreement on Tariffs and Trade to try to force Seoul to lift tariff barriers on imported Scotch whisky. South Korea's 43 million people consume nearly 2 million cases of whisky a year. Foreign whisky producers complain that locally bottled whisky, which is made from bulk imports, is taxed at half the rate of the variety that is bottled in Scotland. There is also a large black market in whisky that is diverted from U.S. military commissaries. About 90% of the spirits purchased by U.S. soldiers makes its way into the local economy. The U.S. has called on Seoul to lower its taxes and step up its own enforcement efforts. However, the black market enables the Koreans to refrain from opening up their markets.

7. High interest rates

There are few sectors that have as long a planning cycle as the distillers. Many of the malts have to be laid down ten or more

years before they are sold. The distillers must borrow to finance these stocks, so high interest rates are a burden. If the whisky industry is to make rational forecasts for long term investment it has to have a good handle on costs, including interest. A reduction would be welcome but it would have to be lasting to of benefit. Most businesses have to plan over a number of years.

CHAPTER 3

Success and failure of the Scotch whisky industry

Introduction

In this chapter the success and the failure of the Scotch whisky industry will be discussed. What is going to be shown from the following chapter is a big contradiction between two facts that exist in the industry at the same time. What happens now within the Scotch whisky industry, creates an interesting question. How the Scotch whisky industry can be so successful while at the same time it is facing a decline?

Actually the facts and the figures will give many explanations about this question as it will be shown later in this chapter. However, it must be considered at this point, that even the Scotch whisky industry has two different states by this time, it is estimated that in the future (1996-1997) the industry will recover from the problems of the current decline and there will be a rapid growth. Some specialists are taking the risk to say that the industry is growing through this decline.

The first part of this chapter is about the factors that contribute in the success of the industry. Firstly this success consists of the exports, the earnings and the profits of the whisky trading. Furthermore some other areas where Scotch whisky industry has major successes are the occupation of people within the industry, by the jobs offered and also, the tourism, as Scotch whisky is a big attraction for the people who visit

Scotland.

1. Exports

The Scotch whisky trade is overwhelmingly motivated by exports and it has also made U.K. the world's largest spirits exporter. Exporting is not new to the industry, even before the Second World War Scotch whisky sales abroad accounted for over 50% of the total sales. Since the war the exports climbed steeply (far more than the U.K. market) until the late 1970s as Scotch became recognised all over the world as the drink for sophisticated people. Scotch whisky in the form of famous blends like Johnnie Walker, Cutty Sark, Dimple, Haig, J and B etc., has become an international product sharing the status of brands like Kodak, Coca-cola and Ford.

Scotch whisky have created a substantial net contribution to Britain's foreign exchange earnings and to companies' profits. That declares that whisky is the most consistently successful export product in Britain.

Exports peaked in 1978 at 274 million LPA and it was a really very big success for that period. Every year exports account for 85% of Scotch whisky sales, a proud record of consistency unwatched by other industries. In recent years Scotch whisky has been exported to about 190 different markets all over the world. The major markets are the European Community, USA, and Japan.

(TABLE 2)

TABLE. 2

THE TOP 10 MARKETS 1991

COUNTRIES	VALUE	VOLUME
U.S.A.	£247.3m	126.8m
France	£194.9m	79.7
Japan	£165.9m	55.8m
Spain	£156.7m	58.3m
Italy	£91.5m	26.7m
Germany	£72.9m	28.5m
Greece	£71.3m	25.4m
Thailand	£55.4m	17.1m
Portugal	£44.6m	16.4m
Australia	£37.3m	21.2m

*bottles

SOURCE: SWA STATISTICAL REPORT 1991

Sales to member states of the European Community others than the United Kingdom are worth almost 40 percent of exports. If the U.K. is included, the E.C. accounts for over 50 percent of the total sales of Scotch whisky. In Italy for example the main characteristic is that bottled in Scotland brands account for 98% of total whisky market. Italian market accounts for almost 30% of total single malt exports. Italy forms the largest bottled in Scotland single malt export market in the world. In Japan Scotch

whisky makers have made progress since the Japanese government cut its discriminatory taxes on imported spirits in 1989. The value of exports of Scotch whisky to Japan has more than doubled from £87.7 in 1988 to £177.6 million in 1990.

USA is an other main Scotch whisky's large export market accounting for 17 % of the total exports. Exports of single malts rose by 49% in 1988 increased by 7,6% in 1990 and in 1991 USA accounted 12% of the total bottled in Scotland single malt whisky. In the years 1989/1990/1991 two brands, Glenffiddich and Glenlivet accounted for 78% of single malt sales in USA.

2. Earnings

Scotch whisky, by being one of Britain's principal export products, is earning a large amount of foreign currency each year. At the moment Scotch whisky industry has become one of the top five export earners in the U.K., a fact which shows major success as Scotch whisky industry does not belong to the heavy U.K. manufacturing. The earnings from the sales in the overseas market were £1,8 billion in 1991.(Table.) The same year shipments to 190 countries were worth £1833 million up to 7%. The European Community sales (excluding U.K.) were £717 million, something less from the half of the total. Every year's increases, in sales in Italy, France and Germany is a very big success for the industry as at the same time whisky in these countries is marketed as a trendy drink for young adults.

TABLE. 3 VALUE OF EXPORTS OVER THE LAST 10 YEARS

YEAR	VALUE	YEAR	VALUE
1982	£871.6m	1987	£1,135m
1983	£858.1m	1988	£1,288m
1984	£931.4m	1989	£1,469m
1985	£994.0m	1990	£1,712m
1986	£1,070m	1991	£1,833m

SOURCE: STATISTICAL REPORT 1991

Scotch whisky also provides the retailers enormous opportunities to increase their profits. They have already experienced a tremendous growth with the single malt category.

Another important thing that should be mentioned in this part is that Scotch whisky industry, generated £2,4 billion in revenue for the U.K. treasury in 1991. Excise duty and VAT account for £900 million of this amount a year.

The industry's two products that account the largest amount of sales and earnings are the bottled in Scotland blend whisky and the bottled in Scotland single malt. Bottled in Scotland blend is the largest and main category of Scotch whisky sales.

A De luxe Brands: These sell at the top range of the market.

Examples are Chivas Regal and Johnnie Walker black label.

B Premium Brands: Examples are Famous Grouse, Teachers,

Johnnie Walker red label.

C Standard Brands: This constitutes the largest number of brands. Among the best known are White Horse, Dewar's, Haig.

In 1979 bottled in Scotland sales experienced their highest sales figures of £235.87 million litres of pure alcohol, or 74,9% of total sales.

Bottled in Scotland single malts represent the output of individual distillers. Selling prices and profit margins, are much higher than for blended whiskies, reflecting quality, prestige and age. This has proved an attraction to both distillers and retailers. Among the best known at the moment are Glenfiddich, Glenlivet, Glenmoragnie, Macallan and Laphroaig. Single malts have shown the highest increase in sales. Sales have risen from 2.5 million litres of alcohol in 1976 to 11 million litres in 1989 taking its market share from 0.9% to an impressive 3.5% in the process, this is now estimated to be 4.2%. The global sale of malt whisky is forecast to grow by 1,6 million cases by december 1993. 80% of this will be attributable to four key markets -Italy, France, UK and USA.

Malt whisky accounts for between 4% and 5% of the total volume Scotch whisky sales. Although this way seem a small proportion, it is experiencing rapid growth. Single malt is a crucial sector for the important reason of causing an interest in whisky. This interest which the sector has caused is shown in the number of people visiting distilleries and by the investment companies are prepared to put behind developing visitor centres. The malt sector has grown dramatically and is becoming increasingly important. Selling prices of single malts are higher than for

blend whisky. The much higher profit margins have also been an attraction, both to distillers and retailers.

Three of the world's largest drinks companies, Allied Lyons, Grand Metropolitan and Guinness are British. Scotch whisky is a core business for all of them and that because is the most profitable. Guinness for example is a company that its status has changed dramatically in the industry from a medium sized company to a major liquor group embracing Scotch whisky, beer, vodka etc. Whisky, accounts for over 60% of total spirit. It is now the world's largest producer of Scotch whisky.

Guinness took over the Distillers company in 1986 and now have a dominant position in the industry. They operate 30 malt distillers and 3 grain distillers, and commands over 29% of the U.K. market and 38% of the export market. They clearly have a major influence on the performance and policies of the whole Scotch whisky industry, further identification with an oligopolistic market. Guinness's major objectives on the trading front are to revitalise their Scotch whisky interest and make them perform more effectively and to raise the profit margins. Guinness also trying through its leading position in the industry to pursue policies which will result higher selling prices for the industry in general. Guinness and the other big companies make the Scotch whisky industry more powerful and successful.

3. Employees

In spite of the latest period of recession, the whisky industry is still able to offer to more than 15,000 people

employment. (Table. 4) The main part of these jobs can be found in rural communities of Scotland. These are areas with few job alternative opportunities. Although the industry employs so many people its sales are still very high compared to the number of jobs it offers. On exports alone its sales were worth almost £120,000 per employee, according to the statistical report of the SWA. Unfortunately because of the high taxation whisky companies have to give to the U.K. treasury about £100,000 each employee.

TABLE. 4 NUMBERS EMPLOYED BY MEMBER

COMPANIES BY REGION

REGION	1990	1991
HIGHLAND REGION	494	550
GRAMPIAN REGION	1,808	1,752
STRATHCLYDE REGION	7,208	6,908
LOTHIAN REGION	2,467	2,035
CENTRAL & FIFE REG	2,725	2,573
TAYSIDE & DUMFRIES AND GALLOWAY REG.	1,060	1,006
REST OF UK	614	486
TOTAL	16,376	15,310

SOURCE: STATISTICAL REPORT 1991

4. Tourism

Many distillers, with the aid and advise of the Scottish Tourist board have opened selected facilities to the public. The interest

shown, mainly by foreign visitors, has been significant. Both Glenturet and Glenffiddich distilleries each attract more than 100,000 people per annum via their information services, museums and sampling rooms. Other distilleries have also started to build facilities for the visitors, encouraged by the whisky museum in Edinburgh with the co-operation of the Scotch Whisky Association.

THE DECLINE OF THE SCOTCH WHISKY

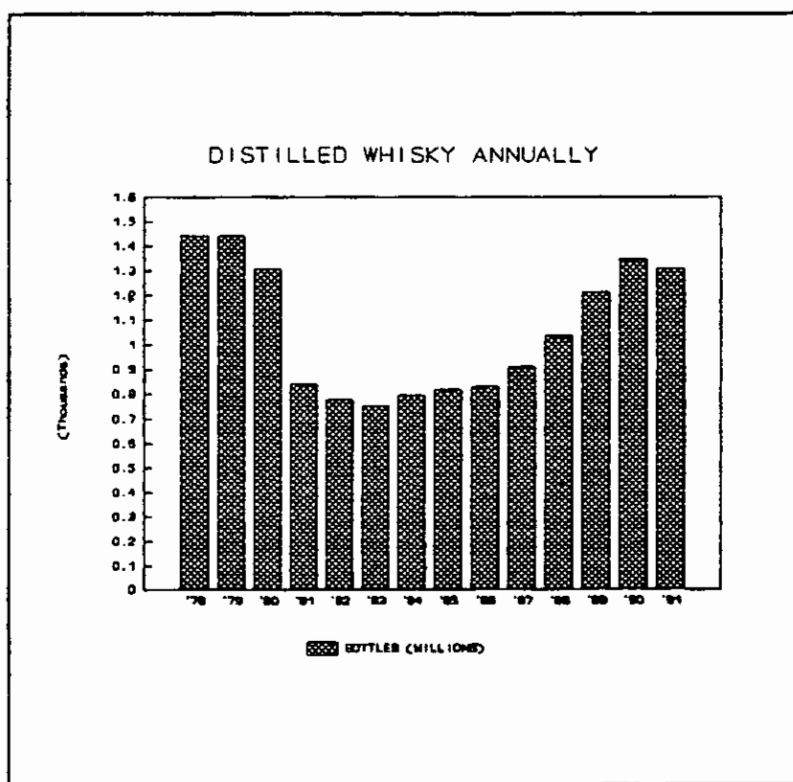
The past two decades Scotch whisky has undergone a difficult period. Starting from the 1960s we see that during that period Scotch whisky displayed the classic symptoms of being in a mature stage. The trend throughout the 1960s was one of slow growth mainly caused by substantial duty increases so that in the decade 60s/70s consumption only grew by 3.8 % per annum. The decline that started from that period and after and which was very intensive in certain later periods is shown on production, on sales, on consumption, on the domestic and the overseas market and on the popularity of Scotch whisky. At the end of 1970s things looked again very depressed for Scotch whisky in many markets. The statistics showed a decline, with little indication that a revival was about to occur.

Certain markets have still not recovered from this period, the U.S.A. being a prime example, has continued to fall steadily. That happened because at 1978 and 1979 there was an anticipation

for rapid growth in world Scotch whisky sales. Thus producers geared up production for future demand but the anticipated boom never materialized and the production was severely cut back. The production from 416 million litres in 1980 fell to 260 million litres in 1986. (Figure 2)

The result was a dramatic decline. Between 1980-1984 a 20% of malt distilleries closed and 7500 out of 25000 of the industry jobs lost in process. Today there are under 100 distilleries employing 15000 to 16000 people.

FIGURE NO.2



SOURCE: STATISTICAL REPORT 1991 (SCOTCH AT A GLANCE)

A decline in production has also meant a subsequent running down of stocks. The next five years 1987-1991 there was not a major

change and a significant increase in production was shown only on 1990. After that in 1991 production fell again and things seem to get for another time the same falling way.

TABLE. 5

TOTAL PRODUCTION OF MALT AND GRAIN WHISKY DISTILLERIES
WAREHOUSED AND EXPORTED

1978	459,299,000
1979	459,009,000
1980	415,870,000
1981	267,981,000
1982	247,670,000
1983	239,081,000
1984	253,448,000
1985	260,580,000
1986	264,947,000
1987	289,693,000
1988	329,938,000
1989	385,481,000
1990	428,762,000
1991	416,800,900

SOURCE: STATISTICAL REPORT 1991

As it is shown the 1991 production is the same as before ten and more years (1980) and the production is declining again as the figure of 1991 is smaller than the one of 1990. (TABLE 5) It is estimated that the statistics will show a more depressive figure for the 1992/1993 production.

The decline has hit mostly the blend scotch whisky. It is unfortunate that in a mature/declining industry state, blended whisky is targeted by means of higher duty vis-a-vis other competing beverages. The 1990 changes in excise levied on Scotch whisky whereas the average levied on all other alcoholic products, amounted to only 7.6%. The predictable result was that for the years 1985-1991 consumption of blended whisky fell from 46 million litres per annum to 36.78 million litres per annum. Major blenders have developed cheaper blends for the competition of their own labels and subnorms as the recent years there is a big turn from the standard blends to either premium quality brands (usually malts) who belong at the top Scotch whisky levels or low price brands who belong to the bottom end. Under this situation the decline seems to continue.

At the same time excise duty included Value Added Tax increased (1990) and the Scotch whisky association predicted a serious affect on sales. And that became true as sales fell down in 1991. (SEE APPENTIXES 3) The SWA's comments after this were that it could not understand the logic of the decision to increase the excise duty when Scotch whisky needed help in its important home market. Beer and wine carry a lower excise duty than spirits and the SWA waited the chancellor to achieve equalisation within

three years. If duties were equalised at single stroke, it would have cut the price of a bottle of whisky by about two pounds. That means that a further decline at the home market would have been avoided.

During the period 1979-1984, consumption fell at a rate of 3.88% per annum reflecting the increase in retail prices due to 15% VAT levied on total sales price and the economic recession of the early 80s. Between 1985-1991 the rate of decay in consumption levels slowed, but continued the trend at 2% decrease per annum over this period. As can be seen from the table below, (TABLE 6) whisky consumption has traditionally been significant within the UK market. Until 1979 whisky had always constituted over 50% of all spirits consumed within the UK, in 1979 this ratio fell to 49.8%. In a brief period (1980-1983) the ratio moved to over 50% again-mainly due to excess stocks being removed and marketed as low price, own label brands. However the downward trend continued for every year since 1983, the 1989 figure being 43.1% of all spirits consumed, decrease of 1.48% per annum (1978-1989). In 1990 things changed as there was an increase with the figure being 44.3 but that was only for a short time period as in 1991 there was again a fall in consumption as the figure was 43.2.

TABLE. 6 WHISKY AS % OF UK SPIRITS CONSUMPTION

YEAR	1978	1979	1980	1981	1982	1983	1984
%	51.0	49.8	50.3	50.5	50.2	48.5	47.5
YEAR	1985	1986	1987	1988	1989	1990	1991
%	47.4	47.0	45.5	43.7	43.1	44.3	43.2

SOURCE: SCOTCH WHISKY INDUSTRY REVIEW 1991

One of the major changes within the UK industry has been in distribution channels. In the early 80s there was a parity between on and off license sales, off license sales now account for over 60% of total sales. Of off licence sales, 60% are accounted for by the multiple grocer chains.

Consumer and retailer research suggests that in parallel to the overall decline in Scotch sales in on-licensed premises, there has been an emerging trend in the purchase of greater varieties of drinks for home consumption and in more expensive luxury items such as malt. In the medium to long term, this looks likely to continue.

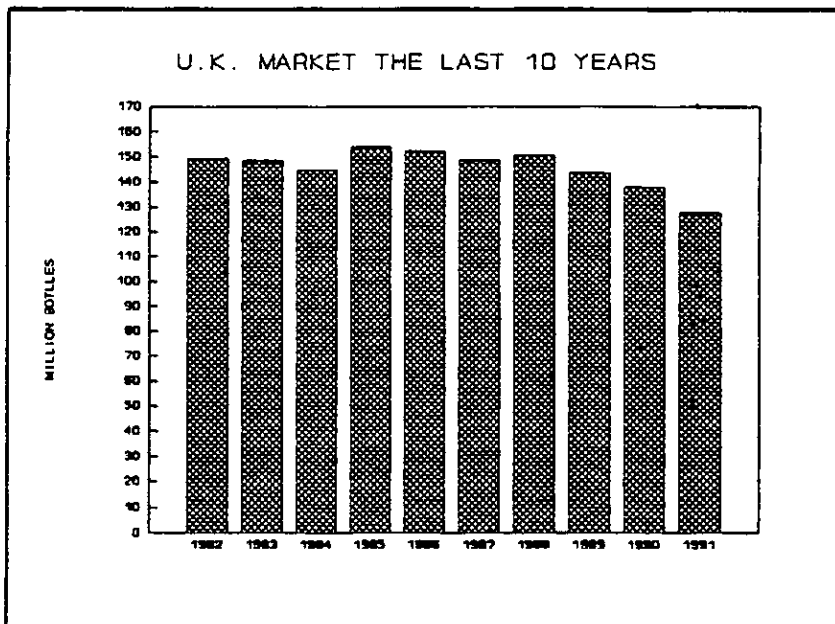
About the growth in low quality brands, that is written before, these types of whisky would appear to be a trend of the past, unless severe overproduction was again to occur. However the latest trends indicate lower spirit consumption in general due to improved health consciousness, stigmatised drink driving and fierce competition from low or alcohol-free drinks. (FIGURE 3/4)

It is also interesting to note that over half of Scotch whisky consumers are over the age of 45 while almost a quarter are over 65. Scotch whisky can therefore be seen to be attractive to the older, more affluent drinker. The consumption of single malt whisky is certainly restricted to the more affluent consumers, mainly for home consumption.

Although Scotch whisky is primarily aimed at the mature and affluent consumer, it would appear that little effort has been made to encourage consumption by the younger generation. The decline in popularity of Scotch whisky is therefore hardly

chosen usually remain constant.

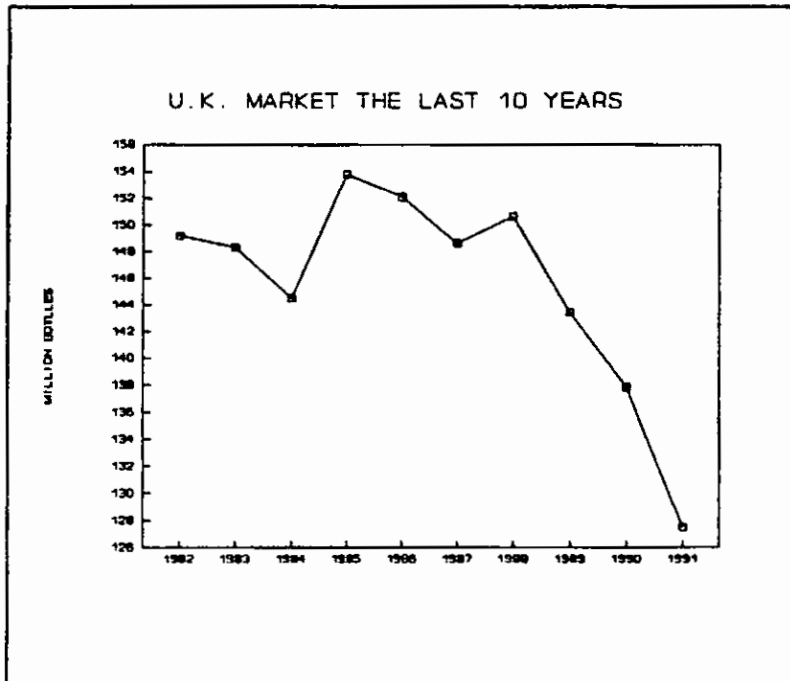
Another more significant factor has been the level of competition from white spirits such as vodka, gin, rum and white spirit cocktails which are perceived to be more fashionable and less damaging to health. The main beneficiary of Scotch whisky's decline in popularity has been vodka which now accounts for some 16% of total spirits sales. The brand leader is Smirnoff which accounted of 60% of total UK vodka sales in 1991. Gin has traditionally been Scotch whisky's greatest rival for the market share in the UK.(FIGURE 3/4) However, like Scotch, gin has been steadily losing market share. Another factor that explains the decline in the UK market, is the overall decline in the volume of spirits consumed outside the home, prompted by increase drink-
FIGURE. NO 3



SOURCE: STATISTICAL REPORT 1991 (SCOTCH AT A GLANCE)

driving legislation together with changing social habits. Generally Scotch whisky's decline has been partly explained by the global recessions of 1975/1977 and 1979/1982. As it has been written above many markets have not recovered yet and that seems to continue in the consumers conscience as Scotch whisky has also lost a part of the image and glamour of the past. Disappointing markets include Germany where shipments have declined since their peak in 1978. Scotch whisky continues to account for only 5% of the total spirits market. Canada, which should be a good market given the strong Scottish connection, is a difficult market for the stringent purchasing laws imposed by provincial Liquor Boards and of course through the competition from Canadian whisky. The 1991 figure was particularly disappointing with a decline from 4.7 million LPA in 1987 to 3.5 million LPA in 1991.

FIGURE NO.4 (LINE)



SOURCE: STATISTICAL REPORT 1991

SOURCE: STATISTICAL REPORT 1991

USA was the greatest single market for Scotch whisky up to 1971, comprising some 43.23% of total world consumption (50% of total exports) in that year. In 1991 this percentage slipped to 14.22% of global consumption (17% of total exports).

On the table below we are seeing the top 12 selling liquor brands in the USA. It is clearly shown that Scotch whisky in the USA market is not longer the most consumed drink. Instead rum, vodka, bourbon and gin are the most consumed drinks in the USA now.

TOP 12 SELLING LIQUOR BRANDS IN THE USA (1991)

(000s CASES)

TABLE. 7

BRAND	PRODUCT	1990	1991
BACARDI	RUM	7350	7440
SMIRNOFF	VODKA	5900	5950
SEAGRAM'S 7 CROWN	BLENDED	3840	3900
JIM BEAM	BOURBON	3200	3400
JACK DANIEL	TENNESSEE	3180	3350
POPOV	VODKA	3250	3100
SEAGRAM'S JIN	GIN	3150	3000
CANADIAN CLUB	CANADIAN	2350	2580

DEWARS	SCOTCH	2100	2500
SEAGRAM'S VO	CANADIAN	2200	2100
CANADIAN MIST	CANADIAN	3370	2100
DE CRUPER	CORDIAL	2550	2000

SOURCE: SCOTCH WHISKY INDUSTRY REVIEW 1991

Although Scotch whisky industry grew complacent over the last 30 years, after the Scotch whisky claimed over half of the total UK spirits market until 1979. However a bad point to take, is that while Scotch whisky has been declining gradually, locally produced "whiskies" have been capturing market share. Today only about a third of world whisky consumption originates from Scotland, although many of the imposters contain a certain amount of Scotch to add flavour to often un-matured spirit.

CHAPTER 4

REASONS FOR THE TRENDS OF THE SCOTCH WHISKY INDUSTRY

INTRODUCTION

In this chapter an overview will be given about the existing trends in the internal and external environment of the Scotch whisky industry. The trends that have been identified as being negatively affective in the industry's environment are the changing fashions in drinking, the growing anti-alcohol lobby, the poor innovation and the poor image amongst women, and also the parallel trading and high prices.

It must be considered at this point that any trends are unpredictable. That implicates that maybe these trends will be provisional or permanent.

1. CHANGING CONSUMER FASHIONS AND TASTES

A significant reason that Scotch whisky industry is showing declining trends are the changes on drinking fashions. The consumers are affected of the drinking fashions that predominate every different period.

Scotch whisky faces more intense competition than ever before, not only from the white spirits like vodka, but more especially from the various other alcoholic products which have come into the world market in recent times.

Changing drinking fashions are particularly noticeable in the USA where the fashion lately is healthy and fitted life. These two factors have resulted in a move away from spirits to drinks with low or no alcohol. Additionally, the fashion in recent years are drinks with not a strong taste as whisky but with a lighter and sweet taste.

2. GROWING ANTI-ALCOHOL LOBBY

This anti-drink lobby is sure something that the Scotch whisky industry is affected of, and it is clearly a trend in the industry. Government and health lobbies are increasingly concerned about the easy availability of alcohol. The authorities are also paying more attention to the dangers of drinking and driving. In the most countries of the European community and of course in many other countries around the world, drivers are charged and prosecuted for driving drunk.

Another aspect of the anti-alcohol movement is the imposition of health warning labels on bottles by certain countries. There is also a considerable lobbying in favour of the banning of all alcohol advertising. The pressure groups have already pushed regulations through the Advertising Standards Authority. Any advertisements for spirits may not contain actors under the age

of twenty-five, or actors who look like they may be beneath that age. In addition any advertisements may only represent a socially acceptable standard of behaviour.

This banning or restriction of alcohol advertising, and the critical reports published by the World Health Organisation (WHO) and various colleges, all have a detrimental affect on sales. Few years ago in USA the Congress of the Alcoholic Beverage Labelling Act 1988 decided that all the companies of alcoholic beverages are obliged to carry a warning that:

1. Consumption of alcohol impairs the ability to drive or operate machinery and may cause health problems.
2. Women should not drink during pregnancy.

3. INNOVATION

There has been little innovation in the industry, resulting in a view that " all whisky is the same ". The main criticism here is that the industry has been slow to introduce new products, and even the marketing of single malts sales of which are growing substantially is a fairly recent development.

The introduction of new whisky based products have been few in number, and the Scotch whisky industry has also failed to promote whisky as a drink capable of being consumed at various times of day, and suitable for mixing. The advertisement restrictions are also a barrier for the promotion and the innovation. However there has not been a formula from the Scotch whisky association so far, about how the promotion has to work.

The Scotch whisky association is working on that considering the current regulations.

4. POOR IMAGE AMONG FEMALE DRINKERS

In Scotland, whisky is reasonably popular amongst women. However in England and in the most other countries whisky is still very much a male dominated product. The female sex considering itself weak, has not generally such a good friendship with the spirits and especially with the whisky which is a very strong drink. However, given the considerable purchasing power of women it would be foolish for the Scotch whisky industry to ignore them.

5. PARALLEL EXPORTS

Parallel exports normally refer to a situation where a UK buyer purchases whisky under bond at prevailing market rates. After that they transport the whisky abroad at a price that is significantly lower than the usual industry export price. The usual export method is to ship the whisky via a formal overseas distributor. The promotion and further distribution costs after that, is done by the distributor and the parallel exporter has no further costs to incur prior to off-loading the whisky in the market of destination. Naturally, the wider the disparity between home and these "export" prices, the more profit to be made. Parallel trading is also the case where whisky is sold to one

country and subsequently re-exported to another. This business is sizeable with the Japanese market being one of those seriously affected by this activity. Other markets affected by parallel trading is Spain and Thailand.

At this moment, EC prices vary considerably and this contributes to the level of parallel exports within the EC. Parallel exports have affected many groups such as United distillers, Guinness, etc. During the 1970s these companies attempted to remove the possibility of parallel trading by implementing a dual pricing policy. They ensured that any purchaser buying in the UK, under bond for subsequent export, paid a price that reflected the official export price which included the promotional costs normally borne by the official overseas distributor.

United distillers, however, admit that parallel exports have had a considerable impact on profits. Furthermore, they admit that parallel trading affects their company and generally the industry, and it is sure a trend within the Scotch whisky industry.

6. HIGH PRICES

High prices affect directly the consumption of Scotch whisky industry. As long as the prices are high, this fact will always be a very significant trend of Scotch whisky. Retail prices of spirits increased by 36% over 1897 - 1991 as a whole, compared with 31% rise in all retail prices but a slightly higher increase in prices of alcoholic drinks as a whole. Prices have been pushed up on 1990 and 1991 by Budget increases in the excise duty levied

on alcohol after several years with no change. (see table.9)
 The excise duty charged on spirits has increased by 26% over 1988-1992, with an increase in the 1992 Budget in line with inflation. Duty payments in 1992 account, for example, for some 47% of the price of top whisky brands. The charge on a 70cl bottle of 37.5% strength spirit, such as some vodka, white rum and gin brands, is £5.21. (see table 8)

TABLE. 8

EXCISE DUTY 1988 -1992

VALUE (£)	1988	1989	1990	1991	1992
PER LITRE OF PURE ALCOHOL	15.77	15.77	17.35	18.96	19.81
PER 70CL LITRE BOTTLE AT 40%	4.41	4.41	4.86	5.31	5

SOURCE: EUROMONITOR (MARKET RESEARCH IN G.B.)

TABLE. 9

RETAIL PRICES OF SELECTED WHISKY BRANDS 1992 (70CL)

GLEN COVA	£9.49	REBEL YELL	£15.69
100 PIPERS	£10.29	JACK DANIELS	£15.99
GLAYMORE	£10.39	JOHNNIE WALKER BL	£17.99
WHYTE & MACKAY	£10.99	THE GLENLIVET 12yo	£18.29
HAIG	£11.35	ABERLOUR 10yo	£18.99

TEACHERS	£11.39	KNOCKANDO 12yo	£19.99
BELLS	£11.69	CHIVAS REGAL 12yo	£20.49
FAMOUS GROUSE	£11.75	LAPHROAIG 10yo	£21.25
JAMESONS	£12.99	LAGAVULIN 16yo	£22.95
J & B RARE	£13.49	MACALLAN 18yo	£32.49
CANADIAN CLUB	£15.49	SPRINGBANK 21yo	£36.00
JIM BEAM	£15.49		

SOURCE: EUROMONITOR (MARKET RESEARCH IN G.B.)

CHAPTER 5

"STRATEGIES FOR THE FUTURE"

INTRODUCTION

In this chapter future strategies for the Scotch whisky industry will be recommended.

Obviously the industry needs to make a careful strategic planning which must be based on many objectives.

A further investment on advertising and promotion, the development of new products and publicity campaigns have to be included in the industry's future strategies. These have to be done with the aim to sustain and increase the image of Scotch whisky.

Furthermore, technology improvement, the application of new techniques and research and development will make the industry more powerful. Another significant aspect which is of great importance for the industry is that the companies have to assure the future supply of managerial capability and craft skills by raising training to higher levels. These strategies and the strategies of some famous companies will be discussed in this chapter. The following chapter also includes a SWOT analysis, in order to be the basis, after the previous research, of the way that the strategies will be recommended.

1 S.W.O.T. ANALYSIS

The aim of the S.W.O.T. analysis is to identify the extent to which the industry's current strategy and its more specific strengths and weaknesses are relevant to, and capable of dealing

with the changes taking place in the Scotch whisky industry's environment. Moreover, the aim is to do this in a such way as to isolate the key-opportunities and threats, whilst at the same time identifying key parts and features of organisational capability that provide strengths or indicate weaknesses in dealing with those environmental changes. The most significant aspect though, of the following S.W.O.T. analysis is to undertake a more structured analysis, so as to yield findings which can contribute to the formulation of the strategy.

STRENGTHS

- product quality
- image
- big overseas market share
- employment
- older consumers (in terms of high income)
- malt whisky
- history , tradition
- whisky is perceived as sophisticated drink

WEAKNESSES

- high prices
- low advertising and promotion
- defective development of new products
- falling popularity
- growth of low quality brands
- poor innovation
- poor image among female drinkers
- defective approach to young generation

OPPORTUNITIES

- tax harmonisation
- growing markets
- malt whisky growth
- market penetration
- diversification

- younger generation

THREATS

- E.C. single market
- parallel exports
- growing anti-alcohol lobbies
- taxation
- discrimination
- local produced products
- E.C. regulations
- changing consumer's fashions and tastes
- competition of other alcoholic drinks

2 ADVERTISING, PROMOTION AND NEW PRODUCTS

Scotch whisky distillers have to focus on advertising, promotion and production of new products, more than anything else on their future strategic planning.

Especially against the changing world patterns of drinking, the Scotch whisky industry needs more than ever, to generate the means to promote its brands so as to sustain the image, in the consumer's perception, of a unique high quality product.

On the table below (TABLE 10) it is shown that the advertising expenditure on whisky after a very good performance between 1987-1990 with the highest figure being £ 18.3 million in 1990, fell at £ 16.3 million in 1991.

TABLE. 10

Advertising expenditure on whisky 1987-1991.

YEAR	1987	1988	1989	1990	1991
£MILLION	12.8	14.0	15.6	18.3	16.3

SOURCE : MEAL

The industry has to promote whisky-based-cocktails at various

functions and fairs, to try and increase the Scotch appeal. A part of the promotion must be the provision of tasting and the education of customers about whisky, something that is going to help draw customers.

New opportunities are opening up in traditional wine-drinking countries, and Scotch whisky must be extra promoted at this time in these countries. It is proved that the consumption of whisky in countries like France, Spain, Italy and Greece has made a considerable increase in the last few years. Besides is a total misconception that many people consider whisky as a stronger drink than wine. Actually wine is no lighter than whisky or gin diluted in the glass. Indeed a typical pub measure of a 12 centilitre glass of wine at 11 % vol. contains more alcohol than a pub measure Scotch whisky.

Mindful of the advertising restrictions placed upon the industry, Scotch whisky requires a boost in terms of versatility and female credibility. The image of the product, with the exception of single malts, must be raised to a par with vodka, gin and rum in the eyes of the younger-yet mature consumer.

Obviously the Scotch whisky industry needs to develop new products. Surely the industry has the experience, the knowledge and the skills to do it, what exactly the development of new products must be based on. The industry must maintain the security of its present markets whilst changing and developing new products.

In this period, that the fashion in drinking has changed the industry's policy must be an introduction on new product lines. Some effort has been made, and ideally more has to be made in the future as companies realize the potential for new drinks. Examples of relatively new products are Bell's islander, a blend of Islay malts and Teachers 60 IF targeted correctly through the appropriate marketing channels many opportunities can be present. Other recent innovations are the Six Class Malts by United Distillers. These are a range of six malt whiskies which encompass all the whisky regions. Although the single malts are

not new products, the new marketing idea of the "Classic Six" has worked extremely well.

3 PUBLICITY CAMPAIGNS

The aim of the publicity campaigns of the Scotch whisky industry must be the sustaining and the increasing of the fashion image of Scotch whisky as a unique, high quality drink. The importers and the distributors of the overseas market must be supported from the industry in general, or the individual export companies in order to gain from them their time and their effort to be spokesmen for the industry. Even it is difficult to assess the cost/effect benefit of such campaigns in sales terms it is though the only way that the impact of a sustained campaign for a period of some years will not be only of temporary value.

The publicity campaigns can be based on:

- A continuing press relation programme aimed at providing interesting stories and events for the media.
- Seminars and tasting to be organised especially in the major markets in order to keep them awake for all the existing products and the new developments, and in the markets that is forecasted to have a rapid growth.
- A specialist from the Scotch whisky industry to carry out a market media tour, appearing on T.V.- and radioshow and in the press.
- An approach on the Scottish history and tradition about the pipes, the traditional dances and sports with the use of whisky.
- Press groups and importers from abroad to be invited to Scotland and to the distilleries.

The results of the publicity campaigns will be that the importers and distributing trades are becoming better educated about the special characteristics of the product they are importing and selling.

4 TECHNOLOGY IMPROVEMENT (Energy conservation)

It is true that the decline that is dominating within the industry this period does not provide the opportunity to the industry to re-equip. But considering the need of technological improvement it is necessary a part of the industry's budget to be spent on equipment. It is proved that the distillers who closed after the big economic boom of the last decade were not working very efficiently. Even some companies say that they don't need it, there is always room for further improvement and the application of new techniques.

For example the use of mechanical vapour recompression in evaporation systems is becoming more widespread and the installation of a combined heat and power system can be planned for many distilleries.

The use of waste heat from the distilling operation in malt distilleries is also becoming more prevalent. The satisfactory utilisation of large quantities of this low-grade heat, resulting mainly from the cooling processes, remains the main obstacle in securing maximum efficiency. The use of eat pumps to upgrade this heat may provide a solution in the future.

5 RESEARCH AND DEVELOPMENT

The main objectives of the strategic planning on research and development within the industry must be the conservation of the unique characteristics of Scotch whisky; the reinforcement of the industry's competitive position internationally against rival spirits; and the ensurement of the optimum efficiency in the use of raw materials. It is therefore vital to elucidate the complex biochemical mechanisms involved in all stages of the manufacture of whisky and then through the proper application of engineering principles, to make practical use of that knowledge.

Another significant point is that the progress of research and

the efficiency of process control are both dependent upon the development of improved analytical techniques. The investment in this area has to continue in the companies that have already started investing in this area and to start for the companies that have not started yet.

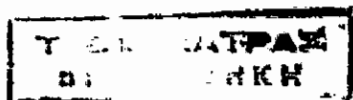
Major developments in American distilleries include the use of microprocessors for control purposes. One important development area is in the field of sophisticated mechanical handling and related computerised control systems in blending and bottling plants. Some of the big distilleries in Scotland have started to develop such techniques and undoubtedly a substantial progress will be done in this field the next few years.

6 TRAINING AND NEW TECHNOLOGY

Companies within the industry should assure the future supply of managerial capability and craft skills by raising training and apprenticeships to a higher level. It is very easy to see the importance of training and new technology by considering the gap on the policies in this field between the small and the big companies.

While some small companies are without any training activities, the larger companies have sophisticated and well thought out arrangements. It is clear that the quantity and quality of training overall must be enhanced.

Immediate training needs do not appear to be a problem and no



current shortages have been identified. However the introduction of new technology will require both training and retraining, which needs to be planned by all companies.

Obviously the supply of managerial capability and craft skills within the companies is assured by raising training to higher levels.

7 "STRATEGIES FROM MAJOR COMPANIES"

1 ALLIED LYONS

Allied Lyons's emphasis has been placed not only on building the brand portfolio through acquisition and through trading up to higher-margin brands but also the strengthening of its distribution business. Restructuring for example through the combination of the distribution systems of J.R. Phillips and United Rum Merchants Agents in the U.K., has achieved benefits from common administration and substantial cost savings. Allied Lyons has also been the introduction of computerised methods of data storage and manipulation.

2 GALLAHER L.T.D. (Whyte & Mackay's)

Their strategy for developing market share lies in "expensive brand building", though the bid for Invergordon sits somewhat incongruously in some ways with this strategy in view of Invergordon's strength in the own-label market. Nevertheless a successful bid would have given Whyte & Mackay a share of more than 10% of industry volume, and its failure leaves both

companies in an uncomfortable position.

3 GUINNESS

The company has invested considerable sums on upgrading its distilleries, investing £ 20 million on expanding its Cameronbridge grain distillery, reopening two malt distilleries and investing £ 5 million on developing a new bottling plant system. There has been a large extension to the Gordon's and Tanqueray distillery in Essex. Guinness has also established greater control over the international distribution of Distillers whiskies, by acquiring Schenley in the U.S. and by forming partnerships elsewhere with Bacardi, Moet-Hennessy and Underberg. Still to cure the long-term overstocking of whisky Guinness needs a turnaround in the major markets. The company's strategy is to reorganise some brands and sacrifice some others.

4 HIGHLAND DISTILLERIES

The strategic activities of the Highland distilleries includes new fillings, where it plays an important role in the Scotch whisky industry since its malts are high quality and used to impart quality in other producers' blends as "top dressing"; and mature fillings, where its main, but by no means only, customer Robertson & Baxter for the Cutty Sark.

5. SEAGRAMS & SONS

The company is planning to start selling a Canadian whisky called Mount Royal Light. Their strategy is to develop new products-raising stars. Seagrams and United distillers together teamed up with South Korean companies to acquire local bottling licenses in the 1980s and till today they have a 97% share of the Scotch whisky market.

CHAPTER 6

CONCLUSIONS

Introduction

In this chapter, the conclusions of this dissertation will be given. The conclusions are taken after the full research of the subject and they are based on the research made from the previous chapters. They also result from the questionnaire made, in order to take conclusions, after searching the subject from every side and opinion.

What will be discussed in this chapter is a summary of the dissertation, including conclusions from the problems, the success, the decline, the trends and the strategies of the Scotch whisky industry. Special reference will be made on the tax harmonisation and finally a forecast will be given.

Conclusions

As it is shown in this dissertation, Scotch whisky industry even it is facing many problems and above all a decline, is still one of the U.K.'s major industries, which promising a lot for the future.

However, changing consumers preferences and perceptions,

obstacles to trade, poor economic conditions in established markets, excessive product taxation, etc., contribute to an international trading climate in which Scotch whisky industry now needs to fight hard to maintain and, if possible, to improve its competitive position into the future. In many cases, these adverse conditions result from macro-economic factors which the industry cannot change. The Group therefore continues to hold strongly to the view that, in combating these negative factors, the two principal weapons must be, first, the maintenance of a constructive partnership with all relevant government departments and secondly, the continuation of a strong thrust of brand advertising worldwide.

There are however, new challenges to be faced. One arises from organisations and pressure groups which increasingly seek to apply general sanctions upon the free marketing of alcoholic drinks, particularly upon spirits. These activities have recently begun to coalesce onto the international plane and major institutions, like WHO (World Health Organisation) have become actively involved. As it is written in a previous chapter the various anti-alcohol measure which include restrictions upon retail licensing, curtailment of advertising freedom, warning labels etc, are either under consideration or in force in a number of major markets.

The Scotch whisky association has already started taking constructive steps to support activities directed towards alcohol research and education. Also the promotion, the publicity campaigns, the new technology, the training, the research and

development are active steps that the industry has to take in order to respond positively to the increasing range of difficulties with which it is faced. Nonetheless, there appears to be a case for encouraging the industry to go further. For example, the collective campaigns and the future strategies from the companies to sustain the image of Scotch whisky could be extended to other markets; methods could be found to correct misconceptions about the health risks of drinking spirits; and a positive international approach could be devised to educate consumers to moderate drinking.

Regarding the problems and the difficulties that the Scotch whisky industry is facing, there are a lot of conclusions to be made. About the present obstacles to the export of Scotch whisky, in many countries, they are designed to be both strongly protectionist and to reduce imports of Scotch whisky. I believe that in the future, local tax data must be maintained for all world markets, in order to assist in reducing or removing such "invisible" barriers to trade. The problem of the whisky stocks and often the difficulty from the companies to finance them well because of their long period maturation, the taxation on them and the high interest rates that is described in previous chapter, have further effects.

As it is written before, a big quantity of Scotch whisky is sold by not being mature and the effect of such trade is to erode the status of Scotch whisky; to live off the back of promotional expenditure paid by brand leaders; and often to introduce the consumer to Scotch whisky blend of markedly inferior quality. And

this can be a consumers first exposure to Scotch whisky.

About the taxation which is one of the most significant problems of the industry, I believe, that as long as the tax harmonisation is not fully achieved the competition between Scotch whisky and the other alcoholic drinks will be unfair. The most obvious reason are the prices. The Commission has made a number of unsuccessful efforts to harmonise tax structures. Those efforts have been based on separate harmonisation directives which would have left the relation between the taxation of spirits and the taxation of other alcoholic drinks in the hands of member states. I believe that harmonisation on these lines would not lead to an improvement in the taxation of spirits in relation to other alcoholic drinks. Harmonisation in my opinion must establish an equitable relationship between the taxation of different alcoholic drinks. This would bring significant advantages for U.K. exports.

The E.C. finance ministers, provisionally agreed a tax package which included minimum rates of excise duty on alcoholic drinks to apply from 1st January 1993. The minimum excise rates are:

WINE - ZERO

BEER - 187 ECU per HPLA (£140 APPROX)

SPIRITS - 550 ECU per HPLA (£414 APPROX)

But in addition to the minimum spirits rate of 550 ecu per hplpa, a further threshold was fixed at 1000 ecu per hplpa preventing those member state above this level from reducing their level below 1000 ecu and preventing those between 550 and 1000 from reducing their spirits at all. The agreement includes a vital clause stating that the Commission must examine the rates if duty

laid down every two years, and for the first year not later than 31st December 1994. This review must include a report on the competition between different categories of alcoholic drinks.

I believe that the harmonisation agreement was successful in warding off the immediate danger of tax-included price increases for Scotch whisky in its all important European markets, although the two-tier minimum spirits rate makes no sense and is hard reconcile with "harmonisation". I also believe that there is much to play for. The agreed rates are only minimum rates. There is no means of ensuring that discrimination against spirits does not widen. Then there is no commitment in the longer term to eventual approximation of excise duties for all drinks, based upon their alcohol content. Finally, it is imperative that the competition review should be a full and comprehensive study of the total drinks market so that any distortion emerges clearly. However, the UK government is argued to secure long-term fair tax treatment in Europe for Scotch whisky.

I believe that it is essential for the industry in order of recovering and growing, the immediate co-operation with the government. First of all government should support harmonisation but should oppose vigorously any attempt at harmonisation which ignores the need for an appropriate relationship between the taxation of spirits and taxation of other alcoholic drinks. In my opinion when the government is formulating proposals about future UK duty levels on Scotch whisky, should take account of the industry's year-on-year economic performance; that , over the long-term duties on spirits should be adjusted towards a more realistic relationship with duties on other alcoholic drinks,

having regard to alcoholic content; and that the large increases in duty, taken at a single step, should above all be avoided. The industry and the government must solve the problem of wide/duty differentials within the EC. The Scotch whisky association and the government should petition the EC council of ministers to accept a constant excise rate based upon the % of alcohol by volume of each product.

FUTURE - FORECAST

The decline, in previous chapter, has hit mostly the blend whisky. Bottled in Scotland standard blend whisky, in my opinion, will require a completely fresh approach to its marketing, the under 45's must be targeted in an effort to broaden the consumer base. Blended whisky will continue to be of vital importance to the industry, as single malt output cannot replace the volume of blend sales.

I believe , however, that the recovering of blend whisky is depended on a number of factors.

1. The speed at which individual markets overseas react to an economic upturn.
2. The extent to which stringiest economic measures, currently restricting imports of Scotch whisky into central, south America and some other countries.
3. The success of the industry in combating, through promotional and educational campaigns, recent trends in consumers tastes and reinforcing the quality image of Scotch whisky in world markets.

4. The extent to which it proves possible further to reduce barriers to the import of Scotch whisky in many markets abroad.
5. The absolute and relative levels of taxation on spirits and competing alcoholic drinks in the UK and other markets.

Continuing growth is expected in bottled in Scotland malt whisky sales, particularly in export markets. Single malts have displayed encouraging growth, particularly in the last ten years. It is forecasted that there will be a considerable number of single malts brought on the world market as companies strengthen their malt portfolios in the light of trends in consumer taste.

To forecast the future is very difficult as there are many factors affecting it. For example widespread parallel trading does not only removes price stability and control, and that artificial trade barriers distort the trends of consumption but because it makes forecasting methods unreliable.

Volume sales of whisky are forecast to increase with further falls in the immediate future followed by an upturn. Demographic trends are likely to favour spirits consumption as there will be increase in the weighting of the population towards the older age groups where regular spirit drinking is more common. At the same time there will be a decline in the younger age groups who tend to be more flexible in their choice of spirit and less frequent drinkers, although they will remain a key target for marketing products.

Whisky is expected to perform well over the forecast period with a gain in share of all spirits sales after sales begin to recover

in 1994. Despite its size it has considerable potential for attracting younger drinkers, perhaps introduced through the growing imported whisky sector.

TABLE. 11

FORECAST SALES OF SCOTCH WHISKY 1991-1996

YEAR	1991	1992	1993	1994	1995	1996
MILLION LT	100.4	96.0	94.0	98.0	102.0	104.0

SOURCE: EUROMONITOR

Finally even a decline is hitting Scotch whisky, it still accounts for the largest single market share of all spirits in UK and around the world. Additionally the Scotch whisky industry must seek every opportunity to keep high the quality image and the sales of Scotch whisky in UK and in the world markets and to take all the necessary measures to keep on the offensive.

APPENDIXES

APPENDIX 1.....QUESTIONNAIRE

APPENDIX 2.....SCOTCH WHISKY ACT 1988

APPENDIX 3.....STATISTICS

APPENDIX 1

QUESTIONNAIRE

QUESTIONNAIRE

1 To what extent has/is taxation affecting the
a) Your company ?

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b) The industry

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2 In your opinion which factors have lead to the current
decline in the Scotch whisky industry and in which way ?

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3 How would you explain the current decline in respect of
a) falling sales ?

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b) falling production ?

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c) falling exports ?

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d) falling popularity ?

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4 Have you experienced/isolated any declining trends within your company ?

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5 Do you have a specific strategic plan to avoid further effects of the present economic recession ?

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6 What do you feel the implications are for your company with respect

a) to the single European market ?

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b) to the tax harmonisation on spirits ?

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c) to the new EC regulations on spirits ?

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7 Do you feel that the Scotch whisky industry has suffered political discrimination ?

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Thank you for your time and co-operation in the completion of this questionnaire. It will be of great assistance to me in the completion of my project. Please return the completed questionnaire as soon as possible.

APPENDIX 2

SCOTCH WHISKY ACT 1988



Scotch Whisky Act 1988

1988 CHAPTER 22

An Act to make provision as to the definition of Scotch whisky and as to the production and sale of whisky; and for connected purposes. [28th June 1988]

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1.—(1) It shall be unlawful—

- (a) to produce in Scotland; or
- (b) to keep in Scotland for the purpose of maturation; or
- (c) to keep or use in Scotland for the purpose of blending,

a distillate of spirits produced as described in the definition of whisky contained in section 3(1) of this Act unless it is or, as the case may be, has been produced as described in any definition of Scotch whisky contained in an order under that section.

(2) If the court is satisfied, on the application of—

- (a) any person carrying on the business of producing Scotch whisky; or
- (b) any person or body appearing to the court to be representative of any group of such persons,

that any person has contravened or is contravening the provisions of subsection (1) above, the court may grant an interdict prohibiting such contravention.

(3) Where there is or has been any contravention of subsection (1) above, the spirits in question shall be liable to forfeiture.

(4) Sections 139, 141, 161, and 163 of, and Schedule 3 to, the Customs and Excise Management Act 1979 (which relate, among other things, to spirits liable to forfeiture) shall apply as if any reference to forfeiture under the customs and excise Acts included a reference to forfeiture under this Act.

Prohibition of production in Scotland of whisky other than Scotch whisky.

Restrictions on sale of spirits as Scotch whisky.

2.—(1) It shall be unlawful—

- (a) to sell as Scotch whisky any spirits not conforming to any definition of Scotch whisky contained in an order under section 3(1) of this Act; or
- (b) to sell Scotch whisky at an alcoholic strength less than any such strength as may be specified for the time being in an order made by the Ministers under this section.

(2) If the court is satisfied, on the application of—

- (a) any person carrying on the business of producing Scotch whisky; or
- (b) any person or body appearing to the court to be representative of any group of such persons,

that any person has contravened or is contravening the provisions of subsection (1) above, the court may grant an injunction restraining or, in Scotland, an interdict prohibiting such contravention.

Interpretation, orders and consequential amendments.

3.—(1) In this Act—

“the court” means, in section 1, the Court of Session and, in section 2, the High Court in relation to England and Wales and the Court of Session in relation to Scotland;

“the Ministers” means the Minister of Agriculture, Fisheries and Food and the Secretary of State, acting jointly;

“Scotch whisky” means such whisky (distilled and matured in Scotland) as conforms to a definition of Scotch whisky contained in an order made under this subsection by the Ministers;

“sell” includes offering for sale, exposing for sale and having in possession for the purpose of sale, and cognate expressions shall be construed accordingly; and

“whisky” means spirits—

(a) which have been produced by the distillation of a mash of cereals which has been—

- (i) saccharified by the diastase of the malt contained therein, with or without other natural enzymes; and
- (ii) fermented by the action of yeast,

to an alcoholic strength of less than 94.8 per cent by volume so that the distillate has an aroma and taste derived from the raw materials used; and

(b) which have matured for at least three years in wooden casks of a capacity not exceeding 700 litres.

(2) The Ministers may by order amend the definition of whisky in subsection (1) above.

(3) Orders made under this section or section 2 of this Act may make different provision for different cases.

(4) Orders made by the Ministers under this section and section 2 of this Act shall be made by statutory instrument and shall be subject to annulment in pursuance of a resolution of either House of Parliament.

(5) In paragraph 1(b) of Schedule 7 to the Finance Act 1969 for the words from the beginning to "in Scotland" there shall be substituted—

1969 c. 32.

"(b) the expression "Scotch whisky" shall have the same meaning as it has in section 3(1) of the Scotch Whisky Act 1988;"

4. An Order in Council under paragraph 1(1)(b) of Schedule 1 to the Northern Ireland Act 1974 (legislation for Northern Ireland in the interim period) which contains a statement that it is only made for purposes corresponding to the purposes of this Act—

Corresponding provision for Northern Ireland. 1974 c. 28.

(a) shall not be subject to sub-paragraphs (4) and (5) of paragraph 1 of that Schedule (affirmative resolution of both Houses of Parliament); but

(b) shall be subject to annulment in pursuance of a resolution of either House of Parliament.

5.—(1) This Act may be cited as the Scotch Whisky Act 1988.

Citation, commencement and extent.

(2) This Act, except section 4, shall come into force on such day as the Ministers may by order made by statutory instrument appoint and different days may be so appointed for different provisions or for different purposes.

(3) An order under subsection (2) above may include such transitional provision as appears to the Ministers to be necessary or expedient in connection with the provisions thereby brought into force.

(4) This Act, except section 4, does not extend to Northern Ireland.

APPENDIX 3

STATISTICS

TABLE 28 Volume and Value of Exports of Scotch Whisky and Northern Irish Whiskey* for the years ending 31st December 1991 and 1990—continued

*Relates to production of one distillery in Northern Ireland

	VOLUME LPA		VOL % DIFF	VALUE £		VALUE % DIFF.
	1991	1990		1991	1990	
Trinidad & Tobago	137,785	109,776	+26	1,417,724	902,852	+57
Tunisia	92,623	143,905	-36	862,670	1,162,227	-26
Turkey	2,074,419	2,076,574	+0	15,762,927	14,625,789	+8
Turks & Caicos Is.	5,627	2,912	+93	52,435	24,636	+114
US Oceania	232,249	262,263	-11	4,516,726	4,650,481	-3
US Virgin Islands	139,793	179,645	-22	1,373,783	1,551,777	-11
USA	40,882,085	46,238,757	-12	247,320,153	273,620,262	-10
Uganda	34,720	25,037	+39	271,205	138,658	+96
Uruguay	1,486,297	1,668,867	-11	11,388,662	11,105,696	+3
Vanuatu	3,985	8,193	-51	35,499	56,102	-37
Vatican City	—	2,568	-100	—	20,277	-100
Venezuela	4,362,501	2,613,394	+67	36,252,177	22,378,346	+62
Western Samoa	—	746	-100	—	5,478	-100
Yemen North	45,203	4,903	+822	454,676	28,745	+999
Yemen South	—	34,839	-100	—	326,521	-100
Yugoslavia	1,145,191	1,563,561	-27	10,463,129	13,793,646	-24
Zaire	94,149	120,643	-22	816,316	966,217	-16
Zambia	27,363	103,061	-73	163,881	643,061	-75
Zimbabwe	44,819	61,701	-27	391,783	397,766	-2
Total	227,748,446	238,304,608	-4	1,833,890,972	1,712,482,586	+7

TABLE 29 Numbers Employed by Member Companies by Region as at September

Region	1990	1991	% Change
Highland Region	494	550	+11
Grampian Region	1,808	1,752	-3
Strathclyde Region	7,208	6,806	-4
Lothian Region	2,467	2,035	-18
Central and Fife Region	2,725	2,573	-6
Tayside and Durnfries and Galloway Regions	1,060	1,006	-5
Rest of UK	614	456	-21
Total	16,376	15,310	-7

NOTE

This information is compiled from Databank Returns completed by member companies of the Association and relates only to those employees directly employed within the Scotch Whisky Industry.

TABLE 28 Volume and Value of Exports of Scotch Whisky and Northern Irish Whiskey* for the years ending 1st December 1991 and 1990—continued

*Relates to production of one distillery in Northern Ireland

	VOLUME LPA			VOL % DIFF	VALUE £		VALUE % DIFF
	1991	1990			1991	1990	
Papua New Guinea	1,032	10,141	-90	7,129	65,764	-89	
Paraguay	3,203,150	2,581,472	+24	31,747,289	23,986,911	+32	
Peru	234,714	220,635	+6	2,015,789	1,552,307	+30	
Philippines	633,489	621,195	+2	8,662,234	7,318,923	+18	
Poland	111,997	128,629	-13	879,175	941,923	-7	
Portugal	5,280,707	4,814,096	+10	44,634,738	32,732,323	+36	
Puerto Rico	904,421	1,109,267	-18	8,556,482	10,162,021	-16	
Qatar	50,956	47,030	+8	286,715	200,890	+43	
Republic of Korea	5,189,072	4,506,642	+15	35,080,690	23,015,505	+52	
Republic of Vietnam	—	10,880	-100	—	82,638	-100	
Réunion	318,636	520,528	-39	2,787,806	3,719,362	-25	
Romania	137,276	205,691	-33	942,209	1,138,916	-17	
Rwanda	2,333	—	+100	21,018	—	+100	
Sao Tome	—	1,935	-100	—	13,283	-100	
Saudi Arabia	5,250	—	+100	32,785	—	+100	
Senegal	32,858	63,229	-48	259,953	449,162	-42	
Seychelles	28,414	34,946	-19	239,734	252,562	-5	
Sri Lanka, etc	591,440	391,034	+51	5,699,352	2,529,041	+125	
Sierra Leone	19,796	9,308	+113	217,360	108,522	+100	
Singapore	996,384	994,876	+0	13,518,698	12,198,529	+11	
Solomon Islands	232	—	+100	1,562	—	+100	
Somalia	34	—	+100	2,477	—	+100	
South Africa	5,614,659	7,423,154	-24	35,784,143	44,684,626	-20	
Soviet Union	321,655	378,958	-15	2,505,815	2,478,162	+1	
Spain	18,796,503	16,944,690	+11	156,716,060	123,293,060	+27	
Spanish Ports N. Africa	429,744	430,795	+0	4,673,500	3,949,137	+23	
Sri Lanka	99,751	125,360	-20	727,883	910,446	-20	
St Helena	1,983	1,267	+57	14,832	7,776	+91	
St Kitts	6,683	8,673	-23	58,865	68,632	-14	
St Lucia	95,685	106,710	-10	785,981	868,628	-10	
Pierre-Miquelon	22,851	28,465	-20	121,145	145,517	-17	
St Vincent	15,671	21,263	-26	162,977	184,134	-11	
St. John	4,518	6,154	-27	28,550	44,197	-35	
Sri Lanka	178,074	252,797	-30	1,791,612	2,089,850	-14	
Sweden	2,797,907	2,756,976	+1	17,723,223	16,346,801	+8	
Switzerland	1,468,975	1,777,372	-17	12,095,297	13,950,637	-13	
Tanzania	76,316	84,895	-10	819,283	654,430	+25	
Togo	640,313	458,901	+40	17,250,588	6,777,000	+155	
Tanzania	85,263	105,628	-19	613,305	725,369	-15	
Turkey	5,469,477	5,986,818	-9	55,335,566	60,715,425	-9	
Togo	118,752	140,509	-15	1,036,511	1,129,816	-8	
Tonga	310	8,236	-96	2,570	218,072	-99	

TABLE 28 Volume and Value of Exports of Scotch Whisky and Northern Irish Whiskey* for the years ending 31st December 1991 and 1990—continued

*Relates to production of one distillery in Northern Ireland

	VOLUME LPA		VOL % DIFF	VALUE £		VALUE % DIFF
	1991	1990		1991	1990	
Iraq	—	1,309,858	-100	—	5,857,267	-100
Irish Republic	1,027,854	1,634,266	-37	6,585,827	7,997,512	-18
Israel	521,585	613,858	-15	4,121,757	4,406,149	-6
Italy	8,622,876	8,990,574	-4	91,466,910	72,326,182	+26
Ivory Coast	120,879	139,183	-13	911,184	919,899	-1
Jamaica	12,327	18,015	-32	163,812	192,366	-15
Japan	18,016,208	20,973,005	-14	195,864,483	177,595,038	-7
Jordan	215,339	100,705	+114	1,539,249	179,867	+97
Kampuchea	8,482	—	+100	41,558	—	+100
Kenya	155,806	144,041	+8	1,401,188	1,177,684	+19
Laos	4,773	607	+686	43,914	4,772	+820
Lebanon	1,816,228	943,598	+92	14,703,291	7,083,852	+108
Liberia	11,914	23,885	-50	189,576	181,309	+5
Macao	2,846	289	+885	46,272	3,230	+999
Madagascar	8,996	33,843	-73	67,769	214,600	-68
Malawi	22,402	12,491	+79	168,946	120,275	+40
Malaysia	647,214	522,172	+24	8,625,661	5,627,212	+53
Maldives	7,026	5,663	+24	92,551	47,662	+94
Mali	4,882	20,681	-76	44,006	176,050	-75
Malta	360,387	336,920	+7	2,631,366	2,444,900	+23
Martinique	163,741	164,801	-1	1,365,245	1,081,387	+26
Mauritania	5,285	2,549	+107	53,405	19,313	+177
Mauritius	129,756	181,059	-28	868,175	1,073,965	-19
Mexico	2,542,587	3,598,998	-29	26,833,812	26,689,671	+1
Mongolia	6,376	4,589	+39	63,915	38,705	+65
Montserrat	2,481	5,155	-52	18,176	46,419	-61
Morocco	409,782	410,389	+0	3,274,127	2,944,589	+11
Mozambique	108,416	94,838	+14	873,607	551,146	+59
Namibia	65,567	123,862	-47	506,116	862,980	-41
Nauru	13,056	696	+999	13,541	4,919	+175
Nepal	31,637	35,152	-10	293,068	287,367	+2
Netherlands	3,656,938	3,349,833	+9	29,668,321	25,490,209	+16
New Caledonia	159,445	156,435	+2	1,207,866	1,120,455	+8
New Zealand	576,852	667,215	-14	3,665,737	4,220,039	-13
Nicaragua	—	3,367	-100	—	25,874	-100
Niger	22,977	39,934	-42	174,378	271,258	-36
Nigeria	141,325	275,872	-49	1,497,115	2,157,049	-21
North Korea	—	16,014	-100	—	151,764	-100
Norway	377,792	684,184	-45	3,126,501	4,164,338	-25
Oman	126,289	183,802	-31	833,168	1,170,841	-29
Pakistan	77,948	90,406	-14	728,351	722,629	+1
Panama	806,163	704,301	+13	12,034,486	9,091,465	+32

TABLE 28 Volume and Value of Exports of Scotch Whisky and Northern Irish Whiskey* for the years ending 1st December 1991 and 1990—continued

*Relates to production of one distillery in Northern Ireland

	VOLUME LPA			VOL % DIFF	VALUE £			VALUE % DIFF
	1991	1990			1991	1990		
Costa Rica	217,973	436,633	-50	1,247,535	2,777,638	-55		
Cuba	59,150	55,555	+6	537,095	442,376	+21		
Curaçao	434,910	903,363	-52	4,551,410	8,998,149	-49		
Cyprus	811,753	587,937	+38	6,870,240	4,754,695	+44		
Czechoslovakia	391,167	166,092	+136	3,052,340	1,071,637	+185		
Denmark	921,419	1,405,582	-34	7,340,974	11,269,536	-35		
Dominica	378,747	341,923	+11	2,374,288	1,970,373	+20		
Dominican Rep	10,804	12,205	-11	84,102	83,733	+0		
Dominican Rep	201,530	432,818	-53	1,637,894	3,587,116	-54		
Dubai	1,244,145	814,290	+53	10,464,064	6,190,553	+69		
Ecuador	322,855	111,392	+190	3,881,322	764,387	+408		
Egypt	349,945	514,498	-32	3,356,550	5,187,188	-35		
El Salvador	126,653	73,405	+73	1,130,213	667,045	+69		
Equatorial Guinea	228,935	122,145	+87	1,856,711	882,829	+110		
Ethiopia	253,235	406,266	-38	1,919,583	2,555,332	-25		
Falkland Islands	2,815	4,522	-38	26,779	32,267	-17		
Fed Rep Germany	9,185,679	6,709,453	+37	72,897,898	51,521,104	+41		
Finland	25,056	30,419	-18	255,952	290,210	-12		
France	719,427	782,263	-8	4,876,097	5,048,658	-3		
French Polynesia	83,901	67,212	+25	609,221	471,224	+29		
France	25,682,459	27,446,241	-6	194,918,299	195,092,518	+0		
French Guiana	113,827	76,063	+50	1,051,321	572,506	+84		
Gabon	224,992	149,492	+51	1,989,442	1,164,060	+71		
Gambia	5,491	3,188	+72	66,063	26,657	+148		
German Dem Republic	—	197,348	-100	—	1,458,659	-100		
Ghana	39,987	22,425	+78	421,993	177,164	+138		
Guernsey	152,369	146,634	+4	1,370,345	1,147,033	+19		
Greece	8,186,199	9,051,613	-10	71,252,409	66,068,449	+8		
Greenland	12,788	12,323	+4	98,074	108,289	-9		
Guadeloupe	260,840	177,111	+47	1,933,265	1,154,173	+68		
Guatemala	188,191	247,237	-24	1,635,220	2,011,416	-19		
Guinea	26,063	25,138	+4	212,942	186,867	+14		
Guinea Bissau	8,590	14,184	-39	85,489	105,096	-19		
Guyana	22,650	8,706	+160	203,657	93,528	+118		
Haiti	209,453	195,667	+7	1,871,360	1,558,313	+20		
Honduras	40,127	68,990	-42	605,274	644,474	-6		
Hong Kong	1,053,388	1,057,574	+0	16,772,596	15,479,495	+8		
Hungary	273,180	214,701	+27	2,238,404	1,755,663	+28		
Iceland	75,418	77,787	-3	875,695	827,007	+6		
India	399,149	679,801	-41	3,202,725	6,356,208	-50		
Indonesia	31,495	40,190	-22	401,532	425,265	-6		
Iran	—	387	-100	—	2,233	-100		

TABLE 28 Volume and Value of Exports of Scotch Whisky and Northern Irish Whiskey* for the years ending 31st December 1991 and 1990

*Relates to production of one distillery in Northern Ireland.

	VOLUME LPA			VALUE £		
	1991	1990	VOL % DIFF	1991	1990	VALUE % DIFF
Abu Dhabi	213,774	198,345	+8	1,798,837	1,525,289	+18
Afghanistan	9,288	8,498	+9	99,149	64,814	+53
Albania	22,950	10,897	+111	201,368	87,171	+131
Algeria	56,123	69,665	-19	470,830	519,037	-9
Andorra	669,879	804,238	-17	5,979,952	6,244,503	-4
Angola	274,074	401,675	-32	1,736,292	2,712,375	-36
Antigua & Barbuda	32,050	48,506	-34	302,201	317,839	-5
Argentina	858,503	587,069	+46	4,089,445	2,262,099	+82
Aruba	1,267,014	788,555	+61	18,000,969	7,879,986	+103
Austral Oceania	5,303	516	+928	64,422	3,258	+999
Australia	6,848,560	6,875,550	+0	37,253,005	33,637,833	+11
Austria	269,033	216,773	+24	2,856,385	2,133,785	+34
Bahamas	55,440	62,977	-12	475,257	479,858	-1
Bahrain	289,655	287,333	+1	2,505,125	2,129,344	+18
Bangladesh	71,803	82,646	-13	703,475	700,044	+0
Barbados	49,043	78,745	-38	418,933	631,444	-34
Belgo-Luxembourg	4,304,477	4,336,294	-1	42,281,745	36,220,801	+17
Belize	79,094	75,868	+4	1,139,394	798,857	+43
Benin	115,792	80,282	+44	816,060	539,569	+51
Bermuda	64,709	43,965	+47	571,217	411,247	+39
Bhutan	10,884	3,584	+204	86,701	28,090	+209
Bolivia	45,121	105,222	-57	654,130	1,312,545	-50
Botswana	47,288	20,801	+127	496,198	183,686	+170
Brazil	4,595,897	5,237,713	-12	25,109,394	23,888,585	+5
Brit. Virgin Islands	5,517	8,412	-34	47,635	89,218	-47
Brunei	1,410	19,457	-93	11,459	168,944	-93
Bulgaria	469,872	626,742	-25	3,853,583	3,565,387	+2
Burkina Faso	49,259	51,502	-4	422,883	402,229	+5
Burma	9,025	937	+863	73,071	6,568	+999
Burundi	6,773	54,860	-88	56,794	430,606	-87
Cameroon	383,784	322,520	+19	3,042,940	1,976,177	+54
Canada	3,579,107	3,494,313	+2	32,167,595	30,479,633	+6
Canary Islands	2,461,780	2,402,665	+2	28,454,577	15,848,448	+29
Cape Verde Islands	38,951	27,426	+42	295,012	179,033	+65
Cayman Islands	31,616	40,956	-23	363,355	343,079	+6
Cent. African Rep	36,408	37,914	-4	298,081	249,151	+20
Chad	465	7,778	-94	4,883	58,492	-92
Chile	1,199,857	1,337,278	-10	10,987,853	10,752,164	+2
China	204	27,461	-99	1,644	384,982	-100
Colombia	408,287	344,568	+18	3,926,784	2,443,803	+61
Cong. Brazzaville	23,623	25,011	-6	188,336	181,034	+4
Cook Islands	1,742	1,213	+43	14,367	11,957	+20

TABLE 26 Market distribution of 1991 sales of bottled-in-Scotland malt whisky

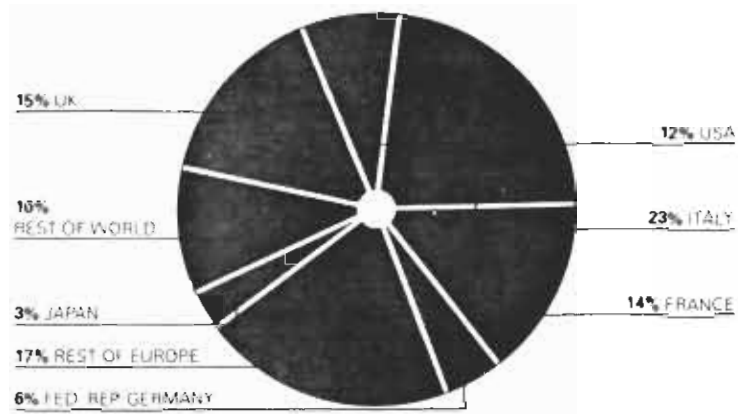


TABLE 27 Market distribution of 1991 sales of bulk malt whisky

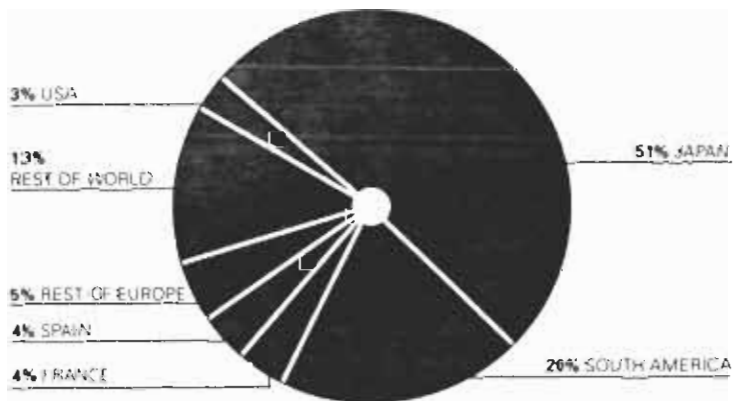


TABLE 24 Market distribution of 1991 sales of blended Scotch Whisky in 'Rest of World'

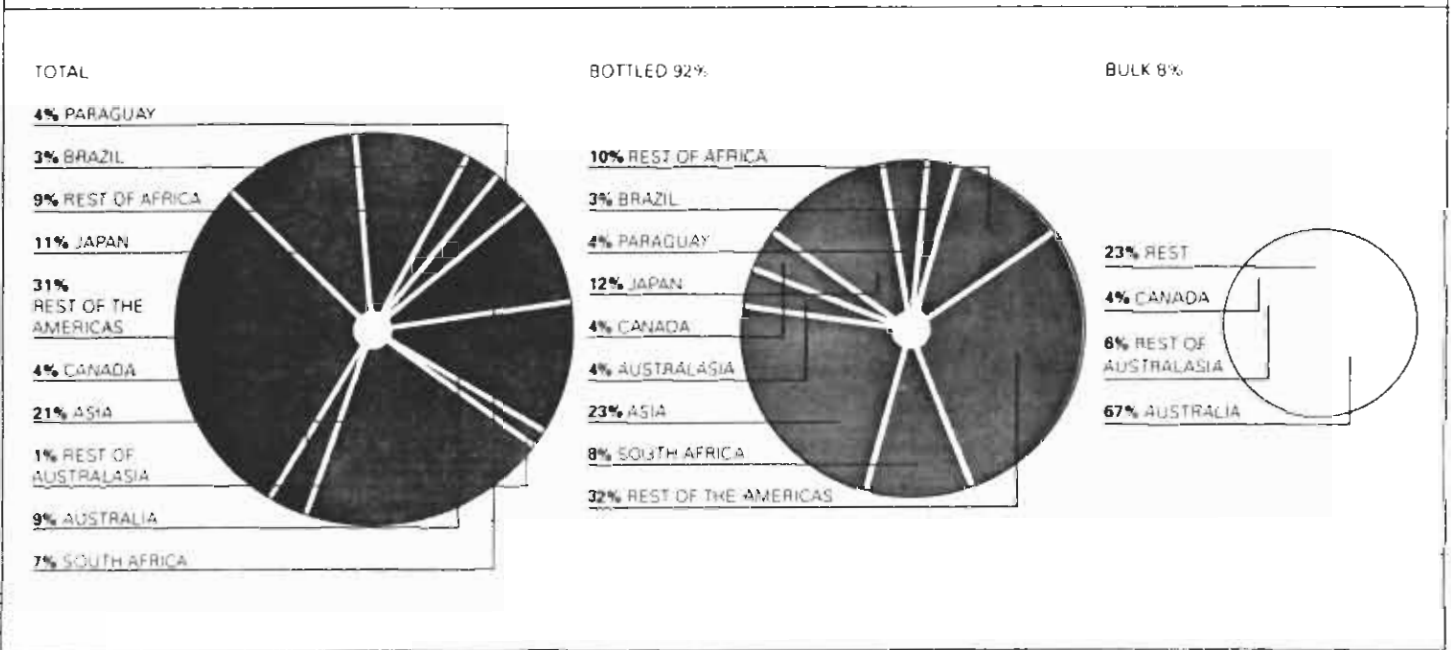


TABLE 25 Proportions of blended Scotch Whisky shipped in bulk for bottling abroad, 1972 to 1991

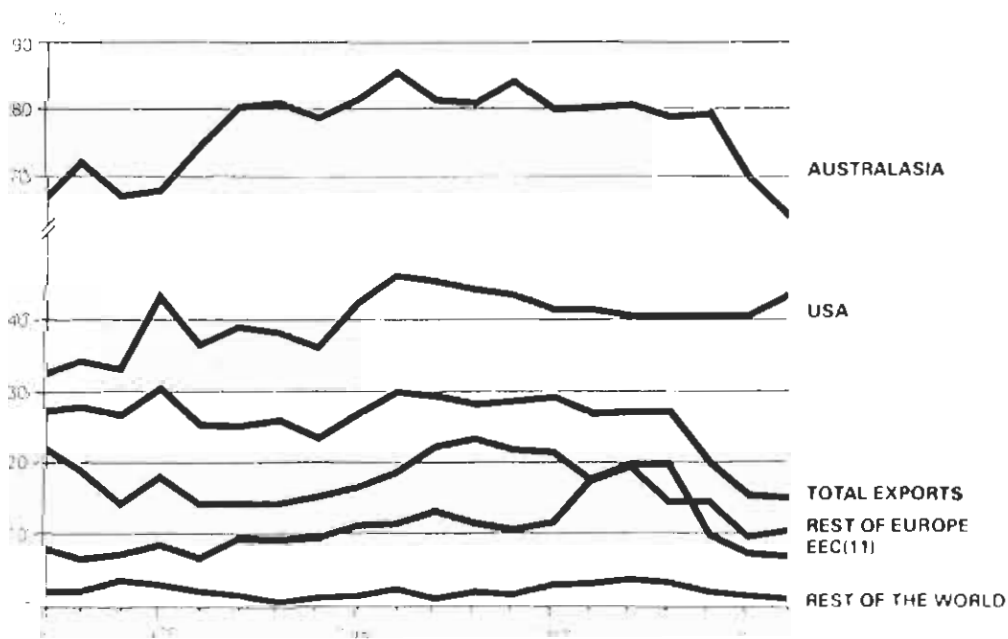


TABLE 22 Geographic distribution of 1991 world sales of blended Scotch Whisky

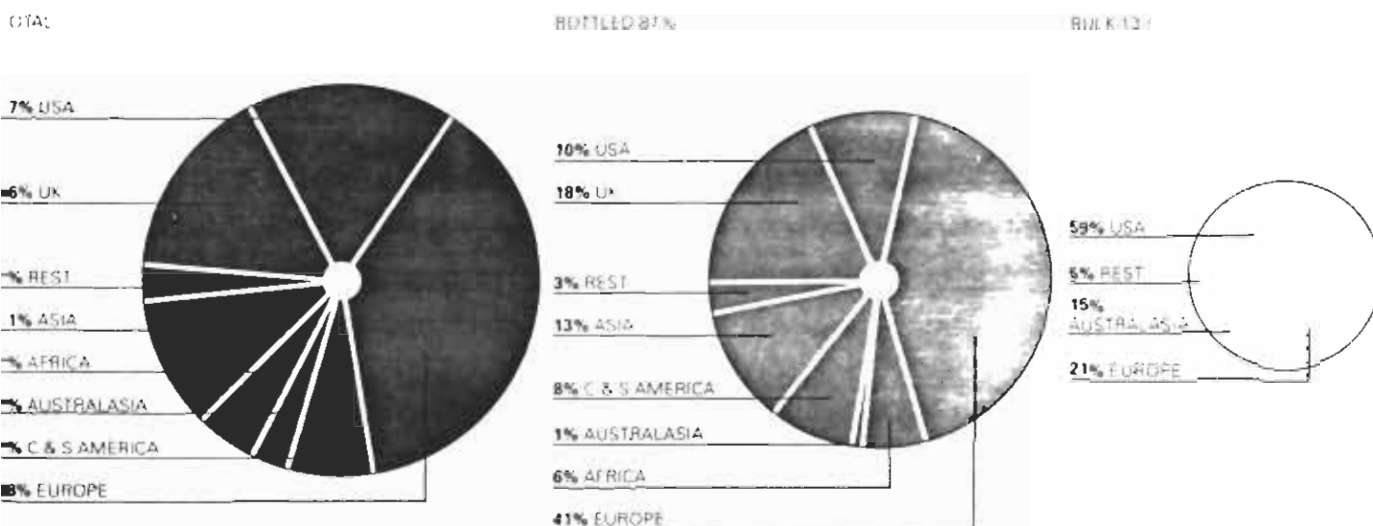


TABLE 23 Market distribution of 1991 sales of blended Scotch Whisky in Continental Europe

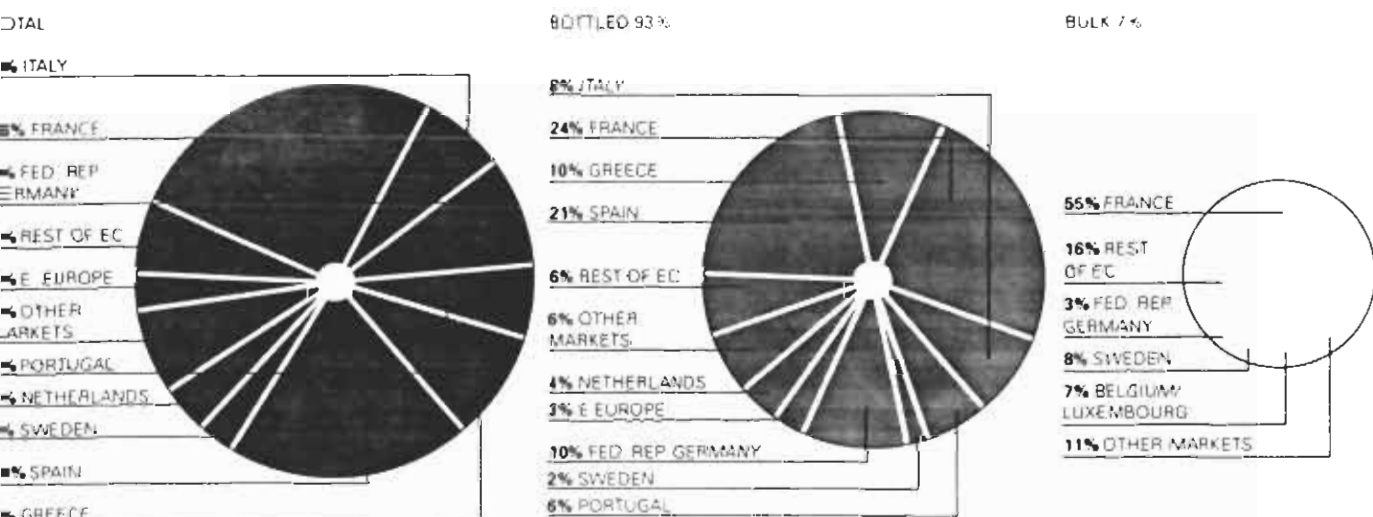


TABLE 21 Summary of Exports of Scotch Whisky and Northern Irish Whiskey* by Market Groups

	1991 LPA million	1990 LPA million	Volume % diff	1991 £ million	1990 £ million	Value % diff
1. Europe						
EC†	85.66	84.68	+1	717.76	622.01	+15
Other	11.84	13.15	-10	91.24	92.94	-2
Total	97.50	97.83	+0	809.00	714.95	+13
2. Americas						
(a) North America						
Canada and St Pierre—Miquelon	3.60	3.52	+2	32.29	30.63	+5
USA	40.88	46.24	-12	247.32	273.62	-10
Mexico	2.54	3.60	-29	26.83	26.69	+1
Sub total	47.02	53.36	-12	306.44	330.94	-7
(b) Central America	5.64	6.20	-9	60.64	57.18	+6
(c) South America	17.04	15.15	+12	133.13	103.23	+29
Total	69.70	74.71	-7	500.21	491.35	+2
3. Australasia						
Australia	6.85	6.88	+0	17.25	33.64	+11
New Zealand	0.58	0.67	-14	3.67	4.22	-13
Other	0.53	0.55	-4	6.73	6.96	-3
Total	7.96	8.10	-2	47.65	44.82	+6
4. Asia						
Japan	18.02	20.97	-14	165.86	177.60	-7
Other	21.41	20.90	+2	211.99	179.15	+18
Total	39.43	41.87	-6	377.85	356.75	+6
5. Africa						
Republic of South Africa	8.11	7.42	-24	35.78	44.69	-20
Other	7.55	8.37	-10	63.40	59.92	+6
Total	13.16	15.79	-17	99.18	104.61	-5
6. Polar Regions	0.00	0.00	+0	0.00	0.00	+0
Total Exports	227.75	238.30	-4	1,833.89	1,712.48	+7

*Relates to production of the 2001 crop in Northern Ireland

†Excludes United Kingdom Re-exports (see Table 9)

TABLE 19 Exports of Scotch Whisky

	1991 mlpa	1990 mlpa	Increase/Decrease mlpa	%	1991 mhl	1990 mhl	Increase/Decrease mhl	%
Blended—bottled in Scotland	167.37	170.25	- 2.88	- 2	1,510.35	1,384.73	+125.62	+ 9
—shipped in bulk	30.76	33.86	- 3.10	- 9	98.33	107.15	- 10.82	-10
—total	198.13	204.11	- 5.98	- 3	1,608.68	1,491.88	+114.80	+ 8
Malt—bottled in Scotland	8.15	8.78	- 0.63	- 7	119.93	107.24	+ 12.69	+12
—shipped in bulk	17.38	21.58	- 4.20	-19	94.89	104.28	- 9.39	- 9
—total	25.53	30.36	- 4.83	-16	214.82	211.52	+ 3.30	+ 2
Grain	4.09	3.83	+ 0.26	+ 7	12.39	9.08	+ 3.31	+36
Total exports	227.75	238.30	-10.55	- 4	1,833.89	1,712.48	+121.41	+ 7

TABLE 20 Sales of Scotch Whisky and Northern Irish Whiskey* to the Major Markets in 1991

	% OF MARKET	VOLUME FIGURES IN MILLION LITRES OF PURE ALCOHOL						TOTAL	VALUE £ MILLION
		BOTTLE	MALT	BULK	GRAIN	BOTTLE	BLENDED BULK		
Excl United Kingdom	32.20	5.43	2.15	0.34	72.46	5.28	85.66	717.76	
France	9.65	1.36	0.75	0.15	19.85	3.57	25.68	194.92	
Spain	7.07	0.33	0.73	—	17.71	0.03	18.80	156.72	
Fed. Rep. Germany	3.45	0.58	0.24	0.04	8.11	0.21	9.18	72.90	
Italy	3.24	2.24	0.01	—	6.36	0.01	8.62	91.47	
Greece	3.08	0.29	0.02	—	7.83	0.04	8.18	71.25	
Portugal	1.98	0.13	—	—	4.58	0.57	5.28	44.63	
Belgo-Luxembourg	1.62	0.15	0.09	0.08	3.50	0.48	4.30	42.28	
Others	2.11	0.35	0.31	0.07	4.52	0.37	5.62	43.59	
USA	15.37	1.12	0.59	0.14	20.99	18.04	40.88	247.32	
United Kingdom	14.38	1.42	—	0.06	36.78	—	38.26	N/A	
Japan	6.77	0.26	8.84	—	8.87	0.05	18.02	165.86	
Australia	2.58	0.12	0.02	0.03	2.38	4.30	6.85	37.25	
South Africa	2.11	0.05	0.01	—	5.52	0.03	5.61	35.78	
Ireland	2.05	0.04	0.04	—	5.39	—	5.47	55.34	
Rep. of Korea	1.95	0.03	1.75	2.46	0.82	0.13	5.19	35.08	
Brazil	1.73	0.04	1.48	1.06	2.02	—	4.60	25.11	
Total All Markets	100.00	9.57	17.38	4.15	204.15	30.76	266.01	N/A	

* HM Customs & Excise Export Statistics and UK Home Releases
 relates to production of one million of Northern Ireland

TABLE 15 World sales of Scotch Whisky by category, 1974 to 1991

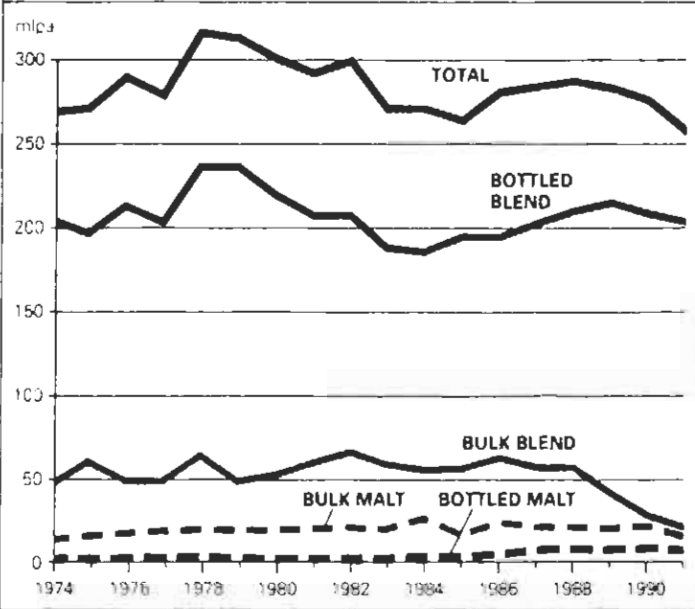


TABLE 17 World sales of bottled-in-Scotland malt whisky, 1974 to 1991

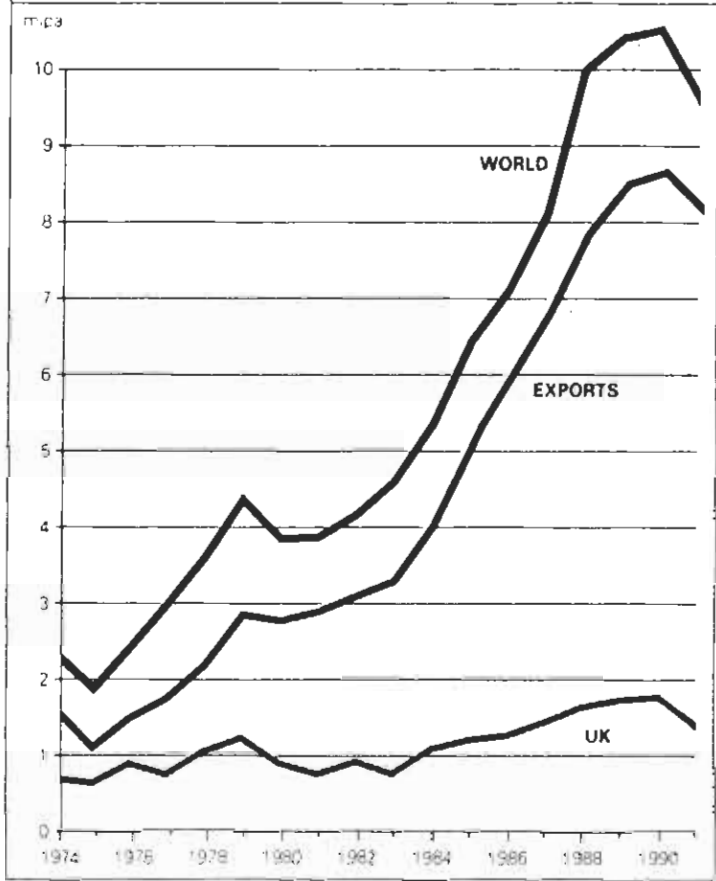


TABLE 16 World sales of blended Scotch Whisky, 1974 to 1991

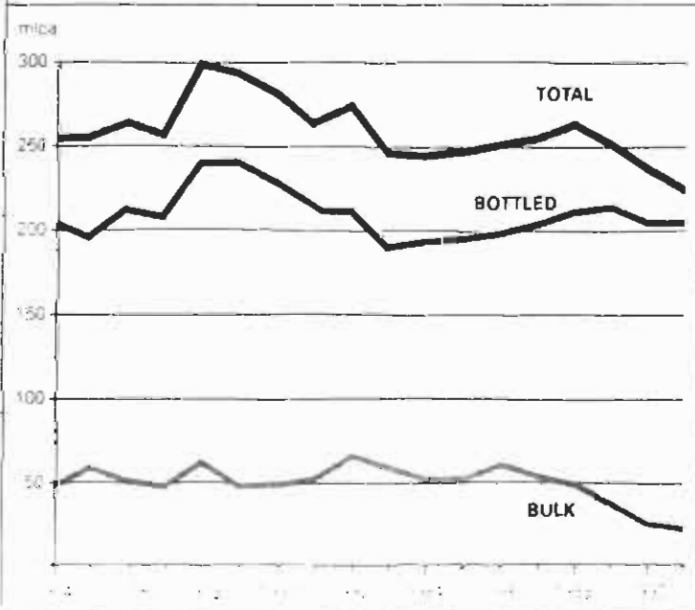


TABLE 18 Sales of Malt Whisky exported in bulk, 1974 to 1991

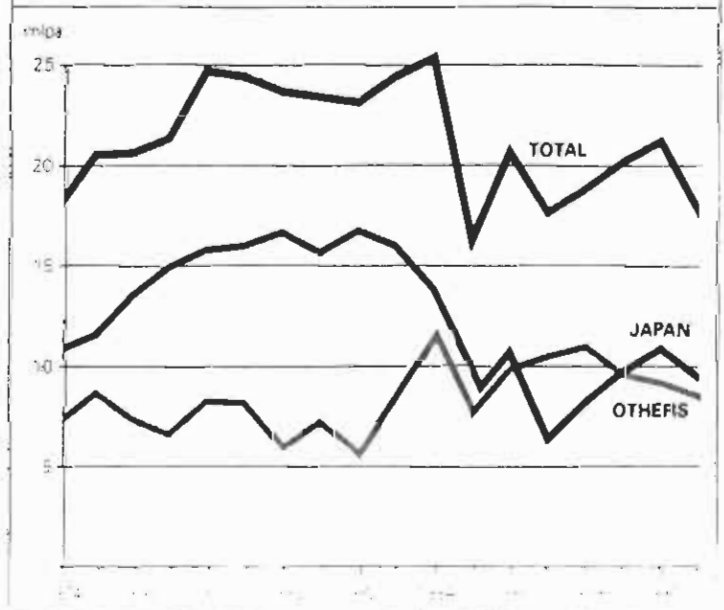


TABLE 13 Exports of Scotch Whisky and Northern Irish Whiskey* for the calendar years 1949 to 1991

	VOLUME (LPA)	VALUE (£ MILLION)	VOLUME (LPA)	VALUE (£ MILLION)	VOLUME (LPA)	VALUE (£ MILLION)		
49	22,113,245	18.74	1963	82,450,052	84.83	1977	243,632,634	512.62
50	25,143,756	26.27	1964	90,875,252	92.29	1978	274,072,934	661.22
51	27,576,930	29.59	1965	102,935,642	107.58	1979	262,420,711	707.41
52	29,895,863	33.03	1966	107,944,218	120.39	1980	249,916,996	746.61
53	34,260,394	37.77	1967	111,962,983	122.39	1981	244,239,375	784.75
54	35,527,776	39.05	1968	153,508,118	176.55	1982	251,277,064	871.61
55	39,860,191	43.67	1969	136,048,428	167.49	1983	227,844,492	858.09
56	42,660,632	47.80	1970	160,914,668	194.06	1984	231,286,678	931.38
57	46,469,638	52.14	1971	182,500,576	226.84	1985	225,894,432	893.84
58	50,137,930	56.03	1972	178,411,396	227.91	1986	236,188,393	1,070.13
59	56,276,163	61.85	1973	203,576,878	259.99	1987	240,174,162	1,135.51
60	60,066,794	65.56	1974	227,336,065	326.39	1988	245,977,491	1,288.79
61	69,609,847	74.48	1975	234,274,309	366.62	1989	242,491,750	1,489.46
62	78,030,884	80.86	1976	238,302,745	436.68	1990	238,304,608	1,712.48
						1991	227,748,446	1,833.88

* relates to production of one distillery in Northern Ireland
 † estimated by HM Customs and Excise

TABLE 14 Exports of Scotch Whisky and Northern Irish Whiskey in Volume and Value, 1976 to 1991

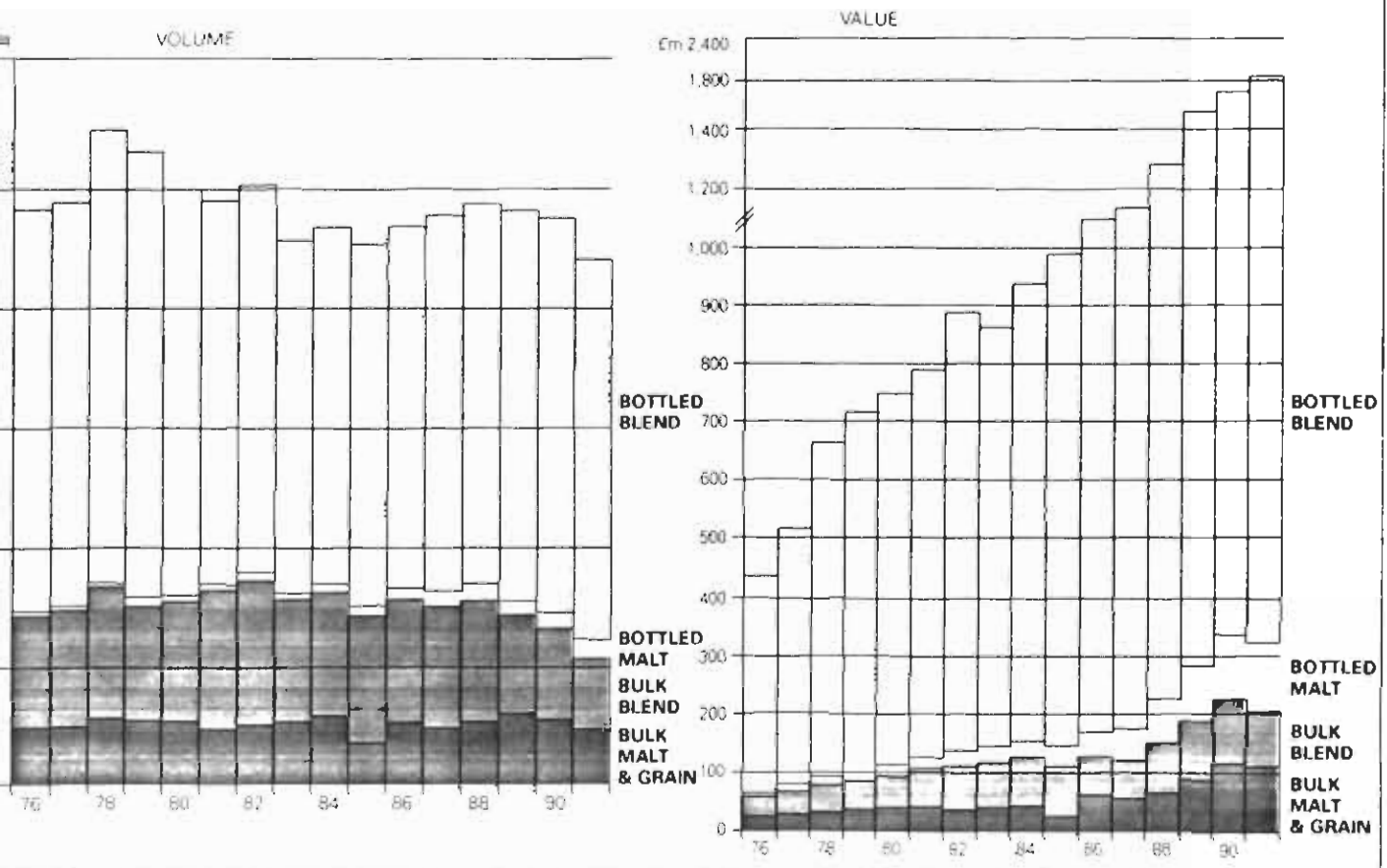


TABLE 10 Duty Paid Scotch Whisky retained for home use for the years ending 31st March and 31st December 1973 to 1991

	31st MARCH (LPA)	31st DECEMBER (LPA)	±%
1973	33,153,700	39,825,500	+22
1974	42,207,700	45,075,300	+13
1975	44,099,400	42,170,100	-6
1976	43,219,700	49,471,300	+14
1977	47,265,300	40,340,500	-17
1978	43,149,700	46,912,000	+21
1979	54,178,400	52,536,300	+8
1980	55,082,600	50,158,800	-5
1981	49,727,800	47,910,800	-5
1982	45,601,200	44,751,100	-6
1983	43,137,400	44,479,800	-1
1984	45,369,700	43,358,800	-3
1985	43,130,800	46,146,700	+6
1986	45,936,800	46,406,000	-1
1987	41,351,000	44,599,000	-2
1988	44,859,600	46,161,300	+1
1989	42,920,100	43,028,200	-5
1990	42,448,400	41,341,500	-4
1991	42,079,300	38,261,600	-7

±% increase/decrease on previous December

TABLE 12 Exports of British plain cereal spirits for the calendar years 1973 to 1991

	LPA
1973	2,190,946
1974	1,063,755
1975	974,734
1976	396,085
1977	319,852
1978	436,406
1979	513,779
1980	201,378
1981	Not available
1982	97,670
1983	56,162
1984	83,941
1985	29,030
1986	27,329
1987	20,585
1988	813,502
1989	1,130,793
1990	2,365,945
1991	1,685,429

TABLE 11 Exports of British plain cereal spirits for the calendar year 1991

	LPA
France	294,120
Irish Rep	1,210,451
Italy	138
Japan	6,910
Mauritius	1,698
Nepal	3,998
Netherlands	70,340
Spain	15,273
Venezuela	82,501
Total	1,685,429

TABLE 7B Changes in Bulk Stock by Type and Year of Distillation

	STOCKS AS AT DECEMBER 1990	STOCKS AS AT DECEMBER 1991	CHANGE (1991-1990)
Bulk Malt Whisky (LPA)			
Produced in 1991	—	186,848,929	186,848,929
Produced in 1990	195,480,476	190,894,089	(4,586,387)
Produced in 1989	165,048,208	163,517,406	(1,530,802)
Produced in 1988	134,568,541	128,367,602	(6,200,939)
Produced in 1987	107,955,217	91,872,246	(16,082,971)
Produced in 1986	82,787,370	57,829,361	(24,958,009)
Produced in 1985	55,035,582	42,895,717	(12,139,865)
Produced pre-1985	480,015,109	408,380,322	(71,634,787)
Total	1,220,890,503	1,270,605,673	49,715,170
Bulk Grain Whisky (LPA)			
Produced in 1991	—	226,481,929	226,481,929
Produced in 1990	233,035,679	227,792,173	(5,243,506)
Produced in 1989	212,743,069	210,506,084	(2,236,985)
Produced in 1988	189,690,299	148,369,738	(41,320,561)
Produced in 1987	133,882,721	90,536,766	(43,345,955)
Produced in 1986	86,211,481	52,155,872	(34,055,609)
Produced in 1985	41,494,148	34,169,085	(7,325,063)
Produced pre-1985	328,598,602	271,296,136	(57,302,466)
Total	1,225,655,999	1,261,307,783	35,651,784
Bulk Malt and Grain Whisky (LPA)			
Total bulk malt	1,220,890,503	1,270,605,673	49,715,170
Total bulk grain	1,225,655,999	1,261,307,783	35,651,784
Total	2,446,546,502	2,531,913,456	85,366,954

NOTE: Data for 1990 and 1991 compiled from the Scotch Whisky Association Database.

TABLE 9 Monthly Totals of Duty Paid Scotch Whisky retained for home use, including the Isle of Man, in the years 1991 and 1990

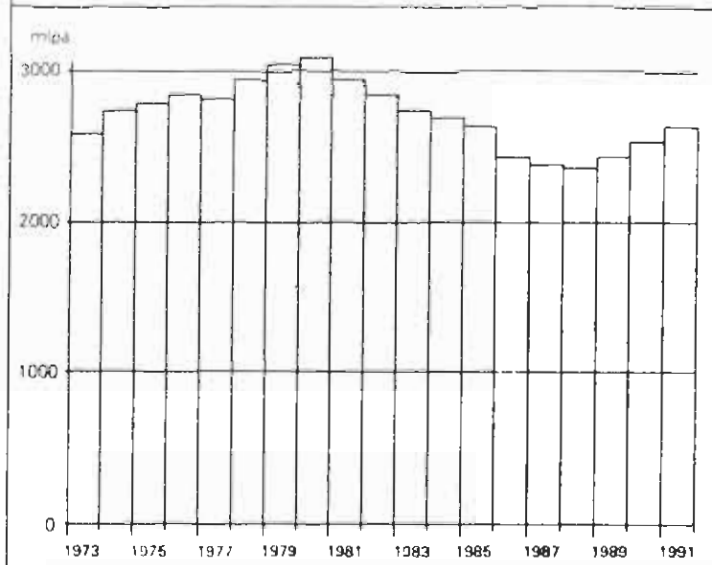
	MALT	GRAIN	1991 (LPA) BLENDED	TOTAL	MALT	GRAIN	1990 (LPA) BLENDED	TOTAL
January	82,300	4,800	1,205,900	1,273,000	67,300	14,900	1,201,000	1,283,200
February	67,200	2,600	1,956,100	2,025,900	73,200	4,200	2,253,800	2,331,200
March	72,800	2,200	4,413,600	4,488,600	111,400	14,100	3,309,900	3,435,300
April	53,900	3,000	1,508,000	1,565,900	69,400	1,500	2,187,700	2,258,600
May	64,500	3,500	2,231,600	2,299,600	84,000	3,000	2,720,400	2,807,400
June	71,900	4,300	2,583,900	2,660,000	100,400	4,500	2,771,300	2,876,200
July	115,200	3,700	2,805,700	2,724,600	92,200	6,500	2,826,000	2,924,700
August	74,500	4,000	2,559,100	2,637,600	86,400	2,800	2,245,000	2,334,200
September	96,600	4,300	2,499,300	2,600,400	103,900	5,700	2,646,500	2,756,100
October	191,200	8,300	3,768,900	3,968,400	239,900	3,600	4,357,700	4,601,200
November	323,500	9,200	6,546,700	6,879,400	454,200	5,500	7,659,800	8,119,500
December	233,600	6,200	4,899,000	5,138,200	275,600	7,100	5,331,200	5,613,900
Total	1,426,800	56,100	36,778,700	38,281,600	1,757,900	73,400	39,510,200	41,341,500

TABLE 7 Stocks of Whisky in bonded warehouses as at 31st March and 31st December

	31st MARCH (MILLION LPA)	31st DECEMBER (MILLION LPA)
1973	2,484.45	2,600.00
1974	2,637.56	2,734.04
1975	2,777.17	2,812.80
1976	2,814.28	2,848.38
1977	2,824.92	2,843.50
1978	2,860.21	2,932.24
1979	2,958.04	3,034.66
1980	3,048.40	3,083.51
1981	Not available	2,933.64
1982	Not available	2,900.26
1983	Not available	2,793.62
1984	Not available	2,601.97
1985	Not available	2,598.26
1986	Not available	2,453.01
1987	Not available	2,438.32
1988	Not available	2,433.20
1989	Not available	2,473.10
1990	Not available	2,524.87
1991	Not available	2,589.19

NOTE
Stock for 1990 and 1991 compiled from the Scotch Whisky Association Databank

TABLE 8 Stocks of maturing Scotch Whisky, 1973 to 1991



NOTE
Stock for 1990 and 1991 compiled from the Scotch Whisky Association Databank

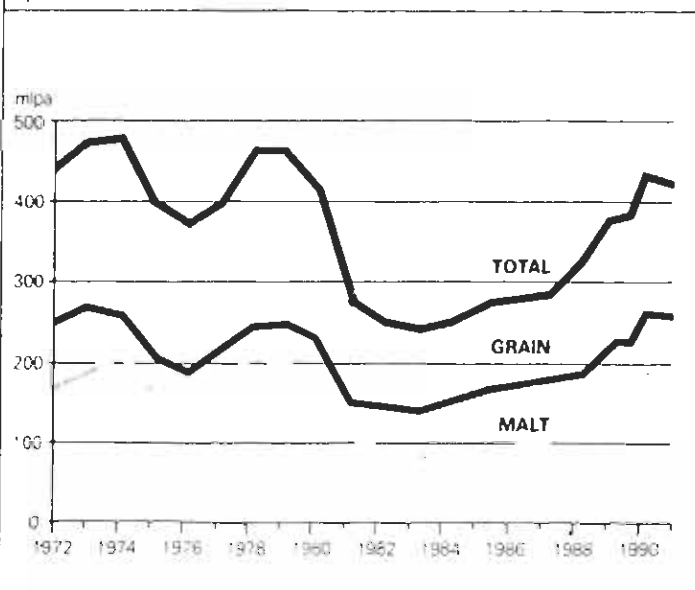
TABLE 7A Changes in Stock by Type and Warehouse

	STOCKS AS AT DECEMBER 1990	STOCKS AS AT DECEMBER 1991	INCREASE/ (DECREASE)
Bulk Malt Whisky (LPA)			
SWA Warehoused	1,219,787,725	1,269,699,847	49,912,122
SWA owned, Warehoused by Non-Member	1,102,778	905,825	- (196,953)
Total Stock	1,220,890,503	1,270,605,673	49,715,170
Bulk Grain Whisky (LPA)			
SWA Warehoused	1,223,815,362	1,260,935,117	37,119,755
SWA owned, Warehoused by Non-Member	1,840,637	372,687	- (1,467,970)
Total Stock	1,225,655,999	1,261,307,783	35,651,784
Bulk Blend Whisky (LPA)			
SWA Warehoused	53,064,304	40,296,006	- (12,768,298)
SWA owned, Warehoused by Non-Member	482,433	143,922	- (338,511)
Total Stock	53,546,737	40,439,928	- (13,106,810)
All Bottled Whisky (LPA)			
SWA Warehoused	19,927,632	13,991,380	- (5,936,252)
SWA owned, Warehoused by Non-Member	4,845,224	2,850,225	- (1,994,999)
Total Stock	24,772,856	16,841,605	- (7,931,251)
Changes in Total Stock by Type			
Total Malt	1,220,890,503	1,270,605,673	49,715,170
Total Grain	1,225,655,999	1,261,307,783	35,651,784
Total Blend	53,546,737	40,439,928	- (13,106,810)
Total Bottled	24,772,856	16,841,605	- (7,931,251)
Grand Total	2,524,866,095	2,589,194,989	64,328,894

TABLE 5 **Scotch Whisky Warehoused and Exported** (Scotland only) Excluding Neutral Spirit

YEAR ENDING 31st DEC	DISTILLERIES USING MALT ONLY			DISTILLERIES USING MALT AND GRAIN						TOTAL PRO- DUCTION LPA
	MALT WHISKY			MALT WHISKY			GRAIN WHISKY			
	WAREHOUSED	EXPORTED IMMEDIATELY	TOTAL	WAREHOUSED	EXPORTED IMMEDIATELY	TOTAL	WAREHOUSED	EXPORTED IMMEDIATELY	TOTAL	
69	136,749,000	514,000	137,263,000	6,277,000	—	6,277,000	200,256,000	226,000	200,482,000	344,022,000
70	142,668,000	485,000	143,153,000	5,421,000	26,000	5,447,000	221,948,000	130,000	222,078,000	370,678,000
71	152,301,000	272,000	152,573,000	6,840,000	—	6,840,000	228,069,000	208,000	228,277,000	387,690,000
72	165,720,000	428,000	166,148,000	10,097,000	—	10,097,000	257,891,000	895,000	258,786,000	435,021,000
73	189,752,000	257,000	190,009,000	9,103,000	—	9,103,000	270,632,000	1,355,000	271,987,000	471,099,000
74	204,525,000	293,000	204,818,000	9,851,000	—	9,851,000	260,919,000	807,000	261,726,000	476,395,000
75	170,671,000	249,000	170,920,000	8,006,000	—	8,006,000	215,167,000	171,000	215,338,000	394,264,000
76	163,620,000	254,000	163,874,000	3,537,000	—	3,537,000	194,854,000	—	194,854,000	362,265,000
77	169,718,000	223,000	169,941,000	1,516,000	—	1,516,000	222,101,000	—	222,101,000	393,558,000
78	207,502,000	158,000	207,660,000	1,619,000	—	1,619,000	250,020,000	—	250,020,000	459,299,000
79	201,746,000	200,000	201,946,000	1,925,000	—	1,925,000	255,138,000	—	255,138,000	459,009,000
80	176,239,000	126,000	176,365,000	1,548,000	—	1,548,000	237,957,000	—	237,957,000	415,870,000
81	110,065,000	—	110,065,000	18,000	—	18,000	157,898,000	—	157,898,000	267,981,000
82	96,542,000	92,000	96,634,000	15,000	—	15,000	151,021,000	—	151,021,000	247,670,000
83	92,953,000	430,000	93,383,000	15,000	—	15,000	145,683,000	—	145,683,000	239,081,000
84	97,913,000	896,000	98,809,000	731,000	—	731,000	153,908,000	—	153,908,000	253,448,000
85	103,791,000	—	103,791,000	1,012,000	—	1,012,000	156,777,000	—	156,777,000	260,580,000
86	102,908,000	—	102,908,000	915,000	—	915,000	181,124,000	—	181,124,000	264,947,000
87	115,974,000	—	115,974,000	—	—	—	173,719,000	—	173,719,000	289,693,000
88	138,041,000	—	138,041,000	—	—	—	191,897,000	—	191,897,000	329,938,000
89	167,187,000	—	167,187,000	—	—	—	218,294,000	—	218,294,000	385,481,000
90*	192,823,000	—	192,823,000	—	—	—	235,939,000	—	235,939,000	428,762,000
91*	186,265,957	—	186,265,957	—	—	—	230,534,943	—	230,534,943	416,800,900

NOTE:
The figures have been compiled from databank returns
submitted by members of the Scotch Whisky Association
and are not total industry figures.

TABLE 6 **Annual distillation totals, 1972 to 1991**
also showing the totals for grain and malt whiskies
produced

Statistics

TABLE 1 Scotch Whisky—Incidence of Duty

	DUTY PER 75 cl BOTTLE £	DUTY PER LITRE OF PURE ALCOHOL £		DUTY PER 75 cl BOTTLE £	DUTY PER LITRE OF PURE ALCOHOL £
1947—13th November	1.11	3.68	1980—27th March	3.56	11.67
1948—12th April	1.23	4.06	1981—10th March	4.08	12.60
1961—26th July (10% Regulator)	1.35	4.47	1982—9th March	4.34	14.47
1964—15th April	1.50	4.96	1983—15th March	4.56	15.19
1965—7th April	1.70	5.63	1984—13th March	4.64	15.48
1966—21st July (10% Regulator)	1.87	6.19	1985—19th March	4.73	15.77
1968—20th March	2.00	6.61	1986—18th March	4.73	15.77
1968—22nd November (10% Regulator)	2.20	7.26	1987—17th March	4.73	15.77
1973—1st April	1.80	5.95	1988—15th March	4.73	16.77
1974—27th March	1.98	6.65	1989—14th March	4.73	16.77
1975—15th April	2.57	8.51	1990—20th March	5.21	17.35
1976—6th April	2.87	9.49	1991—19th March	5.69	18.96
1977—1st January	3.16	10.44	1992—10th March	5.94	19.81

NOTES

- 1 The 10% increases in the Spirit Duty in 1961, 1966 and 1968 were consolidated into the Spirit Duty by the Finance Act in the following years
- 2 The duty was subject to Value Added Tax at 10% from 1st April 1973, 8% from 29th July 1974, 15% from 12th June 1979, and 12½% from 1st April 1991

TABLE 2 Duty ratios per unit of alcohol between other alcoholic drinks and Scotch Whisky

	1981	1982	1983	1984	1985/6	1987	1988/9	1990	1991	1992
Fortified wine	1 1.99	1 1.89	1 1.87	1 1.77	1 1.68	1 1.68	1 1.61	1 1.64	1 1.64	1 1.64
Beer	1 2.27	1 2.13	1 2.11	1 1.93	1 1.83	1 1.83	1 1.75	1 1.79	1 1.79	1 1.79
Table wine	1 1.72	1 1.63	1 1.61	1 2.05	1 1.93	1 1.93	1 1.85	1 1.89	1 1.89	1 1.89
Sherry	1 2.07	1 1.96	1 1.95	1 1.86	1 1.78	1 1.78	1 1.70	1 1.74	1 1.74	1 1.74

TABLE 3 Approximate amount of duty on a normal measure of five kinds of alcoholic beverage each containing approximately the same amount of alcohol

	1991	1992
2 oz Fortified Wine	11.81p	12.35p
½ pint of Beer	11.14p	11.66p
3½ oz Table Wine	11.99p	12.53p
2 oz Sherry	13.63p	14.24p
1 oz Scotch Whisky	21.53p	22.49p

NOTE
The duty on Scotch Whisky is subject to Value Added Tax at the current rate of 12½%

TABLE 4 Duty charged per centilitre of pure alcohol for five different kinds of drink

	1991	1992
Fortified Wine	11.55p	12.07p
Beer	10.60p	11.06p
Table Wine	10.05p	10.50p
Sherry	10.90p	11.39p
Scotch Whisky	18.96p	19.81p

NOTE
The duty on Scotch Whisky is subject to Value Added Tax at the current rate of 12½%

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