

2015/04: Should alcohol be served at fast food outlets like KFC?

What they said...

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KFC spokesperson

The issue at a glance

In February, 2015, KFC opened a new concept eatery in Church Street, Parramatta. The store serves a blend of KFC standards and a variety of other offerings, including seasoned rice, corn salsa and red quinoa.

Customers are able to build their own meals by ordering a chosen combination of available ingredients. It has been claimed that the aim is to emulate fast-casual franchises such as Grill'd, Mad Mex, and Guzman y Gomez.

What has attracted controversy is that the outlet has applied for a liquor licence. If granted a licence, the eatery will serve its meals with beers such as Fat Yak, Peroni, Carlton Dry and Cascade Light. Bulmers cider will also be for sale.

This proposal has provoked significant criticism, with some health authorities claim that the linking of KFC with alcohol will encourage alcohol consumption among teens and normalise drinking for children. They have argued that the liquor licence should not be granted.

Background

Diversifying fast food (including the sale of alcohol)

International variations of American fast food chains have sold alcohol for years, with McDonald's in Munich, for example, first serving beer in 1971. A number of chains, like Carl's Jr. and Pizza Hut, have been serving alcohol in the United States for decades without attracting much media attention. However, since the global financial crisis, food chains, including Chipotle and Sonic, have begun promoting the service of alcohol with their products.

In 2010, Burger King attracted America-wide attention when they introduced their BK Whopper Bars, where alcohol is sold at specially designed kiosks targeting a twenty-something demographic and a smorgasbord of toppings for their signature Whopper. The menu focused on Budweiser, Bud Light and Miller Lite.

Difficulties selling alcohol at fast food outlets

However, the legal requirements - location specific alcohol regulations and licensing issues for serving beer at fast food establishments - proved more difficult than anticipated for the majority of the Whopper Bars. At the Whopper Bar location in Times Square, the promise of beer sales came to nothing when the city denied the restaurant's liquor license. (The location has since closed.) Currently, only two Whopper Bars - one in Las Vegas and one in South Beach - sell beer, and Burger King claims the chain currently has no plans to expand liquor sales.

In spite of these mixed results, a number of additional fast food chains have followed Burger King's lead, including White Castle and Sonic Drive-In. White Castle - a 93-year-old fast food chain known for their tiny, square sliders - served wine at their Lafayette, Indiana location for a short window beginning in 2011, but no longer serves alcohol at any of their outposts.

The addition of alcohol appears to have attracted curious customers for a time, but sales did not continue to grow. In 2011, Sonic's outlet in Homestead, Florida, began serving beer and wine to diners eating on the restaurant's patio. Since the addition of alcohol to the menu, sales have been steady but not large.

Greater success with alcohol service at fast-casual restaurants

'Fast-casual' restaurants are a slightly different concept to fast food restaurants. Though they do not offer full table service, they generally supply less mass-produced food and develop a more adult ambience. They aim to attract a demographic from twenty- to thirty-year-olds. These outlets frequently serve alcohol.

Chipotle, Qdoba and Moe's Southwest Grill all successfully serve a variety of beer at locations across the United States. These Mexican fast food restaurants put more effort into creating the kind of themed environment and cuisine-specific experience that encourages diners to sit and stay a while instead of dashing in and out. These restaurants bridge the divide between the convenience of more traditional fast food outlets and the better service and atmosphere of a sit-down Mexican restaurant. Diners seem to find consuming alcohol in such an environment a more natural thing to do.

Internet information

On March 11, 2015, Ausfoodnews, AFN Food for Thought, published an article titled 'McDonald's sees global sales drop trend continue'. The item examines the current decline in MacDonal'd's sales growth and the company's response.

The full article can be accessed at <http://ausfoodnews.com.au/2015/03/11/mcdonalds-sees-global-sales-drop-trend-continue.html>

On February 24, 2015, The Commercial Appeal published a report detailing the increasing popularity of fast-casual eateries in the United States.

The report is titled 'More Americans order fast-casual experience'

The item can be accessed at <http://www.pressreader.com/usa/the-commercial-appeal/20150224/281492159765286/TextView>

On February 3, 2015, Good Food published an article titled 'Just open: KFC's Parramatta concept eatery'.

The news report is titled 'Just open: KFC's Parramatta concept eatery'.

The item can be accessed at <http://www.goodfood.com.au/good-food/food-news/just-open-kfcs-parramatta-concept-eatery-20150203-1314c0.html>

On January 11, 2015, The Sydney Morning Herald published a report titled 'Fast food evolution - global super-brands are having to reinvent themselves to keep up'

The report details the efforts of the fast food giants to diversify their product to keep up with competitors.

The full text of the article can be found at <http://www.smh.com.au/nsw/fast-food-evolution--global-superbrands-are-having-to-reinvent-themselves-to-keep-up-20150110-12j7mc.html>

On January 5, 2015, The Advocate published a report titled 'Heart Foundation slams KFC alcohol proposal'

The report details the objections of the head of the Heart Foundation in Tasmania to KFC outlets selling alcohol.

The full report can be accessed at <http://www.theadvocate.com.au/story/2799337/heart-foundation-slams-kfc-alcohol-proposal/>

On January 4, 2015, ABC News carried a report titled 'KFC applies for liquor licence for a new outlet in Parramatta'

The report details the planning for the new eatery and its application for a liquor licence, together with the critical response the application has met with from some experts.

The full text of the article can be accessed at <http://www.abc.net.au/news/2015-01-04/kfc-applies-for-liquor-licence-for-a-new-fried-chicken-outlet/5999288>

On January 3, 2015, The Sydney Morning Herald published a news report titled 'KFC plan to sell beer, cider criticised'

The report details some of the criticisms levelled at KFC for applying for a liquor licence for its Parramatta outlet.

The full text can be accessed at <http://www.smh.com.au/nsw/kfc-plan-to-sell-beer-cider-criticised-20150103-12h326.html>

In 2014 The Australian Institute of Health and Welfare issued a report titled 'Excessive alcohol consumption'

The report details the dangerous health effects attributable to excessive alcohol consumption and the frequency of such consumption within the Australian population.

The report can be accessed at <http://www.aihw.gov.au/risk-factors-alcohol/>

On September 8, 2014, ABC News NSW ran a report on research findings stressing that early exposure to alcohol and adult modelling of alcohol consumption led to significant increases in teenage drinking.

A televised version of this report can be accessed at <http://www.abc.net.au/news/2014-09-08/researchers-reveal-insights-into-teenage-drinking/5728762/?site=sydney>

On August 22, 2014, Lifesaver Canada published a report titled 'Could Drinking and Driving Be Promoted by Chicken Drumsticks?' which details moves by fast food retailers such as KFC to sell alcohol with their food products.

The full text of this report can be accessed at <http://lifesaver.ca/drinking-and-driving-promoted-chicken-drumsticks/>

On August 4, 2014, Punch published an article titled 'Fast Booze Nation' which examines the increasing trend toward the sale of alcohol in American fast food outlets.

The full text can be accessed at <http://punchdrink.com/articles/fast-booze-nation/>

On July 23, 2014, The Financial Post published a report titled 'Beer with your KFC? Fast-food chain challenges full-service restaurants by adding alcohol to menu'

The full text can be accessed at <http://business.financialpost.com/2014/07/23/beer-with-your-kfc-fast-food-chain-expands-into-full-service-restaurant-turf/>

On July 1, 2011, NBC News published a report titled 'Booze making its way into fast food outlets'

The article details the spread of alcohol sales through fast food outlets.

The full text can be accessed at http://www.nbcnews.com/id/43608911/ns/business-us_business/t/booze-making-its-way-fast-food-outlets/#.VQQQC-GTxnR

In 2004 The Australian Institute of Family Studies published a report titled 'Parental influences on Adolescent Alcohol Use'

The report concludes that parental attitudes toward and behaviour regarding alcohol are a key factor in determining their children's behaviour with alcohol.

The text can be accessed at <http://www.aifs.gov.au/institute/pubs/resreport10/alcohol.html>

Arguments against selling alcohol at fast food outlets like KFC

1. Excessive alcohol consumption is a major public health problem in Australia

Excessive alcohol consumption is a major risk factor for disease and mortality in Australia.

Examples of the conditions and incidents contributed to through harmful alcohol consumption are cirrhosis of the liver; breast, oral, liver and colorectal cancers; stroke, inflammatory heart disease and hypertension; road traffic accidents; memory lapse; and falls, suicide, and drowning.

Results from the 2013 National Drug Strategy Household Survey show that, in 2013, for Australians aged 14 years and over there were the following alcohol consumption rates and adverse consequences. Almost 1 in 5 (18.2%) people drank at levels that placed them at lifetime risk of an alcohol related disease or injury. More than 1 in 3 (38%) people drank at levels that placed them at risk of injury on a single occasion in the last 12 months, with 1 in 4 (26%) doing so as often as monthly.

The problem is particularly concerning among young people. The Australian Institute of Family Studies (AIFS) states, 'Alcohol consumption among Australian adolescents before the legal age of 18 years is the norm, rather than the exception...The most recent survey on 24,403 secondary students aged 12-17 years shows that by the age of 14 years 90 per cent of Australian adolescents have tried a full glass of alcohol, and 95 per cent of 17 year olds have tried a full glass.'

The AIFS further states, 'Once their first glass of alcohol is consumed, a sizeable proportion of adolescents appear to progress to regular drinking. With regard to repeated consumption... 20 per cent of males and 17 per cent of females aged 14-17 years were classified as regular weekly drinkers...'

Alcohol consumption is particularly injurious to young drinkers, whose brains are still developing, leaving highly vulnerable to long-term physiological brain damage. The AIFS states, 'Binge drinking [among adolescents] can cause bowel, central nervous system, and psychological problems, and is also related to a high risk of injury, assault, road accidents, fights, other violence, sexual assault, and unprotected sex.'

2. Selling alcohol at fast food outlets, like KFC, will promote and normalise the consumption of alcohol to children

It has been claimed that the already successful marketing of fast foods like KFC to children will led to increasing their awareness of alcohol and their acceptance of its consumption if alcoholic beverages are also sold at these outlets.

Mike Daube, Professor of Health Policy at Curtin University, has stated, 'It really is quite absurd to be associating a product like KFC with alcohol.'

This is a product that is massively marketed to kids and to families and the last thing we need is kids associating a child-friendly brand with alcohol.'

Professor Daube has further stated, 'This comes at a time when kids around the country are watching the KFC Big Bash [a cricket competition] on TV and at grounds every day. Now they will associate KFC and its marketing not only with junk food but with alcohol.'

Professor Daube has concluded, 'There is very substantial evidence that kids are influenced by alcohol advertising and that's why there is so much pressure to curb even more the kind of alcohol to which kids are exposed. KFC is the last place where alcohol should be sold.'

3. Selling alcohol at fast food outlets, like KFC, will promote alcohol consumption by teenagers

Recent research has indicated that early exposure of children to alcohol dramatically increases their likelihood as teenagers of drinking independently and in large quantities.

It has been believed that the monitored familiarisation of teenagers to alcohol within a family environment was a way of ensuring that they would become moderate and responsible drinkers as they grew older. This has been popularly referred to as the 'European model'; however, at least in the Australian context, such a practice has been shown to be a dramatic failure.

Professor Richard Mattick of the University of New South Wales has stated that his research has indicated that 'Parents providing alcohol to children makes those children three times more likely to drink whole beverages in mid teens compared to those who don't.'

The New South Wales survey of more than 2000 families also found that by sixteen who have alcohol at home at fifteen times more likely to also obtain drinks from other sources.'

Professor Mattick further commented on the causal factors leading to teenage drinking, 'I thought parental supply would be in the mix. I was really surprised to see it was the strongest single predictor.'

Dr Stephen Parnis, the Vice President of the Australian Medical Association has stated, 'We have to be a little bit more black and white about when young people should be exposed to alcohol and [research] is suggesting it should be later in life.'

In the context of these warnings, critics of the KFC proposal to allow the sale of alcohol in fast food outlets have argued that such a move would clearly be dangerous.

4. Selling alcohol at fast food outlets has not been commercially successful for some companies

It has been claimed that a number of the United States fast food outlets that attempted to move into alcohol sales have not found the venture profitable.

Some of the fast food restaurants that have experimented with selling alcohol have stated that it has not been the success they had hoped. Some customers apparently do not think wine or beer and fast food mix. This concern appears

to be felt by the young adult market some of whom do not find the fast food venues have a sufficiently sophisticated atmosphere. Similarly, family groups are generally disinclined to enter venues where alcohol is served.

The venues also note that the logistics involved with selling alcohol can be difficult and expensive. The problems include obtaining permits, training a staff that has high turnover, slowing down service when IDs have to be checked, and finding a dedicated area for alcohol service. Fast food restaurants have also had to hire security guards to keep away underage drinkers, and expect insurance rates to increase.

Drew Ritger is the vice president of Sonic, a drive-in chain based in Oklahoma City, which added beer and wine to the menu in its new Homestead, location in July, 2011. Mr Ritger has stated, 'Candidly, customers are not utilizing those [alcohol] products very much at this point. It doesn't look like it's a big deal to consumers - it's clear they come to us to have an extra-long cheese coney or an all-beef hot dog.'

5. Selling alcohol at fast food outlets like KFC will encourage drink driving

The concern has also been expressed that if alcohol is served at fast food outlets this is likely to increase the risk of drunk driving.

Fast food outlets do not encourage the leisurely consumption of food. Critics of selling alcohol at such outlets are concerned that the practice will encourage the rapid consumption of alcohol followed by driving. They claim that whether the alcohol is sold at the drive-through window or not will not affect the 'eat and run' ethos that is part of purchasing food at a fast food outlet. Rapid through rates are a traditional feature of these eateries and staff are usually penalised if food is not served in a predetermined time.

KFC in Canada has already established a number of outlets selling alcohol as well as fast food. An opinion piece published in Lifesaver Canada on August 22, 2014, it was stated, 'Adding beer to the menu may result in customers thinking that fast food means fast drinking - and fast drinking can lead to drinking and driving, even if all the customer meant to do was stop for a quick bucket of chicken.'

Arguments in favour of selling alcohol at fast food outlets like KFC

1. Consumers should have a choice of different types of licensed restaurants

Sydney and Melbourne have each moved to encourage smaller outlets to sell alcohol with meals so as to offer a diversity of eating and drinking experiences to patrons.

OPEN Sydney, Future Directions for Sydney at Night, Strategy and action plan 2013-2030 calls for changes to the current pattern of alcohol consumption in the city, stating, 'Sydney's current drinking culture and the associated anti-social behaviour is an issue and left unchecked will continue to exclude many from the night-time economy and present a reputational risk.'

In 2013, Alex Greenwich, the Independent member for Sydney stated, 'Small bars first began appearing in Sydney in 2008 after widespread community campaigns for a more civilised kind of drinking culture through smaller venues. Prior to that Sydney's late-night scene was dominated by beer barns and large nightclubs. Since then around 70 new small bars have opened in the inner city.'

Mr Greenwich further stated, 'Successful night-time cities offer a variety of entertainment catering for different tastes. They are also places where people feel safe.'

The type of venue proposed by KFC for Parramatta would suit this style of eating and drinking. The new venue will cater for 49 people, 33 inside and 16 outside and will operate from 11am to 9pm.

2. Alcohol will only be sold at specialised fast food outlets, not those that also cater to families

KFC has stressed that it is engaged in niche marketing and that it is not seeking to attract children, teenagers and families into the Parramatta outlet that will also sell alcohol.

A KFC spokesperson has stated that the new standalone outlet selling beer and cider as well as a specialised range of food products would be aimed at customers who are 25 years and over.

The spokesperson stated, 'To better cater for our customers aged 25 plus, we have developed a new store concept which has a menu to reflect the market. It will not be serving our family meals, children's meals or snacking products. We would like to be very clear, that we have no intention of introducing beer into our existing KFC outlets.'

KFC has claimed that Parramatta was chosen as the pilot site for the new restaurant given its central location in Sydney and the large number of people over 25 living and working in the area.

The new store is being designed by award-winning architects The Great Indoors who will aim to create a new ambience for the restaurant that is intended to attract older consumers. It will be able to seat 49 people, 33 inside and 16 outside and will operate from 11am to 9pm. It is hoped that these hours will suit the lunching and dining requirements of young adult consumers who would also like to have a beverage with their meal.

3. Selling alcohol with fast food is an attempt to emulate the success of 'fast-casual' food outlets

From 2010, fast-food chains, such as Burger King and Sonic, began adding beer and wine to their menus. Sonic, which sells burgers, corn dogs and hot dogs, started selling bottled and draft beer along with ten varieties of wine to customers who eat on the outdoor patio at their Miami location. They also started selling alcohol at their Fort Lauderdale location. Burger King set up at least six Whopper Bars selling beer with their food products in the United States, as well as at locations in Singapore, Venezuela and Spain, while Starbucks sells beer and wine at four locations in Seattle.

These ventures appear to be in response to the success of a new mode of dining in the United States sometimes referred to as 'fast-casual'. The companies that sell this type of dining usually target the young adult market and sell both

fast food and alcohol in a more sophisticated environment. A fast-casual restaurant does not offer full table service, but promises a higher quality of food with fewer frozen or processed ingredients than a traditional fast-food restaurant. In the United States the category is exemplified by outlets such as Chipotle Mexican Grill, Culvers, Zaxby's and Panera. On February 24, 2015, Commercial Appeal ran a report stating, 'The market for fast-casual food [in the United States]...has grown by 550 percent since 1999, more than ten times the growth seen in the fast-food industry for the same period.'

4. The fast food outlets will be licensed and will abide by the regulations governing the sale of alcohol
 Supporters of KFC's application to be granted a liquor licence for its Parramatta stores have noted that such a licence will only be granted if the Independent Liquor and Gaming Authority (ILGA) judges that the outlet's selling of alcohol would great no risk of harm to the community.
 The ILGA has released a statement after KFC's Parramatta application was announced which states, 'Before giving approval, ILGA will need to be satisfied that the overall social impact of the proposal will not be detrimental to the well-being of the local or broader community.'
 If an application is granted, the licensee then has to abide by the terms of the licence. In the KFC instance, a small bar licence limits the number of clientele a premise may serve to 60; requires that only trained staff can serve alcohol and prohibits minors being on the premises when alcohol is served.

5. Regulating the behaviour of alcohol consumers is the responsibility of the law and public education campaigns
 The primary responsibility for regulating the behaviour of alcohol consumers resides with state lawmakers who determine the terms under which alcohol can be sold and the penalties that apply to those who do not sell it appropriately or who offend while intoxicated.

Thus, new laws have recently been announced governing the sale and consumption of alcohol in Sydney. 1.30am lockouts and 3am last drinks laws are now in force across the new Sydney CBD Entertainment Precinct. The new precinct stretches from parts of Surry Hills and Darlinghurst to The Rocks, and from Kings Cross to Cockle Bay. The new laws are part of the New South Wales Government's crackdown on drug and alcohol-fuelled violence and also include a New South Wales-wide ban on takeaway alcohol sales after 10pm.

The new precinct laws include: Lock outs and last drinks: 1.30am lockouts and 3am last drinks at hotels, registered clubs, nightclubs and licensed karaoke bars.

Small bars (maximum 60 people), most restaurants and tourism accommodation establishments are exempt. Venues currently licensed to stay open after 3am can do so without alcohol service.

There will be temporary bans of 48 hours for troublemakers.'

Takeaway alcohol sales are to stop at 10pm for bottle shops, hotels and clubs. This law is New South Wales-wide.

Liquor licenses application face a two year freeze on approvals for new and existing licenses. Revoking of Competency cards and disqualifications: (up to 12 months) for bar staff breaching responsible service of alcohol requirements.

Fines of up to \$11,000 and/or imprisonment of up to 12 months, as well as strikes under the Government's Three Strikes disciplinary scheme will be applied against those who fail to comply with the new laws.

It has further been noted that there is also a need for public education campaigns to inform drinkers about safe drinking behaviour.

Sydney Council's OPEN Sydney, Future Directions for Sydney at Night, Strategy and action plan 2013-2030 states, 'We support the delivery of education for at-risk drinkers about safer drink levels, via a long-term New South Wales campaign. This wider approach is important as Sydney's night-time economy attracts local, intrastate and international visitors.

We will advocate to New South Wales Health for a guide to brief interventions for people who have come into contact with police or medical services as a consequence of alcohol use, and trial Hello Sunday Morning in Sydney, a program aimed at reducing binge drinking.'

There are many who believe that the onus should not be on the alcohol outlet to regulate consumer behaviour beyond not selling to inebriated customers and not selling alcohol outside those hours for which it is licensed. The responsibility is a broader societal one, lying with lawmakers, law enforcers, public educators and ultimately the individual consumer.

Further implications

Despite their market dominance, the leading fast food restaurant, McDonald's has experienced a sales decline. In February, 2015, the company announced a comparable global fall in sales of 1.7 percent. In the Asia Pacific region, the Middle East and Africa, sales decreased by 4.4 per cent during February 2015 and in the United States sales were down 4 per cent.

McDonald's has claimed that its current performance reflects the 'urgent need to evolve with today's consumers, reset strategic priorities and restore business momentum'. The Company believes that consumer preferences have changed, and that its goal should be to make McDonald's a 'true destination of choice around the world and reassert McDonald's as a modern, progressive burger company'.

KFC has experienced similar problems and its response has also been similar. For both companies, diversification to meet the range of customer preferences appears to be the name of the game.

It has been claimed that over time it is likely that the big fast food outlets will not simply create a greater range of offerings within their standard outlets. They will also establish what are currently referred to as concept stores. These may continue to carry the company's primary logo, as is the case with the KFC eatery in Parramatta. Equally,

differentiation may include rebranding the outlet so that it is no longer obviously part of the parent franchise. This is what has occurred with McDonald's eatery, The Corner, in Camperdown, which does not carry McDonald's name or logo.

These new outlets will cater for a tightly designated, usually young adult, market and will reduce the difference between fast food outlets and fast-casual eateries.

In terms of the sale of alcohol, it is likely there would be less concern if alcohol were sold in outlets that did not carry the name of multinational companies, such as KFC and McDonalds, already associated with the sale of food to children and teenagers.

However, the impact of selling alcohol through the more 'adult' fast-casual outlets has yet to be determined. Moves in Sydney and Melbourne to diversify the type of venue where alcohol can be consumed are intended to encourage more moderate drinking and dining at licensed cafes and eateries. Such initiatives may mean that licensed fast-casual restaurants come to be seen as a desirable development.

Newspaper items used in the compilation of this issue outline

This issue outline was treated by NSW newspapers and was therefore not indexed by Echo. The newspaper items - and links to them - can be found in the Web Links and Documents section of the online issue outline.