

Why the tobacco industry fears point of sale display bans

T Harper

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Banning the display of tobacco products represents a major step in tobacco control and will help to reduce tobacco sales

Banning the display of tobacco products at point of sale is an important international tobacco control policy frontier, with Thailand joining Saskatchewan in implementing bans on tobacco displays.^{1–3}

As Australian governments contemplate bans on the display of tobacco products at retail outlets,^{4–6} new industry documents have emerged that emphasise the importance of the retail environment to support sophisticated tobacco industry point of sale marketing. The material prepared for the tobacco retailing industry in Australia confirms that bans on the display of tobacco products are likely to reduce tobacco sales.

The importance of tobacco displays to the tobacco industry has previously been highlighted in the United States where one study demonstrated that school students who reported at least weekly visits to convenience stores were more likely to have tried smoking,⁷ while another study found that stores popular among adolescents contained twice as much shelf space devoted to the three brands most popular with American adolescents (Marlboro, Camel and Newport), than other stores.⁸

POINT OF SALE MARKETING INCREASING

Carter has identified internal tobacco industry and retail documents that describe how point of sale marketing is increasing in importance in light of advertising bans in Australia.⁹ Tobacco companies exert significant control over the presentation of tobacco displays in the retail settings¹⁰ with evidence from the United States and the United Kingdom showing increasing incentive payments from the tobacco industry to retailers.

Six of Australia's 10 biggest selling brands (for all products) are cigarettes. Each of these six brands generates annual supermarket and grocery store sales of more than A\$250 million per annum, including two with sales in excess of \$750 million.^{11–12} With annual retail tobacco sales of \$9.3 billion in 2004,¹³ and retailer margins on tobacco products as high as 20–30% for convenience stores,^{13–14} the economic interests of the tobacco industry and their retail agents are clearly convergent.

New information from the Service Station Australia Limited (a national industry

organisation representing fuel retail outlets in Australia)¹⁴ reveals how retailers have been advised of strategies to “maximise sales” of cigarette and tobacco products:

- “Strategically place cigarette dispenser, ideally behind the point of sale unit in full view of customers.”
- “Have a minimum range of premium and leading brands on display, remember smokers are very loyal to ‘their’ brand. If the range is too narrow they will not come back.”
- “Enlist the support of the cigarette manufacturers, when placing an order request a visit from a sales representative, they are ‘experts’, and if you ask the right questions they can provide very useful advice.”

This is consistent with findings by Carter who revealed a number of strategies used by tobacco companies and retailers to maximise sales including point of sale marketing, alliance building, and maximising available display space.⁹

The importance of the tobacco displays has been further emphasised with the recent promotion of a new trademark by British American Tobacco at point of sale in retail outlets in the state of Victoria. While bans exist on the use of tobacco brands and trademarks at point of sale in Victoria and most Australian states, British American Tobacco (BAT) has begun promoting the “Top Traders” trademark adjacent to tobacco displays in Victoria (fig 1).

The trademark, registered in July 2003, allows the company to control the area around the tobacco display, thus preserving the aesthetic impact of the tobacco display. In Victoria it is illegal to display advertisements featuring the name of a tobacco brand or manufacturer¹⁵; however, BAT describes the Top Traders logo as “a relationship marketing program for retailers”¹⁶ potentially exploiting a loophole in current tobacco marketing laws.

PURPOSE OF TOP TRADERS TRADEMARK

In registering the trademark, BAT described the Top Traders trademark's purpose as being consistent with “Advertising and business services, market and promotional services, incentive and reward programs, the supply of benefits in relation to incentive schemes or reward programs, the organisation, operation and supervision of the aforesaid services, business

Abbreviations: AACs, Australasian Association of Convenience Stores Incorporated; BAT, British American Tobacco; NATR, National Association of Tobacco Retailers

Correspondence to:
Todd Harper, Quit Victoria
and the VicHealth Centre
for Tobacco Control, 100
Drummond Street, Carlton
VIC 3053, Australia; Todd.
Harper@cancervic.org.au



Figure 1 Tobacco display in Victoria, Australia, with adjacent signage displaying the “Top Traders” trademark owned by British American Tobacco.

improvement initiatives.”¹⁷ Imperial Tobacco in Australia has defended payments to retailers to display tobacco products saying product placement deals to secure display space and also pay for modifications to display shelving in shops “reflected standard business practices”.¹⁸

Carter has identified that this type of relationship building between retailers and manufacturers is also consistent with the new marketing focus adopted by Philip Morris in light of traditional advertising bans: “...as of 1996, the primary point of communication between ourselves and our consumers will be inside a retail outlet... In-store POS material, discounted stock units, on-pack premium offers, strategically located stock displays in-store (as well as in windows and show-cases), need to be dominated by PML... In summary, the spend focus has shifted from media, outdoor and consumer promotions to in-store [POS management], contracting for display space, partnerships with retailers to build business, and international sponsorships.”¹⁹ Accordingly, by 1995 Philip Morris already had “long term agreements with retailers to ensure a dominant POS presence” in preparation for restrictions.¹⁹

These practices are commonplace in the Australian tobacco retail environment where tobacco retailers have also used premium offers or gifts with tobacco purchases,²⁰ tobacco companies have increased their product lines following new laws to restrict tobacco displays thus enabling them to maintain a strong visual point of sale presence,²¹ and tobacco discount pricing signage is commonplace in retail outlets.

While there is evidence that tobacco companies have established advocacy relationships with the hotel industry to oppose smoke-free laws in Australia,²² it appears the tobacco industry has also established relationships with retailers to oppose bans on point of sale marketing. The peak retailer group Australasian Association of Convenience Stores Incorporated (AACCS), which is sponsored by BAT, is a member of the advocacy group National Association of Tobacco Retailers (NATR).²³ A BAT representative was appointed to the AACCS board in December 2005.²⁴

The AACCS encourages its retail members to make donations to the NATR.²³ In urging its retail members to oppose banning the display of tobacco products, the NATR has warned its members: “A display ban will damage your

business. A display ban will harm your tobacco sales. A display ban will harm your profitability. A display ban will reduce the value of your business asset.”²⁵ These concerns were echoed by Pricewaterhouse Coopers in a report for BAT: “The introduction of legislation and regulations restricting product display is of particular concern to tobacconists and mixed businesses due to the capital expenditure required to comply with legislation, and the substantial revenue they derive from the sale of cigarette and tobacco products.”¹³

Bans on the display of tobacco products must be addressed by governments. In fact, as Carter has identified, the tobacco industry fully expects such a move. It is clear from retailers and tobacco companies that they expect such bans will have a negative impact on tobacco consumption which is consistent with claims by health groups that such bans are desirable to advance public health goals.

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