



**PHYSICIANS FOR A SMOKE-FREE CANADA
MÉDECINS POUR UN CANADA SANS FUMÉE**

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Background

Canadian Retailers & Cigarette Promotion

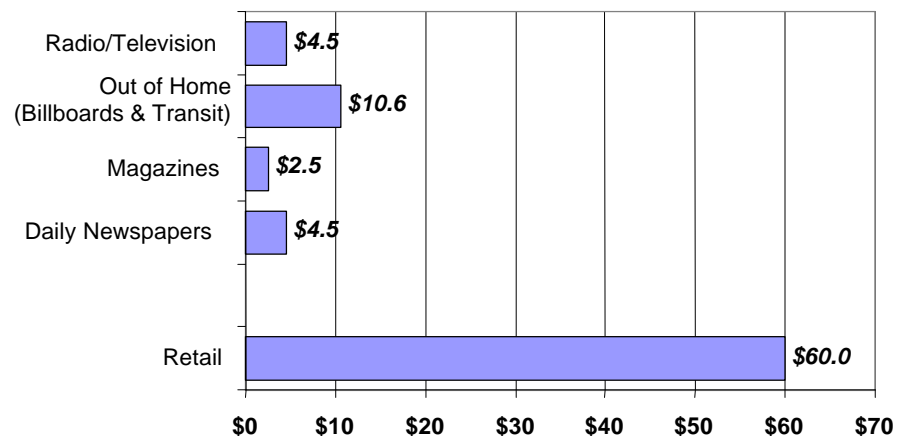
How much do tobacco companies spend on retail promotion of cigarettes?

- **\$60 million.**

In 1996, the Canadian Tobacco Manufacturers' Council reported to the Minister of Health that the industry spent \$60 million on retail promotions, including payments to retailers.

Source: Analysis of Options for Tobacco Product Promotional Activity Restrictions, Health Canada, 1997

**Expenditures on Cigarette Promotion
(\$ millions in 1996)**



How many Canadian retailers sell cigarettes?

- **40,000.**

Source: Imperial Tobacco Declaration, Imperial Tobacco Ltd. vs. Attorney General of Canada, document no. 500-05-031332-974.

- **Over 90%** of Canadian retailers surveyed by AC Nielsen Market Track sell cigarettes.

AC Nielsen's Market Track covers the following categories of retailers: Supermarkets; convenience and corner stores; drug stores; gas stations; other 'attainable' channels'

Source: Nielsen Market Track: Causal Report Cigarettes, 1995

What types of cigarette promotions are placed in Canadian stores?

Tobacco companies and retailers promote cigarette brands to customers and passers-using:

- Counter top displays
- Give-aways (cups, cards, brochures)
- Exterior posters
- In-store posters
- Clocks and other displays
- Display shelving

Few children could miss this display of Matinee cigarettes. It is placed at children's eye level beside the cash register and surrounded by candies.



Postcard distributed through Mac's Milk counter displays. Mac's Milk coffee is often served in Benson & Hedges paper cups.

This advertisement for Craven A cigarettes is placed four feet above the ground – just at the eye level of young children.



This poster for racing hero Jacques Villeneuve is placed just above a rack of comic adventure books.

How many retailers place cigarette promotional material in their stores?

- **37%** [According to independent surveys].

ACNielsen reports that 37% of Canadian retailers carry some form of tobacco promotion (this is in addition to display shelving which is ubiquitous). The number of retailers who carry cigarette advertisements range from a high of 60% in Quebec to a low of 23% in British Columbia.

Source: Measurement of Retailer Compliance with respect to the Tobacco Act and Provincial Tobacco Sales-to-Minors Legislation. Final Results: Wave 1: 1997

- **Over 20,000** [According to Imperial Tobacco]

Imperial Tobacco reported in court that it “advertises its brands and sub-brands through product advertising in over 21,500 retail stores which sell tobacco products.”

Source: Imperial Tobacco Declaration, Imperial Tobacco Ltd. vs. Attorney General of Canada, document no. 500-05-031332-974

Do tobacco companies spend more money on retail promotion than they do on billboards or other forms of cigarette advertising?

- **Yes.**

In 1996, the tobacco industry told the government that they spent \$60 million on retail promotion. Estimates of their advertising expenditures on other measured media for the same period show that they spent three times as much on retail promotion as on all other forms of measured media.

Sources: *Analysis of Options for Tobacco Product Promotional Activity Restrictions*, Health Canada, 1997; *ACNielsen Report on Media Advertising Expenditures in Support of Brands or Events Sponsored in Whole or in Part, by Tobacco Manufacturers*, 1998.

The most recent figures produced by the industry date from 1987. They were provided to the court during the industry's challenge to *the Tobacco Products Control Act*, and show that both Imperial Tobacco and RJR spent more on incentives for retailers than on any other single advertising media.

Sources: *AG30.A, RJR-3, AG31. Documents produced during the RJR Macdonald challenge to the Tobacco Products Control Act.*

Cigarette Advertising - 1987

Imperial Tobacco

Production & Print		\$11,623,782
Outdoor Signs		\$3,325,037
Total Retail		\$13,282,594
• Regional Activities*	• \$9,939,223	
• POS**	• \$3,343,371	
Total		\$9,510,589
Sponsorships		
• Purses	• \$2,344,493	
• Agency Fees	• \$782,400	
• Materials/Services	• \$5,014,706	
• Media and Production	• \$1,249,339	
• Point of Sale	• \$119,651	
Total		\$37,742,002

* "The expenses included within this category represent space payments made to the retail trade to expose product and/or retail signage. In addition, sponsorship support at the retail level are also included." (Imperial Tobacco)

** "Point of Sale materials which are used at the retail level to promote products and/or sponsored events." (Imperial Tobacco)

RJR Macdonald

Print Advertising		\$11,416,000
Sign		\$6,839,000
Retail		\$18,568,000
Point of Sale		\$1,736,000
Sponsorships		\$1,344,000
Production		\$2,091,000
Research		\$1,733,000
Agency Fee		\$1,612,000
Total		\$35,339,000

How much is the average retailer paid to promote cigarettes in stores?

- **Not known.** A mathematically derived average of total expenditures by total retailers is \$1,500 per retailer.

The tobacco companies have not released details of their contracts with retailers, nor have any been leaked to the public. If the \$60,000,000 retail promotion budget is evenly divided among the 40,000 retailers, each retailer would receive \$1,500 per year.

How much extra would retailers have to charge to replace the direct payments they now receive for cigarette promotion?

- **Three cents per package.**

On average, an increase in the retail mark-up of 3 cents on the 2 billion packages of cigarettes sold in Canada each year would replace the \$60,000,000 of promotional payments and support now offered by tobacco companies.

Sources: Tobacco Sales data reported by the tobacco companies to Health Canada, 1997; retail promotion expenditures reported in January 1997 to the Minister of Health.

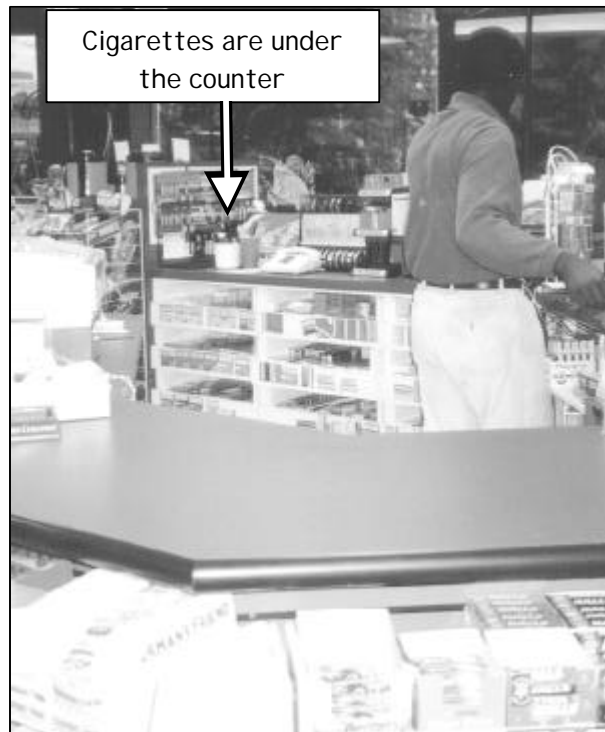
Have any retail outlets voluntarily withdrawn from tobacco advertising?

- **Yes.**

Not all retailers carry tobacco products (Eaton and Walmart are two examples).

Mac's Milk is a convenience chain which sells cigarettes and advertises them in most of its stores.

In some of its retail outlets, like that at Pandora and Cook in Victoria, they have voluntarily moved cigarettes out of sight and removed other cigarette promotions.



How do retail revenues from cigarette sales compare with the promotional allowances paid by the tobacco companies?

- Promotional revenues are 8% of earnings from retail mark-up.

Source: Calculation from promotional figures provided by CTMC, and retail mark-up earnings cited above.

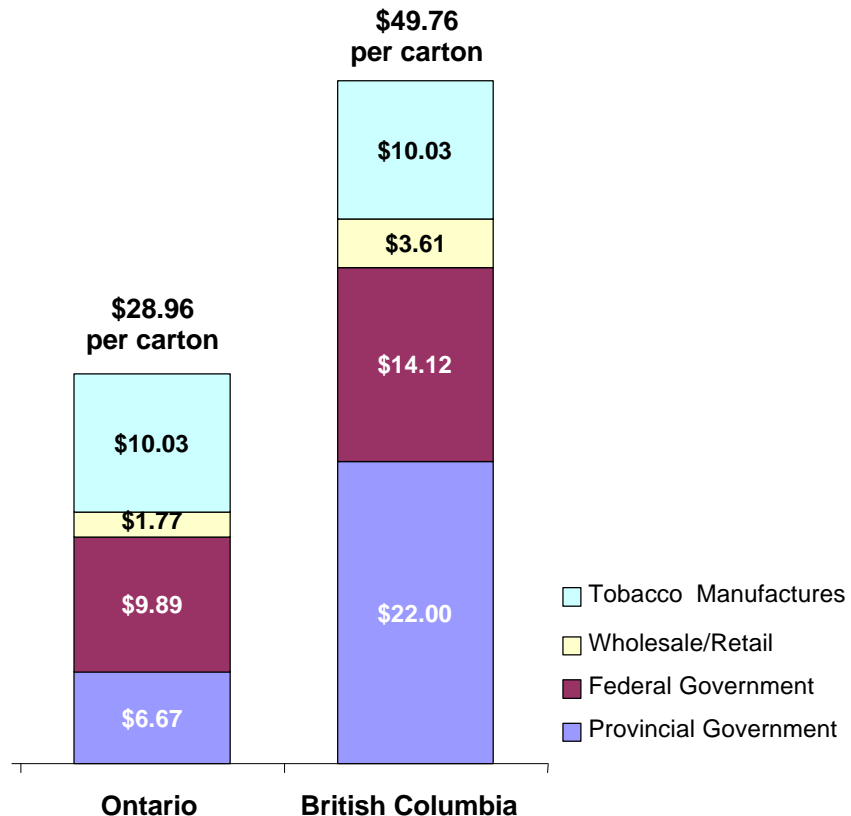
How much do retailers earn from the sale of a package of cigarettes.

- From 18 cents to 50 cents per package.

The difference in cigarette prices across Canada is chiefly due to differing tax rates, but wholesale and retail mark-ups also vary.

According to the Canadian Tobacco Manufacturers' Council, retailers and wholesalers receive twice as much in B.C. per carton or package of cigarettes as those in Ontario do.

Source: Canadian Tobacco Manufacturers' Council advertisement in Vancouver Sun and other B.C. newspapers, September 15, 1998



What do retailers earn on their mark-up from cigarette sales?

- Approximately \$750 million per year.

On average, the retail/wholesale mark-up for a carton of 200 cigarettes is \$3.34, of which the retailer receives just over \$3.00. The sale of 227 million cartons of cigarettes and tobacco produces a retail mark-up revenue of about \$700 million each year.

Sources: Industry retail-mark-up provided to the Non Smokers' Rights Association and sales data provided to Health Canada by the tobacco companies.

Do kids notice retail promotions for cigarettes?

- Yes. And younger teenagers are most likely to notice them.

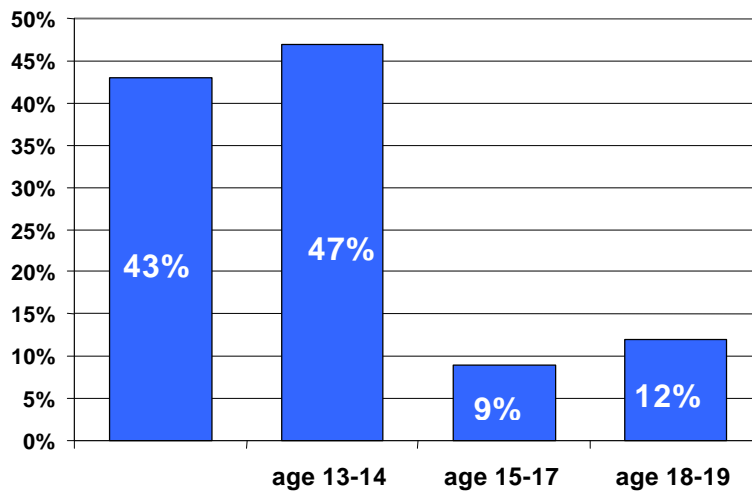
Health Canada's Youth Smoking Survey (1994) asked Canadian youth if they recalled seeing sponsorship advertisements for cigarettes (in 1994, these were the only types of legal cigarette ads).

A slim majority recalled seeing these posters. Although teenagers at all ages visit retail stores, cigarette ads were most memorable to kids in key years for learning to smoke.

"Of all age groups, it is 13-to-14 year olds who are most likely to report having seen advertising for events sponsored by tobacco companies;"

Source: Health Canada, Youth Smoking Survey, 1994, p. 205 and table 8.12)

Memorability of in-store cigarette promotion by young Canadians who noticed sponsorship ads, 1994



Is youth smoking higher in provinces with higher levels of retail cigarette promotion?

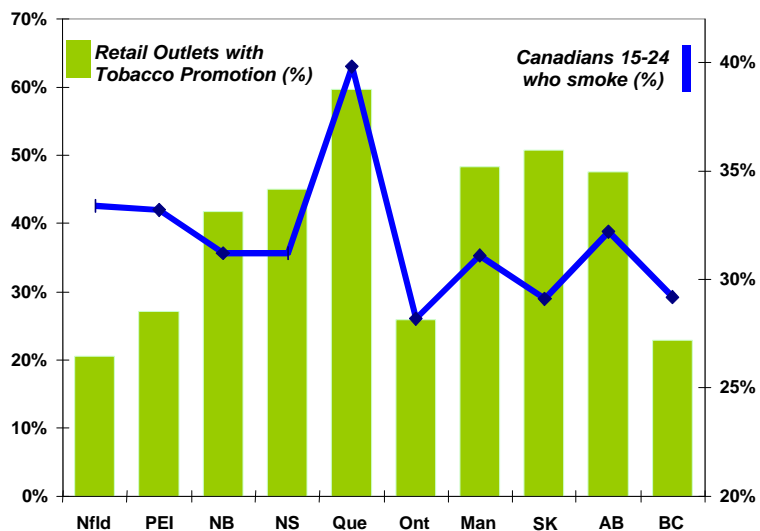
- Yes.

In the larger provinces (Ontario, Quebec, British Columbia and Alberta), smoking rates among teenagers and young adults are higher where retail promotion is more common.

Sources: *Measurement of Retailer Compliance with respect to the Tobacco Act and Provincial Tobacco Sales-to-Minors Legislation. Final Results: Wave 1: 1997; National Population Health Survey, 1996, Statistics Canada.*

	Retailers Promoting Cigarettes	Current smokers aged 15-24
Newfoundland	21%	33.4%
Prince Edward Island	27%	33.2%
New Brunswick	42%	31.2%
Nova Scotia	45%	31.2%
Quebec	60%	39.8%
Ontario	26%	28.2%
Manitoba	48%	31.1%
Saskatchewan	51%	29.1%
Alberta	48%	32.2%
British Columbia	23%	29.2%
Canada	37%	32.1%

Retail Promotion and Smoking by Young Canadians



Have other countries restrained retail promotion of cigarettes?

- Yes, including the United States.

A. The FDA rule of August 1996

On the authority of its rule of August 28, 1996, The U.S. Food and Drug Administration included the following in their directions to retailers:

- “Sell products only in a direct, face-to-face exchange. (No vending machines or self-service displays permitted except in places that never have anyone under 18 present.)
- Inside your store: Have all tobacco ads and promotional material that have any pictures or colors removed. Use only ads or material with black text on a white background. (Exception: Inside places that never have anyone under 18 present, pictures or colors are permitted if the ads are not visible from the outside and cannot be removed.)
- Outside your store: Have all outdoor tobacco ads and promotional material (including on store windows) that are within 1,000 feet of a school or public playground removed. Beyond 1,000 feet, use only ads or material with black text on a white background. “

Source: FDA Web page.

This rule, its advertising restrictions and its retail restraints were challenged by retailers and tobacco companies. On April 25, 1997, a Federal Court upheld FDA jurisdiction over cigarettes and smokeless tobacco. *As a result of the ruling:*

- Age and photo ID restrictions remain in place.
- Additional access restrictions scheduled to go into effect August 28, 1997, are delayed pending further judicial action.
- Advertising provisions were overturned on statutory grounds. The government is appealing this portion of the ruling.

Source: FDA Web page.

B. The “Settlement”

The settlement between the tobacco companies and most U.S. states contained measures affecting retail displays and sales of tobacco products. These include provisions which:

- Prohibits the targeting of youth in advertising, promotions or marketing.
- Bans industry actions aimed at initiating, maintaining or increasing youth smoking.
- Limits advertising outside retail establishments to 14 square feet.

Source: National Association of Attorneys General Web page (www.naag.org)