

WHY TOBACCO POWERWALLS AND OTHER FORMS OF RETAIL PROMOTION MUST BE BANNED



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Tobacco companies claim the sole purpose of power walls is to convince adult smokers to switch brands, but once-confidential industry documents tell another story:

*"Merchandising is the key to growing and developing sales volume within every distribution outlet. ... The more facings you can devote to a brand the more effectively it will be portrayed to the consumer. It will be more visible on the shelf and have more chance of grabbing the attention of the consumer and of being purchased."*¹

British American Tobacco



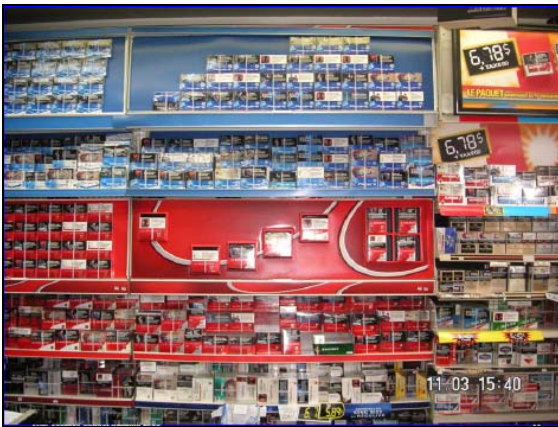
Tobacco company executives, marketing experts, policy analysts, and young people all confirm — power walls of tobacco are all about **selling more tobacco** — getting kids hooked, keeping smokers who want to quit in the market, and encouraging former smokers to relapse and start smoking once again.

IF WE ARE SERIOUS ABOUT REDUCING TOBACCO
USE IN CANADA, ALL FORMS OF TOBACCO
PRODUCT PROMOTION AT THE POINT OF SALE,
INCLUDING POWER WALLS, MUST BE BANNED

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Many people think that tobacco advertising and sponsorship are banned in Canada. Not so. **Tobacco companies are still able to take advantage of what is arguably *the most important advertising medium – the point-of-purchase.*** Point-of-purchase (POP) tobacco promotion includes power walls of tobacco products – those large, often floor to ceiling, tobacco displays behind the checkout cash – as well as brand and price signs.



Tobacco power wall, colour-coded by top brands ²

Point-of-purchase promotion is advertising

“Presentation is everything not only in our business but in almost every business imaginable, travel agents, restaurants, airlines, the list is almost endless. You must make the product(s) talk to the consumer.” ³

British American Tobacco

Marketers of consumer goods began to pay more attention to POP promotion in the mid-1990s. Major international brands such as Nike have been switching a large percentage of their marketing budgets to POP promotion,

in part because of media fragmentation. Brand managers want to spend their promotion dollars where they know they can connect with the customer.⁴ The point-of-sale (POS) has been called “the ultimate advertising and marketing opportunity.”⁵

Tobacco companies pay promotional allowances (also known as slotting, display, or placement fees) to retailers to stock and display their products according to their exact specifications. Merchandising and display guidelines issued by tobacco giant British American Tobacco spell out how to maximize the impact of the tobacco displays: “Ensure all stock is displayed in full view of the customer, not placed under the counter. Display packets face-on, not end-on. Display stock on the eye-level shelves. Display stock at the point of purchase. Make sure stock is not hidden behind the owner/shop assistant. Vertically block cigarettes together to create visual impact.”⁶

The contracts with retailers typically detail the amount and location of display space to be devoted to the company’s brands (minimum number of facings, height, location, etc.), require the product to be kept stocked on the shelf, specify the placement of advertising and signage, and may include price discounting incentives.

The amount of money retailers earn from tobacco company promotional allowances varies greatly and is usually negotiated on an individual basis. Payments can be in the form of cash, invoice reductions, free equipment, prizes, etc. Stores with more traffic and higher tobacco sales usually receive higher payments. According to the Ontario Convenience Store Association, allowances typically amount to \$3,000–\$6,000 per store.⁷

When advertising is banned, point-of-purchase displays become the primary means for tobacco companies to promote their products

“As primary media channels become restricted, greater emphasis must be placed on effective point of sale and parallel communications.”⁸

British American Tobacco

“With a lack of broadcast advertising available to try to change behavior and drive demand, the work in stores is more important in tobacco than in any other product category.”⁹

*Burt P. Flickinger III,
Managing Director,
Reach Marketing*

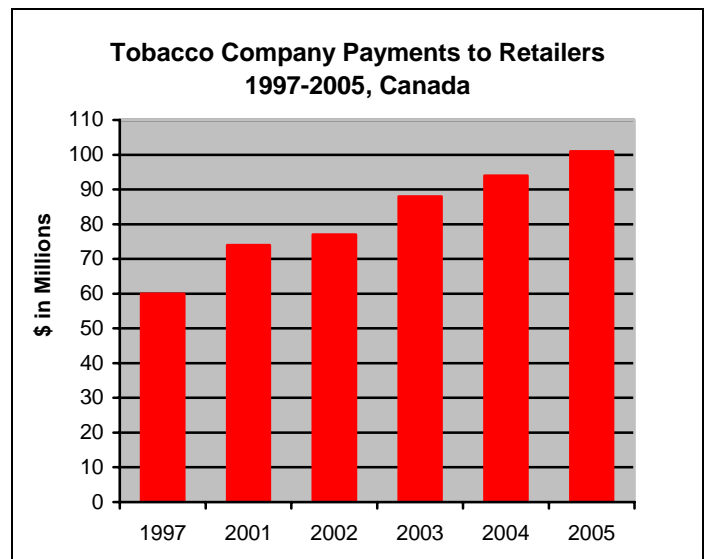
As early as the 1970s, tobacco companies foresaw an era when they would not be able to use traditional advertising and promotional vehicles to market tobacco products. They conducted sophisticated research to understand the motivation and behaviour of their market – potential and current smokers – and to maximize recognition of their products at the point-of-sale, through pack design, display layout, and POS advertising. The goal was for the pack itself to be able to convey the brand’s attributes and image: “[T]he most effective symbols, designs, colour schemes, graphics and other brand identifiers should be carefully researched so as to find out which best convey the elements of goodwill and image.... An objective should be to enable packs, by themselves, to convey the total product message.”¹⁰

“All of our advertising, merchandising and promotional strategies pay off only when we do our job in the store. We compete for the consumer's attention

against all consumer goods companies. Each year the industry spends more and more on consumer and trade programs—in the store.”¹¹

Philip Morris

The growing importance of POS promotion is evident across Canada, where there has been a significant increase in tobacco company expenditures on POP over the past decade. The graph below shows the increase in payments to retailers alone, from \$60 million in 1997 to \$101 million in 2005.¹² This does not include other POS promotional expenditures, for example, the \$17 million tobacco companies spent in 2005 “to supply and set up displays” in retail outlets.¹³



A 2005 study by the Ontario Tobacco Research Unit (OTRU) revealed the extent of tobacco product promotion in convenience stores, where two-thirds of tobacco products are sold. All of the more than 450 stores surveyed had power walls:¹⁴

- Three-quarters of powerwalls were at least 6 feet long, and one-third were at least 12 feet long, with two-thirds at least 5 feet high.

- 81% of the stores had coloured shelf liners behind the cigarette packs, and 84% had coloured shelf gliders (a coloured strip that sits against the shelf rail) to visually highlight the products and the brand.
- In 85% of stores, the tobacco products and accessories were within one foot of candy, snack foods, or toys. More than half of stores had at least one counter-top display.



Counter-top tobacco display, convenience store¹⁵

- Three-quarters of powerwalls included at least one price sign, and half had danglers (small signs that hang off the powerwall).



Hanging price sign with tobacco packs, convenience store¹⁶

Annual surveys conducted for Health Canada likewise confirm a strong presence of tobacco advertising in retail outlets. Almost half (41%) of retail outlets in Canada carried some form of tobacco POP advertising in 2005, up substantially from 33% in 2002. If the stores in provinces where tobacco displays are already banned were subtracted from the equation, the percentage would have been considerably higher. Almost two-thirds (64%) of chain convenience stores carry POS tobacco ads, followed by gas stores/kiosks (46%), and independent convenience stores (45%).¹⁷

Tobacco retailers feature an average of 3.3 ad pieces per store, which includes any kind of advertising with a tobacco company trademark, logo, or brand name—posters, danglers, counter-top displays, and shelf gliders. This figure is low, as ads for sponsored events, shelf-gliders, price signs, etc. that do not have a company logo or brand name were not included in the calculations.¹⁸

The Point of Purchase Advertising Institute (POPAI) claims that stores are an advertising medium comparable to print and broadcast media and that in-store ads are highly effective. A customer survey conducted by POPAI found that 40% of consumers recall the presence of in-store advertising, with cigarettes among the top three products with the highest rate of recall.¹⁹

Power walls influence youth

“A true, tobacco-free culture is more than just a reduction of use; it's the absence of enticements to start.”²⁰

*Barry Barnett,
Nova Scotia Health Promotion Minister*

Three out of four teenagers shop at a convenience store at least once a week and thus are regularly exposed to tobacco advertising and power walls at the point-of-sale.²¹ Research shows that teenagers are more likely than adults to be influenced by convenience store promotions (73% vs. 47%). More than half of teens say that they are influenced by in-store displays and promotions.²²

A recent survey of young people aged 11 to 18 from 200 non-smoking households in Ontario confirms the influence of point-of-sale promotion:²³

- 85% spontaneously name convenience stores as a place that sells cigarettes;
- Over 40% can name cigarette brands unaided;
- Over 60% believe that power walls might influence kids to try smoking.

Power walls generate brand awareness and brand image

“[T]he store environment, especially displays inside stores, is the biggest source of advertising awareness for all cigarette trademarks.”²⁴

Brown & Williamson

Tobacco displays work synergistically with other forms of tobacco product promotion, most notably the package design, to promote recognition and recall of the brand and its associated image. Tobacco displays remind consumers of previously-seen tobacco advertising and promotion, reinforcing the image associated with the brand. Research shows that tobacco brand equities could endure for decades, even without advertising or distinctive packaging.²⁵ In the current Canadian environment, where the public continues to be exposed to traditional tobacco advertising in foreign publications and to product promotion in every retail outlet, brand equities are regularly

reinforced. “P.O.S. is of vital importance because it is a true extension of brand advertising and provides a continuous communication of brand advertising at the point of sale.”²⁶

Power walls normalize tobacco products and undermine the impact of health risk information

“Marketing cigarettes alongside candy, gum and chocolate bars sends the message that smoking is a good treat, too.”²⁷

Toronto Star Editorial

As the *Toronto Star* editorial writer states, the proximity of tobacco products to benign consumer goods like candy and trading cards renders them benign by association. This association likely contributes to the fact that while most Canadians know that “smoking is bad for you,” they seriously underestimate the extent of the risk.^{28,29}

Large, highly prominent power walls of tobacco products in every corner store and gas station also send the message that “everyone” smokes. Young people typically believe that a majority of their peers and adults use tobacco, when in reality only 20% of the Canadian population smokes.³⁰ Youth who hold this belief are much more likely to become smokers themselves.³¹

Power walls promote impulse buys and increase sales

“There is an ever-increasing trend toward impulse purchases. The large majority of consumers do not really check ads ... or plan their purchase decisions. We should have Marlboro (and other PM brands) positioned to take maximum advantage of the impulse shopper.”³²

Philip Morris

There are many references in internal tobacco company documents to the importance of impulse buys to total tobacco sales: “Many impulse sales are lost when stock is not available or cannot easily be seen or reached.”³³

Prominent tobacco displays and signage are designed to increase impulse buys: “The tobacco industry is now dominating the stimuli in many of these stores in the hope of dominating the impulse purchases.”³⁴ Research shows that despite the addictiveness of tobacco, more than 60% of tobacco purchases are impulse buys.³⁵ The daily average number of cigarettes smoked by regular smokers is highly volatile. Moreover, one-fifth of current smokers in Canada are occasional smokers, including almost 40% of youth smokers aged 15-19, and thus do not purchase tobacco on a regular basis.

Power walls at the cash likewise weaken the resolve of those trying to quit and trigger recidivism among ex-smokers. A large majority of smokers—70%—want to quit, and half of smokers made one or more quit attempts in past year.³⁶ On average it takes 3.2 quit attempts for someone to quit for good, not surprising with their efforts being undermined by the temptation on display in every convenience store, gas station, and supermarket.³⁷

Further proof that tobacco displays increase tobacco sales is found in an article advising convenience store operators how to increase sales of tobacco specialty products, such as smokeless tobacco and cigars, to offset declining cigarette sales. Successful c-store owners, product distributors, and tobacco company executives are unanimous that “display is key.” “If advertising can’t be used, let the products do the talking.... [A] counter display is best. That way, when a customer is buying gas or groceries, he will see displays and be informed about brands and flavours and try a cigar or a pack of cigars.”³⁸

Other evidence of the power of tobacco displays to influence consumers comes from jurisdictions where a display ban is in effect. According to one convenience store operator, “People are perplexed, especially new customers, who have no idea what they want when they walk into your store and can’t see what we have to offer because it is hidden.”³⁹ The marketing director for Old Port Cigar Company confirms the importance of tobacco product displays to impulse sales: “Cigars are an adult product. I don’t see them [the new laws banning displays] stopping their consumption ... but some consumers when they see a cigar on a shelf will try it. If they cannot see it, impulse purchases will happen less.”⁴⁰ This was the experience of a Niagara region store owner who found that the ban on POS advertising affected his cigar sales: “I took the signs down but I lost too much revenue. When I put the signs back up, business came back.”⁴¹

An assessment of the convenience store market by convenience marketing specialists Fulcrum Publications found that cigarettes were most often cited as the category with the largest dollar growth (reported by 23% overall), but conversely cigarettes were also the category with the highest declines (reported by 41%). The analysts attribute the polarization in results to “real world issues like display bans in some parts of Canada that arguably affect cigarette sales.”⁴²

Clearly the axiom common in retail – “Stack it high and watch it fly” – is particularly relevant to sales of tobacco products in retail outlets!⁴³

A display ban is even more important when there is intense price competition

“Where the competitive opportunity lies is with value-brand smokers who might switch for a better price—making in-store positioning and marketing more crucial.”⁴⁴

*Burt P. Flickinger III,
Managing Director,
Reach Marketing*

In the past five years, the tobacco market in Canada has changed dramatically. Formerly dominated by sales of premium brands from the Big Three tobacco manufacturers, discount brands now make up half of tobacco sales: “It used to be that all brands were the same price with maybe some differences between stores, but today, consumers are a lot more value-conscious ... at least 40% go in and look for cheaper alternatives, where once 95% were brand loyal.”⁴⁵



Convenience store display promoting discount brands⁴⁶

The popularity of discount brands has spawned multi-tiered pricing and intensified competition among tobacco manufacturers and retailers. In such a competitive environment, retailers rely even more on prominent displays and price signs to attract customers and tobacco sales.

With high prices being the single most effective intervention to reduce tobacco use, the widespread availability of discount cigarettes severely undermines public health policy, keeping price-sensitive smokers, who would otherwise not have started or continued to smoke, in the market. A ban on tobacco displays and POS promotion makes it much more difficult for manufacturers and retailers to make potential customers aware of the range of offerings of less expensive tobacco. Likewise, with traditional forms of advertising prohibited, “the difficulty for retailers and manufacturers is the introduction of new brands or flavours as there is no means to display them.”⁴⁷

Many jurisdictions have successfully banned tobacco displays

In Canada five provinces and two territories, constituting 70% of population, have banned the retail display of tobacco products, effective on the dates shown below:

- Saskatchewan (March 11, 2002)
- Manitoba (January 1, 2004)
- Nunavut (February 1, 2004)
- Prince Edward Island (June 1, 2006)
- Northwest Territories (Proclamation expected early 2007)
- Ontario (Interim display restrictions, May 31, 2006)
- Ontario (Full display ban, May 31, 2008)
- Quebec (May 31, 2008).⁴⁸

In addition both New Brunswick and Nova Scotia have prohibited countertop tobacco displays and Nova Scotia introduced legislation in the fall of 2006 that would ban all tobacco displays.

Several countries have also banned tobacco displays, including Iceland in 2001 and Thailand in 2005, and Ireland has passed but not yet implemented a display ban. In Canada, the federal government has had regulatory authority to restrict retail tobacco displays since the *Tobacco Act* came into force in 1997.

In 1999 Health Canada undertook a consultation on *Options for Tobacco Promotion Regulations*, but no further action ensued. In December 2006, Health Canada released another consultation document, this time proposing to ban the retail display of tobacco products and tobacco product accessories where minors have access and to restrict signage indicating the availability and price of tobacco products, limiting the number, location, size, and content of these signs. The consultation process is the first step in the process to introduce new regulations.⁴⁹

A display ban will *not* prevent tobacco companies from communicating with customers

“These retail displays are currently the only legal means available to let adult smokers know about price and availability—including information about new brands.”⁵⁰

*Christina Dona,
Manager, Media Relations,
Imperial Tobacco Canada*

Tobacco companies insist that the purpose of a tobacco product display is to provide their customers, current smokers, with important information on which to base their choice of brand.⁵¹ They further claim that even partial restrictions such as limiting the size of tobacco displays at point-of-sale or banning countertop displays would “make it next to impossible to communicate with customers about new products or changes in products.”⁵²

In 1995, the Supreme Court ruled that a total advertising ban constituted an unjustified infringement on the tobacco manufacturers’ right to freedom of expression, preventing them from communicating relevant product information to their customers. Even with a display ban, however, there are other ways in which tobacco manufacturers can impart product information. Retailers could keep a catalogue or binder in stores that provides detailed information on the tobacco products available for sale.⁵³ As well, the *Tobacco Act* permits brand preference and information advertising in three venues: direct mail to a named adult; publications with a minimum 85% adult readership; and signs in a place where minors are not permitted by law.

A display ban will *not* spell doom for convenience stores

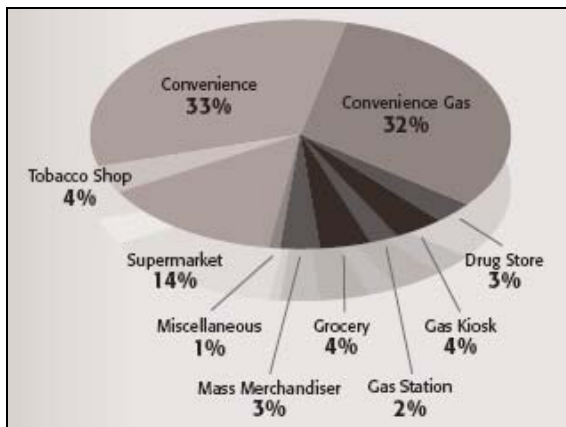
“We estimate 30% to 40% of all c-stores will shut their doors after May 2008 [when a display ban goes into effect in Ontario].”⁵⁴

*Dave Bryans, President,
Ontario Convenience Stores
Association (OCSA)*

“Your Convenience Manager [magazine]: Do display bans put c-retailers out of business? Guile: The answer is a resounding no. There are many things that retailers can do to maintain tobacco, which is a vital part of their offering....”⁵⁵

*Derek Guile,
Vice President, Marketing,
Rothmans, Benson & Hedges*

The dramatic retail losses predicted by convenience store operators are unlikely to materialize. **A ban on tobacco point-of-purchase promotion is not a prohibition on the sale of tobacco products.** Despite successes in reducing tobacco use, one-fifth of Canadians continue to smoke, and convenience stores are the number one place of purchase, accounting for 65% of sales, as shown below.⁵⁶



*Smokers' Usual Place of Purchase*⁵⁷

Some reduction in sales, particularly of impulse buys, can be expected, however, and is a key reason why health groups around the world are advocating for tobacco display bans.

Another concern of convenience stores is the loss of tobacco company promotional payments for preferred shelf space, which can total thousands of dollars per store.⁵⁸ The head of trade marketing and distribution with Imperial Tobacco, however, has publicly stated that retailers who continue to sell tobacco, even if hidden from view, will still benefit from industry programs: “Yes, the display money is gone, but there will be other programs developed between manufacturers and retailers. The amount from these programs could range from a few hundred dollars to a few thousand dollars, depending on the size of the store and its traffic.”⁵⁹

With marketers increasingly recognizing the importance of POP, manufacturers of more and more products are paying retailers to promote their goods, including paying for premium display space behind the checkout counter.⁶⁰

Evidence shows that other companies will compete for the prime real estate behind the cash register. As a Manitoba convenience store owner operating under a display ban has concluded: “I am doing some renovations and expect to sell other items such as sports cards and maybe sporting goods. I won’t have any problem recouping the \$10,000 I have lost.”⁶¹

A completely different perspective on this question of whether or not a tobacco display ban will hurt convenience stores comes from an editorial writer with the *Ottawa Citizen*:

*“The Ontario Convenience Stores Association says the anti-smoking legislation [tobacco tax increases and display ban] will kill corner stores. **Better the stores than people.** If revenues drop 30 per cent because of those taxes, so be it. If cigarettes power convenience stores, perhaps we don’t need the shops. And maybe the owners should take a look in the mirror if their business is dispensing illness and death.”*⁶²

*Ken Gray, City Section
Editorial Page Editor,
Ottawa Citizen*

Requiring tobacco products to be hidden will not increase convenience store thefts

One argument against banning tobacco displays frequently heard from convenience store operators is that convenience store thefts will increase. They contend that if the products are hidden, staff will have to turn their backs on customers for a longer period of time than in the past, facilitating shoplifting.”⁶³

There is no evidence from jurisdictions such as Iceland and Saskatchewan, where display bans have been in effect for some time, that convenience store thefts increase. Moreover, an equally strong case can be made that if cigarettes are moved from a power wall behind the cash to drawers under the counter, thefts could be reduced, since clerks would not have to turn their backs at all to retrieve the tobacco.



*Under-counter tobacco storage drawers, Saskatchewan*⁶⁴

The fact that tobacco is legal does *not* grant retailers the right to display tobacco products for sale

Tobacco products remain legal largely because it would do more harm than good to ban a product to which 4.5 million Canadians are addicted. There is no justification to permitting widespread promotion in more than 40,000 retail outlets of a product that causes the death of 37,000 Canadians every year and makes thousands more sick.⁶⁵ The product is not only highly toxic but highly addictive, justifying strong controls to protect young people from inducements to start smoking.

There are many categories of product in our society that may be legally sold—subject to various restrictions. Pharmaceutical products

that treat disease and save lives require a prescription from a physician, are stored out of sight behind the counter in pharmacies, and may not be advertised directly to consumers. Even some medications that do not require a prescription, such as pain killers containing codeine, must be kept behind the pharmacist's counter. In most provinces, alcohol can only be sold in special, government-controlled stores, to which minors do not have access. Alcohol *abuse* causes 8,000 deaths per year in Canada one-fifth as many from tobacco *use*.⁶⁶

Conclusions

The point-of-purchase is critical to marketing a product. It is where the shopper can be transformed into the buyer, given the right inducements. Power walls of tobacco products in retail outlets serve as effective inducements, to young people experimenting with smoking; to current smokers who are trying to quit; and to former smokers trying to resist the temptation to resume smoking. A large body of evidence – from consumer product research, from internal tobacco company documents, from reports of tobacco industry spending on promotion, and from retailers – proves that prominent retail tobacco displays increase tobacco sales.

The research shows that tobacco product displays become the primary vehicle by which tobacco companies promote their products in places such as Canada, where most other forms of tobacco promotion have been prohibited. Testifying to the increasing importance of POP displays is the fact that tobacco company payments to retailers in exchange for the prime display space behind the check-out cash have been increasing annually, totalling over \$100 million in 2005.

Power walls of tobacco products in every convenience store and gas station contribute to the belief common among young people that ‘everyone smokes,’ and adolescents who hold this belief are much more likely to become smokers themselves. Prominent tobacco displays, typically in close proximity to benign consumer goods like gum, candy, and the daily paper, also suggest that tobacco products are equally harmless by association, seriously undermining the impact of health risk information.

The widespread availability of discount brands that are heavily promoted at the POS in Canada has likewise undermined the single most effective intervention to reduce tobacco use—high prices. Tobacco product displays assume even greater importance when there is intense price competition between brands. Without prominent displays with many price signs, it would be much more difficult for manufacturers and retailers to promote their less expensive tobacco offerings to price-sensitive customers.

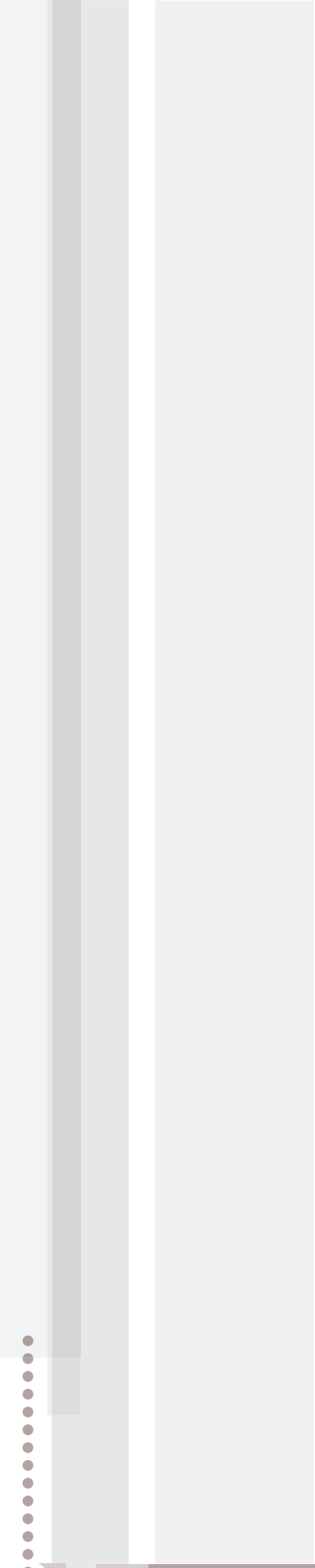
Over half of Canadian provinces and territories have legislated bans on tobacco displays in retail outlets. Nonetheless, a significant proportion of the Canadian population remains regularly exposed to inducements to use tobacco in retail outlets. Tobacco products kill 37,000 Canadians every year. Governments have an obligation to do everything within their authority to protect young people from becoming addicted to tobacco and to support smokers in their struggles to quit and stay quit. Power walls of tobacco products and related promotion at retail should be banned.

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**“A TRUE, TOBACCO-FREE CULTURE
IS MORE THAN JUST A REDUCTION
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ENTICEMENTS TO START.”**

The Honourable Barry Barnet
Minister of Health Promotion, Nova Scotia



**NON-SMOKERS’ RIGHTS ASSOCIATION*
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Suite 221, 720 Spadina Avenue, Toronto, Ontario M5S 2T9
www.nsra-adnf.ca

*RECIPIENT OF THE INTERNATIONAL LUTHER L. TERRY AWARD (2000)