



CONSUMER PACKAGING MANUFACTURERS ALLIANCE

EXECUTIVE SUMMARY

Report on Visit to Australia – February 2015

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BACKGROUND

Mike Ridgway, the Director of the Consumer Packaging Manufacturers Alliance (CPMA), made a visit to Australia via Hong Kong in February 2015 regarding investigating the effects of the introduction of standardised 'plain' packaging into the Australian market since December 2012 and the current trends of smoking rates.

OBJECTIVES

The objectives were as follows -

- To determine additional recent findings into the effect of the introduction of plain packaging into the market over two years ago.
- To speak to real smokers and users of tobacco products to understand the effect that plain packaging was having in influencing their smoking habit.
- To record any recent produced statistics.
- To hear at first hand from retailers about the effect on their business since its introduction and discernible trends from their customers.
- Any other significant information including possible future restrictive legislation.

EXECUTIVE SUMMARY

The major findings are as follows –

- Plain packaging has virtually no influence on sales trends of tobacco products in Australia.
- The decline in tobacco smoking has been steady for many years before plain packaging was introduced and no information can be provided that this has further influenced the trend.
- Continued tax increases by the Australian Government has by far the greatest impact and at AUS \$1 per cigarette this was quoted as the major complaint by smokers and the reason to quit.
- A consequence of tax increases has seen the illicit trade expand which now amounts to 14.3% (1 cigarette in 7) of the consumer market including both the contraband and counterfeit product.
- Major seizures are taking place by Australian customs and in addition the Craven A product was reported and identified in the market for the first on the 16/2/2015 as a counterfeit product.
- Total revenue losses to the Australian Government will amount to an estimated AUS \$1.2 billion over a 12 month period with this current volume of illicit trade.
- The illicit trade is extremely profitable with price differentials of major brands up to 7 times between Australia and other Far Eastern countries e.g. Korea and Vietnam.
- Major issues experienced by the retailer were in staff training and product identification information.
- The illicit trade was becoming more established with loose 'chop-chop' product readily available sometimes at the locations very close to established retailers' within the major city areas.
- The major multiples often experienced the 'wrong' branded packs sold to customers because of lack of pack identification.

- Consumers often prefer one set of graphics to others and request this at the point of sale -- but this does not stop the purchase.
- Further and on-going tax increases is the major factor affecting demand of legal tobacco products in Australia.

SUMMARY

- Plain packaging has not affected the consumers desire to purchase tobacco products.
- The illicit trade is increasing.
- Price reductions are taking place as commoditisation takes over in the market.
- Brand owners will demand compensation for loss of identity and Intellectual Property rights.
- Nation States will be challenged by their international trade obligations.
- The stated objectives established when plain packaging was introduced were to reduce the smoking rates of young people; to reduce overall smoking rates; and to increase the effectiveness of health warnings – ALL HAVE FAILED.

Interviews with Random Smokers

A number of random interviews were held with people in Australia during this time who were either smoking or intended to smoke; in addition a number of tobacconists and retailers of tobacco products were interviewed.

1) Two Young Men in Perth – Public House – smoking in the open air of a popular public house – ‘packaging does not affect my desire to smoke – I know the health risks and problems it may cause’ – ‘I do not like the government telling me what to do.’

‘I will continue to smoke – my major concern is cost!’

2) Middle Aged Lady (in a party of four) on train between Perth and Adelaide – ‘I have always smoked and will do so; I get my cigs from a ‘special source’ (admitted a Chinese shop) because the cost has increased. I decant my cigs into another container – I cannot wait for the train to stop for a cigarette.’

‘Packaging has no influence on me.’

3) Young Girls on Melbourne Streets – ‘I have smoked for 10 years – I like doing it. I agree that education should be increased to influence people to stop – the packaging has no influence on my decision.’

4) Couple in Wine Bar – St. Kilda, Melbourne – A youngish couple sitting outside in St. Kilda both were smoking with a piece of silver paper covering the graphics (see photo) ‘because they do not like the images’ – they believe the pictures are ‘extreme’ and not realistic or represent a typical health picture – and have no influence. They did not know about regulatory trends in Europe – blamed the NGO’s in Australia for getting the government to introduce the packaging.

5) Young Man in Tab Bar – Central Melbourne – a user of R-Y-O from a pouch – does not like the pictures but that has little impact on purchasing decision; bitterly complains about the tax increases and will consider buying ‘cheap’ product if it goes up more in price - but is not keen to do so.

SUMMARY – this is a small selection of a number of smokers approached and asked about the effect plain packaging has had on their desire to smoke.

These comments were replicated by many others across Australia including in the cities of Sydney, Adelaide, Melbourne and Perth.

Interviews with Tobacco Retailers

Tobacconists interviewed included –

- Reeds Tobacconist – Freemantle, Perth
- Somes Newsagency – Perth
- Free Choice – Central Melbourne
- Independent – Clayton, Melbourne
- Caltex Garage – Melbourne
- Independent Grocer – Outer Melbourne
- Independent – Outer Melbourne
- Woolworths – Melbourne Suburbs

SUMMARY

- The retailers' views were mixed depending on their location, type of customer and the principle purchase at their outlet on the day e.g. petrol.
- The garage and chain retailers sold tobacco along with other products. Consumers would purchase by name and then leave. The independents and the specialist shops were much more likely to be pressured to supply illegal products or requested to know where they could be found.
- The most likely supply source given were the small convenience stores in the cities and outer suburbs usually Asian owned or managed.
- Customers had preferences to not purchase certain graphical pictures – but this did not deter the purchase of the product.
- Major issues with stock rotation and stock control at opening hours and the need to open displays for this purpose during the day.

Future Regulation

- Variations in State Laws provide complication with display bans and with vending machines allowing certain States having reduced restrictions than others.
- Vending machines were openly being used in bars and certain 'registered' tobacco outlets had no display regulations applying to them at all.

- Australia, although leading on plain packaging, does not cover all the regulations applying in either the U.K. or Republic of Ireland.
- Future restrictions mooted by tobacco control advocates will encroach onto individual rights and freedoms linked to restrictions of hours of sale; licence fees; no smoking in parks and on beaches and measures to reduce impulse purchasing.
- Duty Free sales are limited to 50 cigarettes only and may reduce to zero.
- Ridiculous 'political correctness' like a proposal by Western Australia Opera to ban Bizet's opera Carmen because opening scenes took place outside a cigarette factory – thankfully abandoned.

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