



Preview of the Convenience Store Report



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Why Convenience Store Report



- Convenience stores killing us on policy change efforts (e.g. tax)
- Show their role in marketing and selling to kids
- Demonstrate need for policy change
- Associate them with tobacco companies as face of opposition to taxes and other tobacco control strategies
- Make it uncomfortable to do their bidding

The Unholy Alliance

What the Tobacco Industry Says:

“Today’s teen-ager is tomorrow’s potential regular customer and the overwhelming majority of smokers first begin to smoke while in their teens.”

What the Convenience Store Industry Says:

“We chose to focus on teens because of their strategic position as the next generation of shoppers. If the convenience industry can connect with them now, we will be laying a foundation for building lifelong loyalty.”



Report Outline



- I. Importance of the Retail Environment
- II. Ubiquity of POS marketing and stores
- III. Stores work with tobacco companies to market and sell tobacco products
- IV. Impact of POS marketing on kids
- V. How tobacco companies and stores work together to oppose policies
- VI. Tobacco control policies don't hurt stores
- VII. Policy Solutions
 - Tobacco tax increases are a Win-Win-Win
 - POS policies



Importance of the Retail Environment



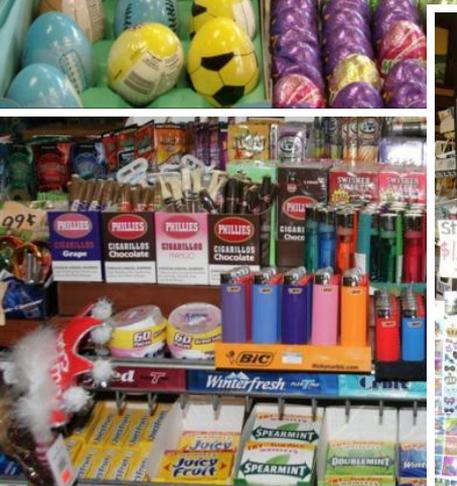
- More than half of all cigarettes sold in the U.S. are sold at convenience stores
- 66.2% of teens visit convenience stores at least once per week
- Allows control of placement, promotion, and price
- Natural political constituency



Ubiquity of Tobacco Promotions in Convenience Stores



- 85% of tobacco industry's total marketing and promotional expenditures spent at point of sale
- Average store features 15-25 tobacco product ads
- "Powerwalls" to make tobacco products more visible, more attractive, more alluring
- Disproportionate amount of advertising in low-income, minority communities
- Higher tobacco-selling retailer density near schools in minority or lower-income communities



Photos courtesy of Association for Nonsmokers-MN, CounterTobacco.org, TFK



Impact of Point of Sale Marketing



- Promotion and Placement
 - Normalize tobacco
 - Make it appealing
- Pricing – Make it cheap
- Evidence that it works



How Tobacco Companies Control Stores



- Contracts for
 - Promotion
 - Placement
 - Price
- Take over the retail environment

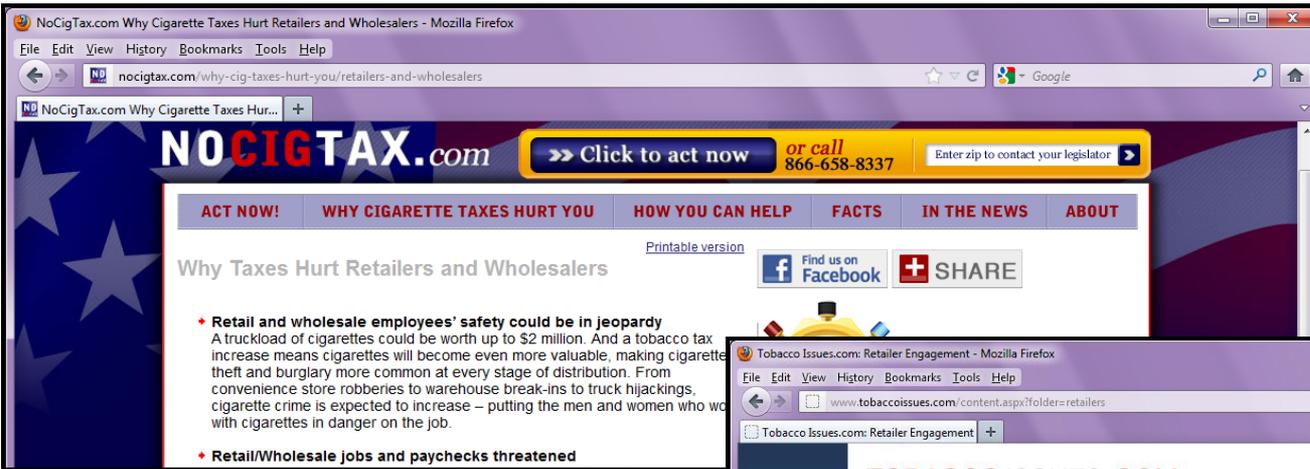


Opposing Policy Change



- Directed by Tobacco Companies
- Help activate smokers
- Lobby themselves
- Work with other stooges – ATR

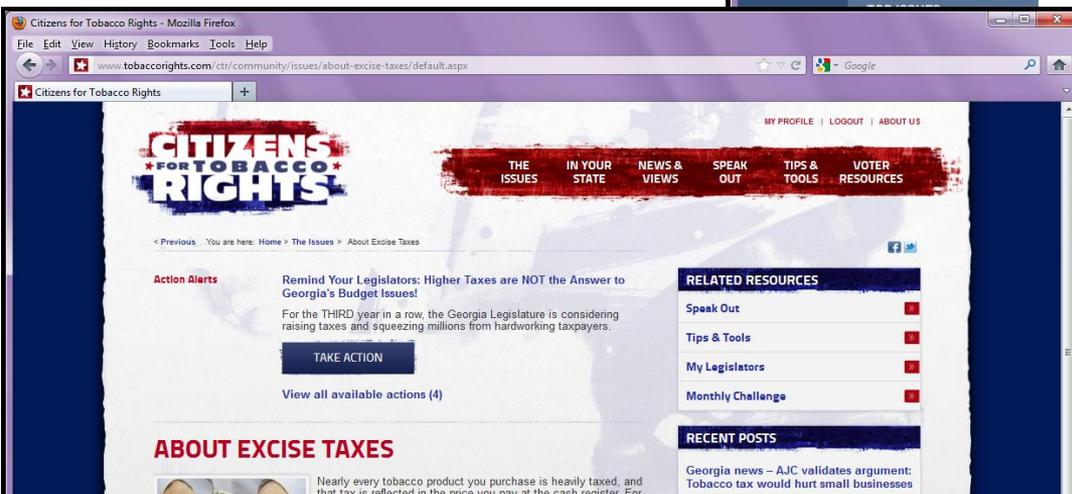
RJR's NoCigTax.com



Altria's Tobaccolssues.com

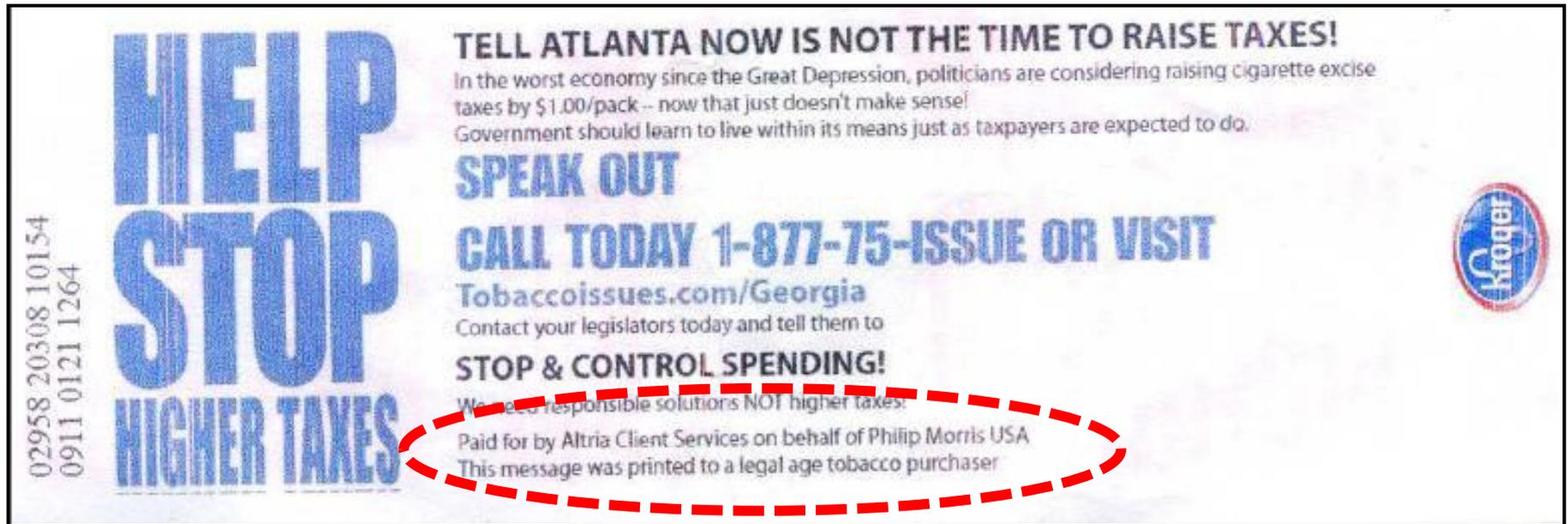


Citizens for Tobacco Rights, from PM USA, John Middleton, U.S. Smokeless Tobacco



Cigarette-purchase receipt at a Kroger grocery store

Georgia, 2010



HELP STOP HIGHER TAXES

02958 20308 10154
0911 0121 1264

TELL ATLANTA NOW IS NOT THE TIME TO RAISE TAXES!
In the worst economy since the Great Depression, politicians are considering raising cigarette excise taxes by \$1.00/pack -- now that just doesn't make sense!
Government should learn to live within its means just as taxpayers are expected to do.

SPEAK OUT

CALL TODAY 1-877-75-ISSUE OR VISIT
Tobaccoissues.com/Georgia
Contact your legislators today and tell them to

STOP & CONTROL SPENDING!
We need responsible solutions NOT higher taxes.

Paid for by Altria Client Services on behalf of Philip Morris USA
This message was printed to a legal age tobacco purchaser



Galloway, J, "An anti-tax ad with every pack of cigarettes," *The Atlanta Journal-Constitution Political Insider* blog, March 16, 2010, <http://blogs.ajc.com/political-insider-jim-galloway/2010/03/16/an-anti-tax-ad-with-every-pack-of-cigarettes/>.

Act Now!

Speak Out Against Unfair
Tobacco Taxes in Maryland.

THE ISSUE

The Maryland General Assembly is considering House Bill 853, a proposal that would raise the tax rate on all tobacco products.

If passed, the tax on cigarettes would increase 50%, from the current \$2 per pack up to \$3 per pack. The tax on other tobacco products would jump from 15% of wholesale price to 95% of wholesale price, an overall increase of over 533%.

You know what happened to your tobacco sales the last time state legislators passed such a massive tax increase. Don't let that happen again.

Act Now!

Speak Out Against HB 853 Today

Contact Your Representative
in Annapolis today

1-866-658-8337 (toll free)

Tell your State Representative to
VOTE 'NO' on HB 853

For more information:
www.NoCigTax.com

Tell Your Legislators:

- Retailers are already suffering from the poor economy. Tax increases will only make things worse.
- Maryland's border states already have a huge tobacco tax advantage. Such an increase will only drive more of your customers across state lines.
- The General Assembly needs to cut spending, not raise taxes.



RJR flyer in Maryland convenience stores

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The economic impact of state cigarette taxes and smoke-free air policies on convenience stores

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ABSTRACT

Objectives To investigate whether increasing state cigarette taxes and/or enacting stronger smoke-free air (SFA) policies have negative impact on convenience store density in a state, a proxy that is determined by store openings and closings, which reflects store profits. **Methods** State-level business count estimates for convenience stores for 50 states and District of Columbia from 1997 to 2009 were analysed using two-way fixed effects regression techniques that control for state-specific and year-specific determinants of convenience store density. The impact of tax and SFA policies was examined using a quasi-experimental research design that exploits changes in cigarette taxes and SFA policies within a state over time. **Results** Taxes are found to be uncorrelated with the density of combined convenience stores and gas stations in a state. Taxes are positively correlated with the density of convenience stores; however, the magnitude of this correlation is small, with a 10% increase in state cigarette taxes associated with a 0.19% ($p < 0.05$) increase in the number of convenience stores per million people in a state. State-level SFA policies do not correlate with convenience store density in a state, regardless whether gas stations were included. These results are robust across different model specifications. In addition, they are robust with regard to the inclusion/exclusion of other state-level tobacco control measures and gasoline prices. **Conclusions** Contrary to tobacco industry and related organisations' claims, higher cigarette taxes and stronger SFA policies do not negatively affect convenience stores.

INTRODUCTION

Raising tobacco taxes/prices and implementing comprehensive smoke-free air (SFA) policies have been shown to be effective in reducing tobacco use, as well as non-smokers' exposure to tobacco smoke.¹⁻⁶ Indeed, in the USA, inflation-adjusted state cigarette excise taxes have more than tripled since the early 1980s, and significant taxes have been adopted in several localities. Since 2002, 47 states, the District of Columbia and several US territories have increased their tax rates a total of >100 times.⁷ In addition, since mid-1990s, a total of 35 states and District of Columbia have adopted laws that require 100% smoke-free workplaces and/or restaurants and/or bars (26 of these states had laws in effect that require 100% smoke-free workplaces, restaurants and bars as of 31 December 2010).⁸ Moreover, according to Americans for Non-smokers' Rights, 949 municipalities currently have a 100% SFA provision in effect at the local level in workplaces and/or restaurants and/or bars (468

municipalities require workplaces, restaurants and bars to be 100% smoke-free as of 1 July 2011).⁹

While tobacco products are sold in a wide variety of retail establishments in the USA,¹⁰ in 2002, approximately 51% of the annual total retail sales of tobacco products, or about US\$26 billion, occurred in convenience stores.¹¹ Vast majority of convenience stores (95%) sell tobacco products.^{11, 12} Sales of tobacco products represented 12.4% of the total sales in convenience stores in 2002.¹¹ The reduction in cigarette consumption has economic implications for the retail establishments that sell cigarettes and other tobacco products. Not surprisingly, retailers and tobacco-backed retail organisations have often argued against higher cigarette taxes, stronger SFA policies and other tobacco control policies. The anti-cigarette tax rhetoric intensified recently as a number of states and localities were considering increasing tobacco taxes to curb youth smoking and generate additional tax revenues to fill budget gaps.¹³⁻¹⁹ Indeed, a simple Google search using keywords 'cigarette tax hurt convenience store' generated >60 000 results as of 10 June 2011. The central thesis of this argument is that higher cigarette taxes reduce the sales of cigarettes and therefore negatively affect the business of convenience stores.

In the context of this debate, it is important to empirically investigate the economic impact of state cigarette taxes and SFA policies on convenience stores. In a seminal study, Ribisl and colleagues¹¹ examined the economic implications of the reduction in cigarette consumption in the USA for the retail establishments that sell tobacco products. Using data from the Census of Employment and Wages, they found that cigarette sales affect neither the employment nor the number of establishments of convenience stores. In addition, they found that decreasing consumption of cigarettes does not negatively influence the overall employment and number of retail establishments in the retail sector, and the decline in employment in tobacco stores are offset by the increase in employment in beer, wine and liquor stores.¹¹

In this study, we investigate how state cigarette taxes and SFA policies affect convenience store density by examining their impact on the number of convenience stores per million people in a state. Convenience store density is determined by the entry of new stores and exit of existing stores, both of which are ultimately determined by the profits of convenience stores. Our research builds on Ribisl and colleagues' study and improves the literature in a number of ways. First, we use panel data of the estimates of convenience stores for 50 states and District of Columbia during the time period

6

FALLING CIGARETTE CONSUMPTION IN THE UNITED STATES AND THE IMPACT ON TOBACCO RETAILER EMPLOYMENT

KURT M. RIBISL, WILLIAM N. EVANS, AND ELLEN C. FEIGHERY

This chapter addresses the economic implications of markedly reducing cigarette consumption in the United States for the retail establishments that sell tobacco products. Understanding the economic impact on tobacco retailers is important because retailers have often opposed tobacco control measures, such as increased cigarette excise taxes, out of concern that these policies would reduce their business income. Moreover, policymakers want to understand the impact of tobacco control measures because retail establishments selling tobacco employ several million Americans. This chapter reviews the types of establishments where tobacco products are sold, describes employment trends in these establishments, and estimates the impact on retail employment of two policy scenarios that would reduce cigarette consumption. To our knowledge, this is the first national-level analysis of how reducing cigarette consumption would affect retailers in the United States.

WHERE TOBACCO IS SOLD IN THE UNITED STATES

Tobacco products are currently sold in a variety of retail establishments, including convenience stores, gas stations, liquor stores, supermarkets, pharmacies, bowling alleys, doughnut shops, bars, and smoking paraphernalia shops known as "head shops" (Ribisl 2004). Tobacco products are also sold by Internet and



Policy Solutions: Tobacco Tax Increases are a Win-Win-Win



- Win #1: Health Win
 - Price increases reduce use, save lives
- Win #2: Budget Win
 - New revenue is generated
 - Health care costs saved
- Win #3: Political Win
 - Polls show voters support large tax increases
 - Voters support legislators who vote for tobacco tax increases

For more information, visit www.tobaccofreekids.org/what_we_do/state_local/taxes/



Policy Solutions: POS



- Licensing and Zoning
- Restricting POS Marketing, Advertising, and Promotions
- POS Health Warnings
- Raising Tobacco Prices through Non-Tax Approaches (e.g., min price, limiting discounts)
- Restricting Product Placement

For more information, visit www.CounterTobacco.org or the Tobacco Control Legal Consortium, <http://publichealthlawcenter.org/programs/tobacco-control-legal-consortium>



Report Release Logistics



- Planned release: Late February
- Copies will be available on website; no printed copies being made
- Will give heads up when date is certain and send embargoed materials prior to release



TFK Resources for Report Release



- Template press release for states
- Sample letters to the editor
- Sample op-ed
- Sample print ads/flyers

Available in Online Toolkit – link will be provided closer to release date



How to Use the Report



- Any policy campaign where the industry is involved
- Any policy campaign where retailers are involved
- Tie into your own events/data like Operation Storefront, Kick Butts Day events, etc. to show how this happens in your community



Questions?

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