



PRESS RELEASE

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PLAIN TOBACCO PACKS WOULD COST RETAILERS TENS OF MILLIONS OF POUNDS A YEAR

RSA RESEARCH LEADS THE WAY

The Department of Health has recently run a consultation on standardised tobacco packaging, whereby all packs would be in a standard drab colour with only the product name in a defined typeface to distinguish different products. Surprisingly, there is very little evidence on how retailers might cope with this approach. There are two Australian studies on the issue, although both have been heavily criticised. Despite this, the Australian Government is pressing ahead with legislation to introduce standardised packs.

The RSA has attempted to fill this gap. We commissioned Visuality, a well-respected research agency, to use discrete cameras to film real transactions in real convenience stores. Four stores were involved. All customer transactions were recorded over a two week period. The first week acted as a control. Then in a second trial week all the tobacco products in the display were fitted with professionally printed sleeves so they looked like the proposed standardised designs, based on the available guidance. The packs were a khaki colour, with white lettering in a standard size and font. They included the required health warnings.

Once the filming was complete, Visuality then painstakingly went through the resulting hours of film to record how long the tobacco transactions took. Hence, this research is based on very detailed analysis of genuine customer transactions carried out by a whole range of staff in various types of convenience store - this research is as near to real life as we could make it.

The conclusions are stark. Total transaction time nearly doubled in the second week, as staff took far longer to retrieve the right product for the customer. Of equal concern is the number of times staff initially picked the wrong product – this happened in about a quarter of occasions. This factor made transaction times longer but also of course leads to massive staff and customer frustration.

Perhaps not surprisingly, shop staff hated the new packs. Although obviously they started to learn where the different products were in the display, transaction times still remained much higher than formerly. Staff who only worked a few shifts a week had particular difficulties, never really getting used to the packs.

Based on the figures from this research, we estimate that the cost of extra staff time for convenience stores, rural and urban, would be an extra £37million in a year, a very significant figure given the very low retail profit margin on tobacco. There is also the potential for longer customer queuing times. The stores in this sample were rarely busy enough for this to become a major issue, but in some stores this could become a real problem. This could particularly be the case for petrol forecourts, where customers need to be served as quickly as possible and modest increases in queues can impact on the business very quickly.

Our £37million figure does not include back shop handling costs. When all packs look the same, this also becomes a nightmare. Large stores already have tobacco products totally hidden by shutters, with smaller stores set to hide tobacco from customers in this way from 2015. Refilling shelves under these circumstances is already hard. It becomes even worse when all packs look the same. Adding in the costs that would be incurred by the supermarket sector, responsible for just under half of tobacco sales in the UK, then it is clear that implementing standardised packaging would have very significant staffing costs for the retail industry – taking all factors into account, it could easily be of the order of £100 million a year.

The RSA has met with officials at the Department of Health to feed these figures into the debate on standardised packaging and we hope that this research will be used in their evaluation rather than the heavily criticised work that has hitherto been available. Their objective to reduce smoking, particularly the incidence of young people taking up the habit, is clearly laudable. But given the level of costs to the retail industry, this research does pose the question as to whether, of the various options available, this approach is the best way to do it.

In the meantime, we believe that the level of impact highlighted in this research means that the sensible evidence-based approach would be to postpone any introduction of standardised packaging until:

- The impact of all retailers “going dark” with shuttered tobacco displays in 2015 can be evaluated – if customers cannot see the product in-store, then this potentially reduces any impact from unattractive pack designs.
- Australia will be the first country in the world to introduce standardised packaging of tobacco. Their experience will provide real world data on the impact and effectiveness of standardised packaging – this is obviously far better evidence than even the best conducted research project.
- Proxy purchasing of tobacco by adults for young people is made illegal. It is already illegal to sell tobacco to people under 18 years old. A significant number of young smokers claim that adults buy tobacco for them. It is already illegal to “proxy purchase” alcohol for young people. Extending this measure to cover tobacco would make it more difficult for young people to obtain legitimate duty-paid tobacco. This would seem a far more effective way to curtail smoking by young people in the short term.

NOTE TO EDITORS

The full research paper can be found on the RSA website www.ruralshops.org.uk

The RSA has been funded by British American Tobacco (BAT) to carry out this work and BAT recommended Visuality as having appropriate skills to undertake the project. Visuality is one of the UK's leading consultancies specialising in research into shopper behaviour and brand visibility. It has been established for over 30 years and has been pioneering the concept of shopper research using video since 1996.

Both RSA and Visuality agreed to undertake this project on the basis that all work would be conducted independently of BAT and that BAT would have no influence over how the project was carried out or how the research findings would be reported. The research methodology was agreed between Visuality and the RSA with the sole objective of creating a robust study. From the outset, there has been an absolute understanding that Visuality and the RSA would publish the full findings of the study, irrespective of the final conclusions.

KEY NUMBERS FROM IN-STORE RESEARCH

	control week	standardised packaging week	difference	% difference
selection time	11 secs	28 secs	17 secs	+155%
total transaction time	30 secs	58 secs	28 secs	+93%
% staff picking wrong product first time	7%	25%	+18%	

In a convenience store environment, the average time taken to effect a tobacco transaction increased by 28 seconds overall.

COST ESTIMATE

There are 7 million smokers in the UK, buying on average 5 packs per week.

In this research, the average purchase was 1.5 packs per transaction.

So our best estimate of the number of tobacco transactions per week for each smoker is 3.3 transactions.

Convenience stores (independents 24% + symbol stores 26%) have 50% market share of the tobacco market.

$50\% \times 7 \text{ million} \times 3.3 = 11,550,000$ transactions through the convenience sector per week

If each transaction takes 28 seconds longer, this equals an extra 89,832 hours per week

This totals 4,671,266 hours per year

The average cost of a staff hour, including NI, holiday pay etc, is about £8 per hour.

Our best estimate of the additional cost of this measure to the convenience store sector at the point of sale is about £37 million per annum. In addition, there will be back shop costs not considered in this survey and costs in supermarkets, not covered by this research. Taken together, we would expect the total cost to be of the order of £100 million in extra staff costs per annum to the retail industry.

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