POP goes the power wall? Taking aim at tobacco promotional strategies utilised at retail

T Dewhirst

Tobacco promotion at the retail level is pervasive

Tobacco firms face an increasingly stringent regulatory environment. Despite having fewer viable options in the promotional mix, industry promotional spending has persisted, reaching record levels. In the USA, $11.22 billion was spent on tobacco promotion during 2001. Once one form of promotion is banned, tobacco firms utilise other marketing strategies to continue communicating brand imagery. Radio and television advertising was no longer acceptable for cigarettes in New Zealand, the UK, the USA, Canada, and Australia, commencing in 1963, 1965, 1971, 1972, and 1976, respectively. Consequently, the tobacco industry shifted their promotional spending largely toward the print media. Individual tobacco companies also turned to sponsoring broadcast sports events to compensate for lost broadcast advertising exposure. In Canada, with the implementation of the Tobacco Products Control Act that stipulated a ban on tobacco product advertising, expenditures on sponsorship increased considerably during the late 1980s and early 1990s. And once bans were placed on tobacco sponsorship in countries such as Australia, Canada, and New Zealand, the tobacco industry placed further resources toward point-of-sale strategies, package design, trademark diversification, direct marketing campaigns, and “cigarette girls” who returned to bars and nightclubs.

In the USA, a ban on billboard advertising, in accordance with the 1998 Master Settlement Agreement, prompted an increase in the prevalence of both interior and exterior tobacco advertising at retail outlets (fig 1). Richard Pollay has remarked, “It’s like squeezing a balloon. You can shut down one media, but the problem just moves somewhere else.”

In the context of partial advertising bans, retail promotion, which consists of point-of-sale (POS) or point-of-purchase (POP) advertising, has become a central focus of tobacco marketing efforts. According to US advertising trade press, retail merchandising contracts are now the most potent part of a tobacco company’s marketing arsenal, and “the contracts are cigarette marketers’ primary marketing tool since the 1998 Master Settlement Agreement prohibited most tobacco advertising.” A mere 2% of US tobacco advertising budgets was devoted toward magazines, newspapers, and outdoor locations in 2001. Yet, when combining the point-of-sale advertising, promotional allowances (payments to retailers for shelf space), and retail value added (costs associated with bonus items distributed at retail when cigarettes are purchased) categories, Federal Trade Commission data reveal that US tobacco firms now spend 85% of their promotional dollars via retailers. A similar scenario is evident in Canada. Based on data gleaned from internal industry documents, “retail POS” and “trade promotion” accounted for 53% of the Canadian tobacco industry’s promotional budget in 1996. At the time, sponsorship was also permissible, generating 41% of promotional spending. Considering that a tobacco sponsorship ban has been implemented in Canada since October 2003, promotion at retail will presumably become even more prominent.

Tobacco promotion at retail is pervasive. The Point of Purchase Advertising Institute monitors in-store advertising expenditures for 22 industries, and reveals that the tobacco industry is the top spender on in-store media. Merchants receive significantly more money for tobacco display allowances relative to other product categories. Feighery and colleagues, for example, compared incentive programmes among small retail outlets in Santa Clara, California, for five different product types: tobacco, beer and wine, soft drinks, snack foods, and candy. They found that, among the five measured product categories, approximately 78% of incentive payments came from tobacco firms.

US tobacco firms typically provide incentives to retailers in exchange for their brands having at least 40% of shelf space (Philip Morris and RJ Reynolds (RJR) purportedly negotiate for as much as 55%), obtaining desirable shelf placement, displaying promotional items and signage, meeting minimum sales volume standards, providing “buy-downs” (retailers pass along reduced prices to consumers), and maintaining one of their brands as the cheapest available. Some of these incentive programmes have undergone considerable scrutiny, being the subject of antitrust litigation initiated by competing tobacco firms. The Liggett Group filed an antitrust suit against RJR claiming that the firm’s “Everyday Low Pricing” programme was unfair. In an attempt to minimise the competitiveness of contending deep discount brands, RJR’s programme required that their brands, such as Best Value or Monarch, be the lowest priced offerings at retail. RJR, meanwhile, alleged that Philip Morris’ “Retail Leaders” programme, implemented in 1999, was anti-competitive because the firm had considerable clout with its market share and was forcing retailers to give brands, such as Marlboro, superior shelf positions.

Repetition

Repetition is regarded as a cornerstone principle for successfully communicating brand identity. Repetition, both over time and across multiple media, promotes “friendly familiarity”. A dense environment of cigarette promotion and imagery gives the impression that tobacco use is socially acceptable, desirable, and prevalent. These impressions are further reinforced by the fact that cigarettes are so readily available. Because tobacco products may be acquired at a vast array of outlets,
contradictory messages are communicated about the dangerousness of product use. In this issue of Tobacco Control, Henriksen and colleagues add to the literature about children and youth being exposed to cigarette promotions in POP environments. In many cases, retailers with in-store tobacco promotions are located in close proximity to schools and in-store promotions and cigarettes are often displayed at low eye levels adjacent to candy. In some jurisdictions, action has been taken to counter the promotional impact at retail. In Saskatchewan, provincial legislation took effect on 11 March 2002 and stipulates that both the promotion and display of tobacco and tobacco-related products are prohibited in locations where people less than 18 years old have access. The Tobacco Control Act prompted cigarette “power walls” to be covered, and retailers used curtains, frosted glass, and closed cupboards to ensure that tobacco products were not publicly displayed (fig 2). During May 2002, Rothmans, Benson and Hedges (RBH), Canada’s second largest tobacco manufacturer, challenged the Act on constitutional grounds. The legislation was upheld by the Saskatchewan Court of Queen’s Bench during September 2002, yet RBH was successful when appealing the decision. The Saskatchewan Court of Appeal declared the Act inoperative under the premise that Section 6 was inconsistent with Section 30 of federal legislation, the Tobacco Act. The Supreme Court of Canada has authorised Saskatchewan to appeal the most recent decision, and it is expected that the case will be heard during 2005.

Saskatchewan, with a population of roughly one million, does not represent a large market for the Canadian tobacco industry. However, if Section 6 of Saskatchewan’s Tobacco Control Act is upheld, similar stipulations are expected to be enforced in Manitoba, as well as Canada’s most populous province, Ontario. It is also anticipated that the Supreme Court of Canada trial will help inform the implementation of retail display ban policies being proposed elsewhere (for example, South Africa, Ireland, and New South Wales, Australia).

The retail venue is now the primary promotional medium for the tobacco industry. Left unregulated, tobacco merchandising in the retail environment will continue to proliferate. Policies such as Saskatchewan’s Tobacco Control Act seem warranted, but anything short of a full tobacco promotion ban (as stipulated by the Framework Convention on Tobacco Control) will merely prompt another shift in promotional spending. Alluding to the earlier quote about squeezing a balloon, it is now time to “pop” the balloon in the interest of public health.


Correspondence to: Professor Timothy Dewhurst, Dept of Management & Marketing, College of Commerce, University of Saskatchewan, 25 Campus Drive, Saskatoon, SK, S7N 5A7, Canada; dewhurst@commerce.usask.ca

Timothy Dewhurst is a Canada-US Fulbright Scholar, with the University of California, San Francisco hosting a six month research term.

**Figure 2**: Out of sight, out of mind: Under Section 6 of Saskatchewan’s Tobacco Control Act, cigarettes are no longer visible when purchasing the twizzlers or jawbreakers that are seen in the foreground. Photographs taken 5 October 2003.

---

**REFERENCES**


---

*Power walls* refer to the extensive rows of cigarette packages, in quantities that far exceed what is needed to meet short term purchase levels, which are commonly visible as a back drop to the cash register.
POP goes the power wall? Taking aim at tobacco promotional strategies utilised at retail

T Dewhirst

Tob Control 2004 13: 209-210
doi: 10.1136/tc.2004.009043

Updated information and services can be found at:
http://tobaccocontrol.bmj.com/content/13/3/209

References

This article cites 18 articles, 13 of which you can access for free at:
http://tobaccocontrol.bmj.com/content/13/3/209#BIBL

Email alerting service

Receive free email alerts when new articles cite this article. Sign up in the box at the top right corner of the online article.

Notes

To request permissions go to:
http://group.bmj.com/group/rights-licensing/permissions

To order reprints go to:
http://journals.bmj.com/cgi/reprintform

To subscribe to BMJ go to:
http://group.bmj.com/subscribe/