

Implementation of the Tobacco Display Ban in Republic of Ireland

ACS (the Association of Convenience Stores) commissioned a study and undertook a visit to the Republic Of Ireland to better understand the experience of retailers in implementing the ban on the display of tobacco products that came into force on the 1st July 2009. This study deliberately focuses on the smallest independent convenience stores and newsagents.

This report is a summary of the key findings and provides some key learning relevant to the current debates taking place in different parts of the UK.

Summary of Findings

- The biggest compliance costs and burdens are experienced by the smallest retailers
- Irish Retailers tend to see the ban as unnecessary and compliance as a burden
- Most retailers chose the cheapest and easiest compliance solution and the majority adopted a compliance solution that was fitted to the existing unit
- The findings are not conclusive about the kind of financial support that retailers can expect from tobacco suppliers. Over half surveyed had to wholly fund the solution themselves and there was a wide disparity in compliance costs.
- There was confusion for some retailers regarding the change and the majority relied on trade press, symbol groups and tobacco manufactures for their information.
- The overriding customer reaction seems to be not to notice a change at all
- There is a perception that the ban has contributed to an increase in the illicit trade
- There are two key limitations to drawing comparisons between the markets
 - the UK market is ten times the size of the Irish Market and so the logistical and communications challenges are more significant; and
 - the high pre-existing prominence of vending units in the chains and symbol group stores has reduced the compliance burden.

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Ireland and the Law Change

Irish Market

The Irish market has approximately 5,500 outlets selling tobacco products, 80% of which are convenience stores. In the UK there are 55,000 convenience stores alone as well as other formats such as CTNs, supermarkets and pubs which may sell tobacco.

In Ireland 29% of adults smoke and the average consumption is 17 cigarettes per day. In comparison in the UK 23% of adults smoke an average of 14 cigarettes per day. There is a retail price floor which means that the minimum price for a packet of cigarettes is Eu7.75, which is the highest price in Europe.

In Ireland the tobacco companies have the following market shares:

Tobacco Company	Market Share
Gallaher	47.9%
John Player and Sons (ITL)	35.7%
PJ Carroll (BAT)	16.4%

There is a major difference between tobacco retailing in Ireland compared to Scotland, England and Wales, which is the amount of retail outlets that sell tobacco from vending machines. In Ireland 65% of shops have an electronic vending unit at their point of sale and the installation of vending units has been taking place for a number of years. The penetration of vending solutions in the UK is less than 1%.¹

In Ireland the larger retailers (large format shops, multiple chains and larger independent stores) are likely to have installed vending machines. Unaffiliated independent convenience stores and newsagents almost universally do not have a vending solution.

Irish Legislation

The Tobacco Display Ban came into force on the 1st July 2009. The legislation stipulates that

- All tobacco advertising at POS must be removed – counter mats, A5 posters, till covers, wobblers etc
- Retailers must put up a designated sign advising that they sell tobacco
- All tobacco products must be kept out of sight in a sealed container
- A retailer can show the person wishing to buy tobacco one pack only of each tobacco product stocked or a 'menu board' of SKU (Stocktaking Units)

¹ Vending Machine data provided by British American Tobacco

If retailers do not comply they could be fined up to €3,000 for non compliance with advertising laws and €1,900 for display violations. They could also lose the right to sell tobacco for up to 30 days in the shop where the offence took place. Stricter penalties, including imprisonment can apply in certain circumstances.

Retailers can under the existing legislation:

- Store tobacco in their current tobacco unit if it complies with the regulations
- Keep the tobacco unit in its current place – it does **not** have to be under the counter
- Have more than one unit
- Replenish stock in the tobacco unit at any time

We do not yet know what the requirements would be if a display ban is implemented in the different parts of the United Kingdom.

Make up of study

ACS commissioned research from specialist convenience retailing market research agency him!.² The purpose was to understand the compliance burden on smaller retailers and those with similar tobacco displays to those prevalent in the UK.

The research had two parts:

- 100 retailers were asked quantitative questions regarding the impact of the display ban and the solution they chose to comply
- 10 in-depth qualitative interviews asked detailed questions of retailers

The survey deliberately focused on independent retailers and excluded stores that had installed a vending machine prior to the implementation of the ban.

Care was taken to ensure that respondents to the survey were drawn from a representative spread of store formats, location types and customers of the main tobacco suppliers (see Annex 1)

² him! is a research-based retail consultancy, working with over 100 blue-chip organisations in retail, wholesale, on-trade and foodservice. www.him.uk.com

Key Findings

Below is a summary of key findings from both parts of the research.

Reaction to the Display Ban

Retailers were asked for their own opinions on the tobacco display ban. On the whole, the overriding perception was that the display ban was an ineffective measure. 80% of those asked believed sales have not be affected at all since the changes were made. Below is a sample of responses from the in-depth study.

What are your views on the tobacco display ban in general?

Retailer 2, Forecourt/ Unaffiliated/ Rural, 15 by 23 (sq ft), 2 staff
Cupboards

"I don't think much about it, I mean, it won't stop people from smoking. It has only given the retailer an added expense because they have had to install the tobacco display equipment. I don't think that there is anything positive about the ban."

Retailer 7, Convenience Store/ Symbol/ Urban, 600-700 (sq ft), 8 staff
Sliding Doors

"I don't think that it will really affect me very much but I do think that it will restrict the number of lines that I carry. A lot of people don't have a decision already made as to what brand they want to purchase. I think that I may be affected by the tourist trade who don't always know what they are looking for, so I may not carry the slower brands but just the international brands. I do think that smokers will always smoke so in that sense, I don't think that the ban will accomplish very much. I think that more people will be going to get their cigarettes from the black market."

Retailer 10, CTN Newsagents/ Symbol/ Urban, 4 staff
Pull down Shelves

"I think that it's silly and stupid. I think that they would be better off doing something with the packets themselves and keeping them neutral if anything. I think that it's ridiculous, to be honest because the shop doesn't look good either. The advertising is gone, it's been left blank, the tobacco is covered and it just looks bland."

Solution Type

Retailers were asked what type of solution they had chosen to comply with the display ban. 78% of respondent fitted a solution to their existing gantry. A fifth (22%) chose to install a new unit, with 16% installing a vending machine as a reaction to the ban.

How have you changed your tobacco display as a result of the tobacco display ban?

	Study Total	Convenience store	CTN/Newsagents	Forecourt	Off-licence
Sample	100	44	12	36	8
Curtain over tobacco display	11%	14%	8%	6%	25%
Screen over tobacco display	49%	52%	42%	53%	25%
Drawers to replace tobacco display	31%	41%	8%	22%	50%
Vending Machine	16%	20%	8%	17%	*
Sliding doors	20%	27%	33%	8%	13%
Pull down shelves	14%	14%	17%	11%	25%
Cupboards	17%	14%	17%	22%	13%
Pull up flaps	15%	14%	17%	19%	*
Tobacco stored under or over the counter	25%	20%	8%	31%	50%
Nothing	*	*	*	*	*

	Affiliated Stores	Unaffiliated Stores
Sample	65	35
Curtain over tobacco display	12%	9%
Screen over tobacco display	46%	54%
Drawers to replace tobacco display	32%	29%
Vending Machine	18%	11%
Sliding doors	20%	20%
Pull down shelves	17%	9%
Cupboards	18%	14%
Pull up flaps	18%	9%
Tobacco stored under or over the counter	32%	11%
Nothing	*	*

Overall there was a satisfaction with their chosen solution although so far the majority of retailers believed that there had been no enforcement activity to check the solution was indeed compliant. However 90% of retailers asked did not see the new solution as an improvement with some expressing concern being the attractiveness of the solution.

Opinion of Solution

During the in-depth studies, retailers were asked about their attitude towards their new display unit. A concern for the respondents was the atheistic look of the solution.

What is your attitude towards the new display unit in your store and why do you think that?

Retailer 1, CTN Newsagents/ Unaffiliated/ Urban, 400 (sq ft), 2 members of staff
Curtain over tobacco display

"I think that it looks a bit ugly because you just have a screen behind you. It's just a blank wall with these curtains over it. People are curious to know what is behind it, especially foreigners."

Retailer 6, Forecourt/Symbol/ Rural, 1500 (sq ft), 8 members of staff
Pull down Shelves

"It doesn't look very appealing, it just looks like a big blank white wall. It does need to be dressed up a little with maybe different advertising on it for maybe drinks or something."

Retailer 10, CTN Newsagents/ Symbol/ Urban, 4 staff
Pull down Shelves

"The ones from Carols hold 4 packets of cigarettes with a spring loaded system and two draws high so each unit will hold 8 brands. I would have liked something different, somewhere where I could also have fitted the lower selling lines into."

All retailers will obviously be concerned about the aesthetic look and feel of their stores. It is their livelihood, with consumers increasingly expecting high standards in all of their community stores.

Reason for Choosing Solution

We also asked the wider group of retailers what was a factor when it came to choosing a particular solution. In many cases key consideration was the cost of the solution and the ease and speed it could be fitted. However, a significant proportion (36%) said that they chose the solution because it was the only solution available.

It is also worth noting that although 65% of the stores were part of a symbol group, only 29% of them received advice from their local symbol group.

Why did you choose this particular solution?

	TOTAL	Convenience store	CTN/Newsagents	Forecourt	Off-licence
Sample	100	44	12	36	8
On advice from head office/symbol group	29%	36%	17%	28%	13%
Easiest to implement	65%	68%	50%	64%	75%
Cheapest to implement	50%	43%	50%	56%	63%
Quickest to implement	60%	57%	50%	67%	63%
It's the most visually appealing solution	22%	23%	25%	19%	25%
Most user friendly solution	28%	30%	25%	31%	13%
Only solution available	36%	39%	42%	33%	25%
On advice from tobacco company	44%	48%	25%	44%	50%

Funding

Overall half of the retailers surveyed had to fund their own solution, but this was disproportionately weighted to the smaller operations. 75% of newsagents received no financial assistance as well as more than half the forecourts (64%) and off licences (63%) in the survey. Convenience stores, especially those in groups, were more likely to get assistance. Yet there are still over 40% of convenience stores that had to fund the change themselves. 94% of those surveyed receive no financial support from tobacco companies on an ongoing basis

Proportionally, how much financial help with the changeover did you receive from tobacco companies?

	TOTAL	Convenience store	CTN/Newsagents	Forecourt	Off-licence
Sample	100	44	12	36	8
None/0%	56%	43%	75%	64%	63%
1-10%	4%	7%	*	*	13%
11-20%	1%	2%	*	*	*
21-30%	1%	2%	*	*	*
31-40%	1%	*	*	3%	*
41-50%	*	*	*	*	*
51-60%	*	*	*	*	*
61-70%	*	*	*	*	*
71-80%	*	*	*	*	*
81-90%	*	*	*	*	*
91-100%	31%	39%	17%	31%	13%
Don't know	6%	7%	8%	3%	13%
Average %	34.3	43.4	18.2	32.6	15

If these results are broken down between affiliated and unaffiliated stores there is a clear difference. 52% of affiliated stores received no assistance, compared to 63% of unaffiliated stores. On average, around a third of both affiliated and unaffiliated stores received between 91-100% funding from tobacco companies.

Proportionally, how much financial help with the changeover did you receive from tobacco companies?

	Affiliated	Unaffiliated
Sample	65	35
None/0%	52%	63%
1-10%	5%	3%
11-20%	2%	*
21-30%	2%	*
31-40%	2%	*
41-50%	*	*
51-60%	*	*
61-70%	*	*
71-80%	*	*
81-90%	*	*
91-100%	32%	29%
Don't know	6%	6%
Average %	36.3	30.6

We asked retailers what assistance they had with funding compliance with the ban, and was this assistance sufficient,

Did you receive any financial help when implementing the new display unit, and from whom? Furthermore, do you think that this “help” was sufficient, and if not, why not?

<p>Retailer 1, CTN Newsagents/ Unaffiliated/ Urban, 400 (sq ft), 2 members of staff Curtain over tobacco display</p>
<p><i>"No we didn't. It would have been nice but it wasn't really that expensive. We just have an over lap curtain over it."</i></p>
<p>Retailer 3, CTN Newsagents/ Unaffiliated/ Urban, 500 (sq ft), 2 members of staff Screen over tobacco display.</p>
<p><i>"None, I had to pay for it myself."</i></p>
<p>Retailer 7, Convenience Store/ Symbol/ Urban, 600-700 (sq ft), 8 staff Sliding Doors</p>
<p><i>"It didn't actually cost me anything, Gallagher's, Clares and Carols put it in for me."</i></p>
<p>Retailer 8, CTN Newsagents/ Unaffiliated/ Urban, 980 (sq ft), 10 members of staff Vending Machine</p>
<p><i>"No I didn't. It was an added expense to me which made the enterprise less viable, in my opinion."</i></p>

Retailers were also asked about the costs involved with their chosen solution. There was a wide disparity in costs due to the range of solutions adopted, from very low cost curtains and screens to more expensive vending and storage machines. The average reported was £300.

Communication

There seems to have been concern about the way the ban was communicated – with less than a quarter reporting having used information supplied by national or local government to help comply with the ban. Indeed, over 50% of respondents claimed to have had no contact from Government on the issue at all.

We asked retailers what contact they would have found useful:

What would you like to have seen more of or received in the time leading up to and following the changeover process that you did not, and why?

Retailer 1, CTN Newsagents/ Unaffiliated/ Urban, 400 (sq ft), 2 members of staff

Curtain over tobacco display

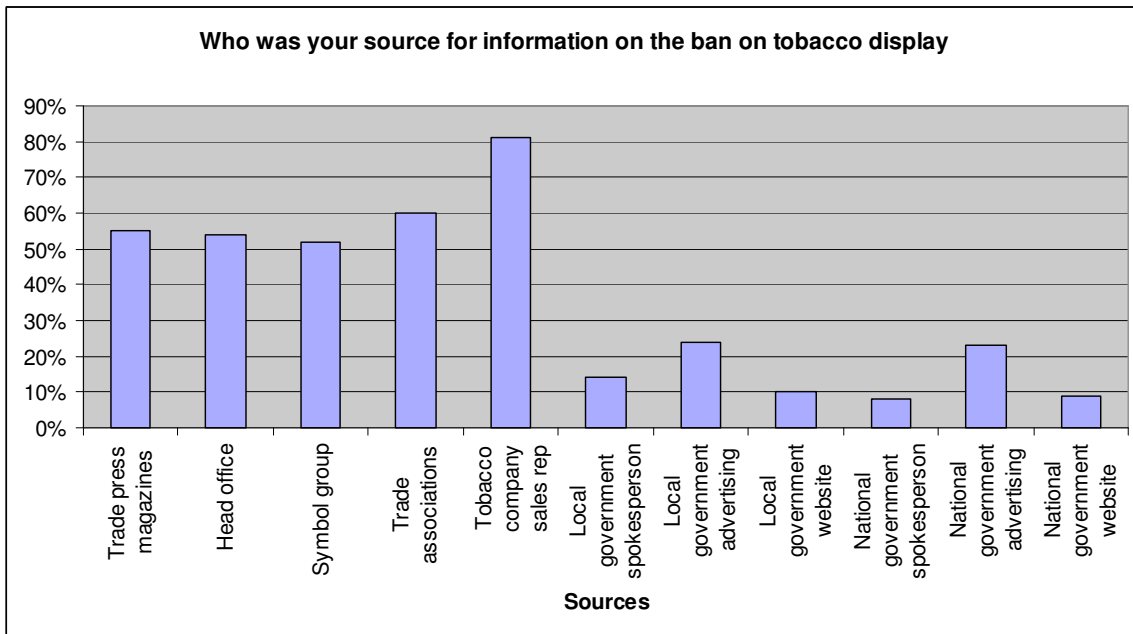
"Just somebody coming in to explain more about it, and just simple face to face contact, simple instructions instead of having to read legal documents."

Retailer 5, Convenience Store/ Symbol/ Urban, 1,750 (sq ft), 10 members of staff

Cupboards and Pull up flaps

"The government were supposed to send us a card showing what cigarettes we had but we still haven't received it."

By far the largest source of information about the change was the tobacco company reps but also symbol groups, trade bodies and the trade press.



Confusion

It was clear from the in-depth questionnaire that there was some confusion regarding how to comply with the ban. We asked if the retailers had received all the information they needed, and if more could have been done to make the regulations more understandable. While many of the respondents had received sufficient information from either government, symbol group or tobacco company some remained confused.

Did you receive enough information regarding the tobacco display ban and the changes that would need to be made in your store?

Retailer 1, CTN Newsagents/ Unaffiliated/ Urban, 400 (sq ft), 2 members of staff
Curtain over tobacco display

"I did get the information a couple of months in advance. There are still some things that I am not sure about like whether the ban refers to lighters, matches and pipes. I think that there would have been no harm in having someone coming around and explaining everything"

Retailer 6, Forecourt/Symbol/ Rural, 1500 (sq ft), 8 members of staff
Pull down Shelves

"We did get a little bit of literature and the rep's also came around but I haven't seen them since. I don't really think that the government really know what they are doing."

Retailer 8, CTN Newsagents/ Unaffiliated/ Urban, 980 (sq ft), 10 members of staff
Vending Machine

"We did receive the information 12 months in advance. I have received very little information from the government and the tobacco companies have not clarified everything either. For example, I still don't know if the buttons on the vending unit are supposed to be displayed, they haven't really clarified that. I don't think that any of this has been thought out properly and I don't think that it is going to work either. I don't know what they think they are going to achieve, all that they are going to do is to send people to the black market."

Reaction of Customers

Retailers suggest that the overwhelming impact on customers has been that they have not noticed a difference (65%), although of the remaining customers the majority have had a negative with only 3% seeing this as a positive change.

We asked retailers for their view on what the reaction of their customers was:

What do you believe to be the reaction from your customers to the tobacco display ban in general, and to your business specifically?

Retailer 2, Forecourt/ Unaffiliated/ Rural, 15 by 23 (sq ft), 2 staff
Cupboards

"My customers just laugh at it because they are still smoking anyway. Even though they can't see the cigarettes, they still know the brands that they are looking for."

Retailer 5, Convenience Store/ Symbol/ Urban, 1,750 (sq ft), 10 members of staff
Cupboards and Pull up flaps

"They think that it is funny and strange that you can sell something that you can't see."

Retailer 7, Convenience Store/ Symbol/ Urban, 600-700 (sq ft), 8 staff
Sliding Doors

"I think that they have all accepted it really, they don't really have a choice. Some people have actually come in and thought that we didn't even sell cigarettes, these have been mostly foreigners."

Retailer 8, CTN Newsagents/ Unaffiliated/ Urban, 980 (sq ft), 10 members of staff
Vending Machine

"They just can't understand it, 95% just ask anyway. Those who are not familiar with the sale of tobacco are a bit confused because they are not able to see the actual brands on display. I don't think that my business will be affected because I think that there will be fewer retailers around because of being put out of business because of this new law. It will be a case of survival of the strongest."

Sales Impact

80% of retailers report that the changeover has had no impact on sales. 17% believe that the impact has been negative.

Q11. Where would you say you have lost customers to, as a result of the changeover? Base : All with negative impact on sales

	TOTAL	Convenience store	CTN/Newsagents	Forecourt	Off-licence
Sample	17	9	3	4	1
People are buying in bigger stores/ supermarkets	24%	11%	33%	25%	100%
Buying in illegal markets	71%	78%	67%	75%	*
Buying abroad	47%	44%	100%	25%	*
People smoking less/ giving up smoking	12%	11%	*	25%	*
Other	12%	11%	33%	*	*

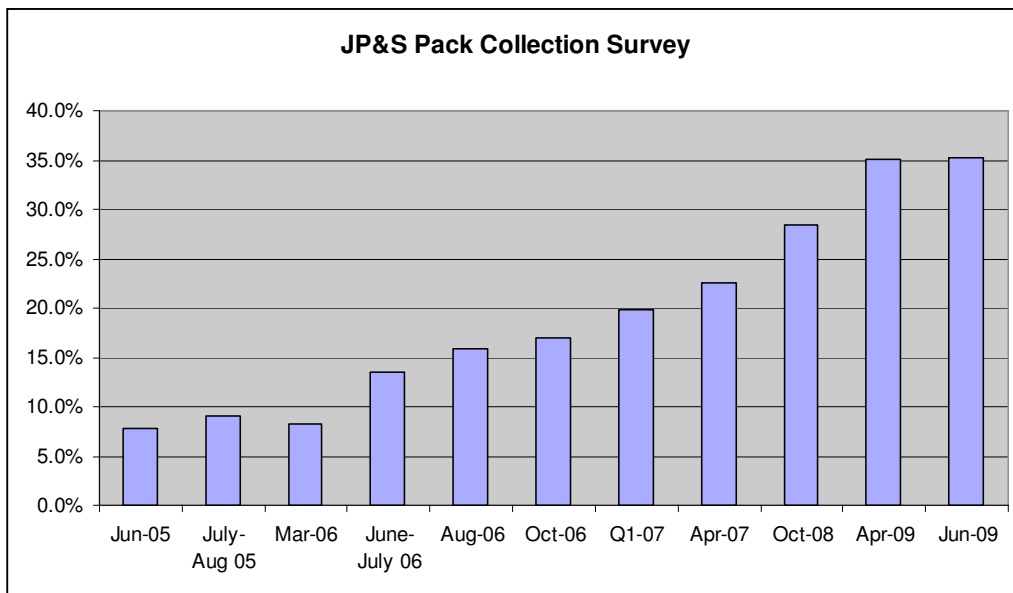
Of those that have experienced a sales decline they believe that those sales have gone to:

- Buying from bigger stores (24%)
- Buying in the illegal market (71%)
- Buying abroad (12%)
- People smoking less, giving up smoking (12%)

Cigarettes account for 30% of sales in UK convenience stores. If consumers are switching purchasing to bigger stores (rather than reducing smoking) it will threaten their livelihoods.

An Explosion in the Illegal Trade

The growth of the illegal trade is an issue that came to the fore in ACS' recent visit to ROI. The scale of the problem of Irish-non-duty-paid tobacco consumption is growing at an alarming rate. This graph shows the growth in the prevalence of non-duty paid cigarettes taken from surveys of collection of discarded packs – the prevalence has increased from 7.8% in 2005 to over 35% in 2009.



There are a range of factors that could be behind this, especially the high price of tobacco compared to the rest of Europe and the worse than average impact of the global recession on the Irish economy.

It is not possible at this stage to conclude whether the ban has had an on this problem, however some of the retailers surveyed see the ban as making a bad situation worse.

Impact on Staff

Retailers were also asked what impact complying with the tobacco display ban had on their staff.

How have the changes affected your staff? For instance, does it make it easier or more difficult to serve the customers?

Retailer 5, Convenience Store/ Symbol/ Urban, 1,750 (sq ft), 10 members of staff
Cupboards and Pull up flaps

"It hasn't really had any affect on the staff, it's just a little bit awkward because you have to lift up the flap when taking it out than having it in front of you."

Retailer 6, Forecourt/Symbol/ Rural, 1500 (sq ft), 8 members of staff
Pull down Shelves

"It has slowed everything down because you have to keep opening and closing the shutters, it's just a pointless operation really and a total mess and muddle"

Retailer 7, Convenience Store/ Symbol/ Urban, 600-700 (sq ft), 8 staff
Sliding Doors

"It is a little bit more difficult because 95% know what they want but the other 5% cause the problem because you can't actually point anything out to them, it's a catch 22 situation."

Learnings for the UK

The impact of the display ban in the UK will differ greatly from the impact in ROI because the markets are vastly different in size (ROI is only 10% of the size of the UK market;) but primarily because in ROI there is a pre-existing high penetration of electronic vending units at point of sale. The scale of the logistical challenges in making a changeover in the 3-4 year time scale considered in the UK is vastly different.

It is also hard to compare costs between the ROI and what it may cost to implement a tobacco display ban in the UK. Many respondents chose a low cost option of compliance such as a curtain, a solution which has been indicated that the Governments in the United Kingdom will not allow.

Retailers tend to see the ban as unnecessary and compliance as a burden. The majority adopted a compliance solution that was fitted to the existing unit in the shop, but for a sizeable minority the decision was to install a whole new unit. Over half surveyed had to wholly fund the solution themselves and here was a wide disparity in compliance costs.

The findings are not conclusive about the kind of financial support that retailers can expect from tobacco suppliers. However the survey does confirm a general view that in ROI the larger businesses (multiple chains, symbol group operations and large independent retailers) are more likely to receive support, than the smaller convenience stores and newsagents.

At this early stage there is no strong evidence on which to draw conclusions about the impact of the ban on sales and consumer behaviour. Retailers report that the overriding customer reaction is not to notice a change at all, but for those that do tend to see the change as unnecessary and likely to be ineffective. Most retailers do not think that the ban has had an immediate negative impact on sales.

However our survey has shown that some retailers believe that the displays ban will make the situation with the illicit market worse. We do know that there is a general downturn in tobacco sales in Ireland and an alarming increase in the amount of tobacco products sourced from non-Irish-duty-paid sources. There are a range of factors that could be behind this, including the display ban but especially the high price of tobacco compared to the rest of Europe and the worse than average impact of the global recession on the Irish economy.

There does appear to be confusion on part of retailers about the change. For retailers the exact detail of what is and is not permissible is yet to be fully understood and retailers seem to have been overly reliant on industry sources for information.

The current lack of enforcement activity suggests that some solutions and approaches being employed by retailers may turn out to be considered non-compliant once enforcement activity starts to be taken.

For more Information on the issues related to banning the display of tobacco in the UK contact ACS on 012525 515001 or email jenny.brown@acs.org.uk