

# DEADLY ALLIANCE

## UPDATE



December 15, 2016

**How Big Tobacco and Convenience Stores Partner to Hook Kids and Fight Life-Saving Policies**

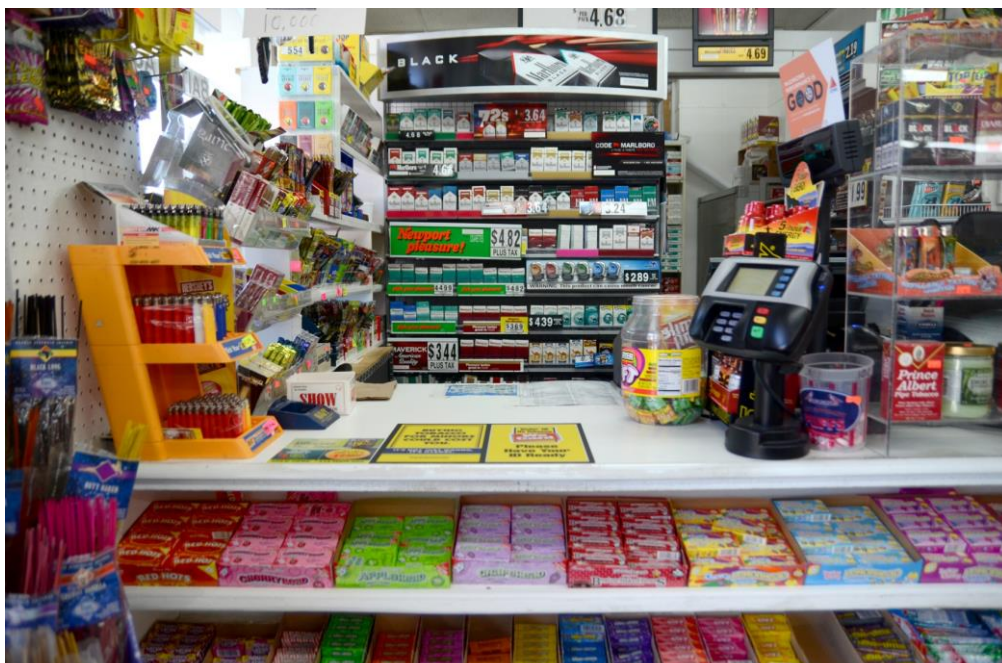


In 2012, *Deadly Alliance: How Big Tobacco and Convenience Stores Partner to Market Tobacco Products and Fight Life-Saving Policies* showed how tobacco companies have enlisted convenience stores as their most important partners in marketing tobacco products and fighting policies that reduce tobacco use, thereby enticing kids to use tobacco and harming the nation's health. This update provides further evidence of the deadly alliance between the tobacco industry and convenience stores, including their continued investments at the point of sale and their highly organized opposition to tobacco control policies. While the tobacco industry has continued to focus its marketing strategy at the point of sale, the evidence base supporting the impact of point-of-sale marketing on tobacco use, especially among kids, has grown even more robust.

## THE RETAIL ENVIRONMENT IS CRITICAL TO THE TOBACCO INDUSTRY'S BOTTOM LINE

No one knows the importance of the retail environment better than the tobacco industry. The industry has long recognized how critical retail stores, particularly convenience stores, are to growing industry profits by reaching current and potential customers, including kids. Restrictions on certain forms of marketing as a result of the 1998 Master Settlement Agreement (MSA)<sup>1</sup> and the Smokeless Tobacco Master Settlement Agreement, as well as marketing restrictions imposed by the 2009 Family Smoking Prevention and Tobacco Control Act, have led to the emergence of the retail environment (also called the point of sale) as a critical venue for marketing and promoting tobacco products.

The retail environment is critical for tobacco companies because it allows them to communicate directly with consumers, especially because tobacco ads are prohibited on television, radio, and billboards. It is at the point of sale where the tobacco industry's messages continue to reach and appeal to kids.



Carrboro, NC. Photo courtesy of [CounterTobacco.Org](http://CounterTobacco.Org)

Retail advertising and promotions refer to a variety of marketing practices, including signs on the interior and exterior of retail stores, functional items like counter mats and change cups, and shelving displays. Price promotions also include strategies that keep tobacco prices low through price discounts (e.g., payments to retailers to reduce product prices to consumers), promotional allowances (e.g., volume

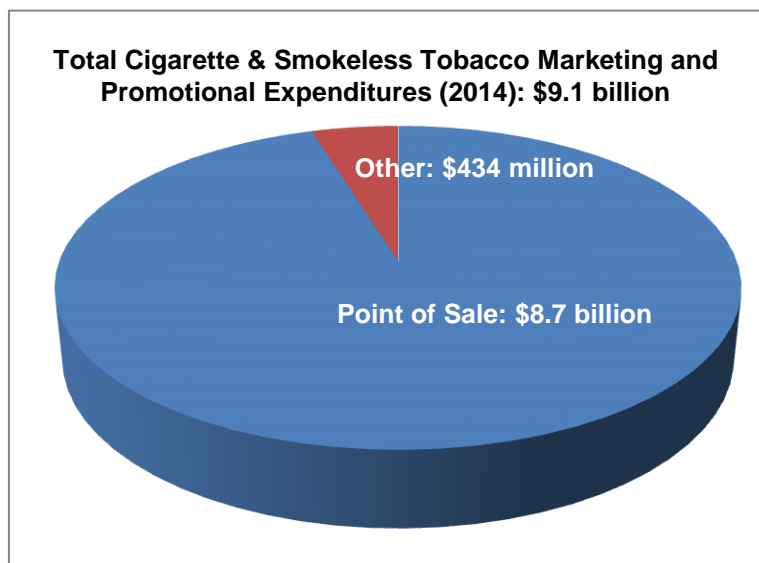
rebates, payments for stocking certain brands), “retail value added” offers (e.g., buy two packs get one free), and coupons. Each of these promotional strategies makes tobacco products cheaper and more accessible to consumers, especially price-sensitive populations such as kids.

Tobacco company spending at the point of sale also includes retailer incentives, or merchandising programs, which are often formalized in contracts or merchandising agreements with retailers.<sup>2</sup> Tobacco companies use these contracts to secure prime display space (at the end of an aisle, at eye-level, or on the countertop), define the amount of advertising and product to be displayed, and establish price and promotional incentive programs. Through these contracts, tobacco companies are able to motivate retailers to display, promote, and advertise tobacco products, keep tobacco product prices low, and keep the convenience stores dependent on them. The industry targets convenience stores for these contracts, so it’s no surprise that in 2012, more than half of all cigarettes sold were sold at convenience stores.<sup>3</sup>

The objective of point-of-sale marketing is to promote, place, and price tobacco products to make them most appealing and maximize sales. Point-of-sale marketing builds brand recognition, creates positive feelings towards tobacco products, and gives people of all ages a reason to “buy now.” This encourages tobacco use and undermines quit attempts. The ubiquity of tobacco products and marketing in stores also creates a norm that makes tobacco use seem common, acceptable, and even cool.

## THE TOBACCO INDUSTRY INVESTS BILLIONS OF DOLLARS AT THE POINT OF SALE

The Federal Trade Commission (FTC) issues reports on annual cigarette and smokeless tobacco marketing expenditures, which are based on data from the major tobacco manufacturers. The FTC’s reports show that the point of sale is by far the tobacco industry’s dominant marketing channel today, and that it has, not surprisingly, grown in importance since the 1998 tobacco settlement.<sup>4</sup> Expenditures at the retail environment increased dramatically in the years following the MSA, peaking at \$14.4 billion in 2003, a 166 percent increase since 1998. In 2014 (the latest year for which data are available), tobacco companies spent \$8.7 billion at the point of sale, accounting for over 95 percent of total marketing expenditures. In comparison, the tobacco companies spent 79 percent of their marketing budget at the point of sale in 1998. Price promotions alone, which entice price-sensitive low-income smokers and youth, accounted for 92 percent of total marketing expenditures in 2014.<sup>5</sup>





As a result of this investment at the point of sale, tobacco company marketing is pervasive. A national study of point-of-sale marketing found that among over 2,000 stores assessed in 2012:<sup>6</sup>

- Almost all tobacco retailers (96%) had at least one piece of tobacco marketing material, with an average of nearly 30 marketing materials per store.
- About one in ten tobacco retail stores displayed tobacco products at less than three feet from the floor – directly at kids' eye level – and 10 percent of stores displayed them within 12 inches of candy.
- More than 80 percent of convenience stores and more than half of supermarkets had special price promotions advertised inside; 42 percent of convenience stores had exterior price promotions.



Phoenix, AZ. Photo courtesy of [CounterTobacco.Org](http://CounterTobacco.Org)

In 2014, the cigarette companies' spending on price promotions amounted to 59 cents off every pack of cigarettes sold in the U.S.<sup>7</sup> Across all store types, 40 percent had special price promotions for Camel cigarettes advertised inside, 24 percent had price promotions for Marlboro, and 23 percent had price promotions for Newport.<sup>8</sup> Marlboro, Camel, and Newport happen to be preferred by 83 percent of youth smokers—a fact which should come as no surprise because the U.S. Surgeon General has stated that youth are sensitive to tobacco industry price promotions.<sup>9</sup>

## THE TOBACCO INDUSTRY TARGETS YOUTH WITH POINT-OF-SALE MARKETING

The tobacco industry counts on underage smokers to replace the hundreds of thousands of adult smokers who die each year. Each day, about 2,500 kids try smoking for the first time and 400 additional kids become regular daily smokers, largely due to tobacco company marketing efforts.<sup>10</sup> Nearly 90 percent of all regular smokers begin smoking at or before age 18.<sup>11</sup> What better way to capture this market than to target youth where they shop?

Point-of-sale marketing is very effective at reaching and influencing kids. Convenience stores are where kids and adolescents go to buy candy, sodas, and afterschool snacks. In fact, nearly half of adolescents visit a convenience store at least once a week.<sup>12</sup> Unfortunately, convenience stores are also where kids meet tobacco. Data from the national Youth Tobacco Survey (YTS) show that eight in ten high school students are exposed to tobacco advertisements in stores.<sup>13</sup> The volume of tobacco brand imagery and product placement in convenience stores helps portray tobacco to kids as normal and even appealing.



Atlanta, GA. Photo courtesy of [CounterTobacco.Org](http://CounterTobacco.Org)

Tobacco company documents show that tobacco companies have targeted convenience stores, grocery stores and other tobacco vendors near schools and playgrounds in an effort to attract young smokers. For example, a 1990 memo from an R.J. Reynolds supervisor instructed regional sales representatives to implement promotional programs in stores frequented by young adult shoppers: “those stores can be in close proximity to colleges or high schools or areas where there are a large number of young adults frequenting the store.”<sup>14</sup> To this day, many studies have found heavy advertising in stores near schools or where adolescents frequently shop.<sup>15</sup>

Both the tobacco industry and the convenience store industry are keenly aware of their customer base and share the common goal of targeting young people.

Conveniently Aligned	
<u>Tobacco Industry:</u>	<u>Convenience Store Industry:</u>
<p><b>“Today’s teen-ager is tomorrow’s potential regular customer</b> and the overwhelming majority of smokers first begin to smoke while in their teens.”<sup>16</sup></p>	<p><b>“We chose to focus on teens because of their strategic position as the next generation of shoppers.</b> If the convenience industry can connect with them now, we will be laying a foundation for building lifelong loyalty.”<sup>17</sup></p>

## POINT-OF-SALE MARKETING IMPACTS TOBACCO USE, PARTICULARLY AMONG YOUTH

The evidence is clear that point-of-sale marketing and price promotions influence youth initiation, experimentation, and progression to regular smoking. As stated by U.S. District Court Judge Gladys Kessler in her *United States v. Philip Morris* final opinion,

*“In sum, the ubiquity of [the companies’] marketing increases young peoples’ perceptions of the prevalence of smoking (‘everyone is doing it’), normalizes smoking, and connects positive imagery (sex appeal, popularity, peer approval, success, and independence) with smoking, all of which work together to encourage youth smoking initiation and continued consumption.”<sup>18</sup>*

Further, the 2014 Surgeon General’s Report concluded that, “Advertising and promotional activities by the tobacco companies cause the onset and continuation of smoking among adolescents and young adults.”<sup>19</sup>



Carrboro, NC. Photo courtesy of [CounterTobacco.Org](http://CounterTobacco.Org)

It is clear that such displays and promotions have an especially powerful impact on kids.

- A meta-analysis of the research on the impact of point-of-sale promotions found that youth frequently exposed to tobacco promotions at the point of sale have a 1.6 times higher odds of trying smoking and 1.3 times higher odds of being susceptible to smoking in the future.<sup>20</sup>
- A review of the impact of point-of-sale promotions found that among youth, there is a significant association between exposure to point-of-sale advertising and smoking initiation, susceptibility to smoking, beliefs about the availability of tobacco, and beliefs about smoking prevalence.<sup>21</sup>
- More visits to stores per week increases smoking initiation among teens. In fact, one study found that the odds of initiation more than doubled for teens who visited a store with point-of-sale tobacco ads at least twice a week.<sup>22</sup>
- Another study found that current smoking was significantly higher at schools in neighborhoods with the highest density of tobacco retailers than the smoking rate at schools in neighborhoods without any tobacco retailers.<sup>23</sup>
- Similarly, several studies have found that tobacco retailer density is associated with experimental smoking among high school and middle school students.<sup>24</sup>
- Pricing strategies used to make tobacco products cheaper lead to increases in youth initiation, experimentation, and regular smoking.<sup>25</sup>
- National surveillance shows that in 2012, over one in ten youth, including one in three youth smokers, had been exposed to tobacco coupons in the past month.<sup>26</sup> Receipt of tobacco coupons is associated with a higher likelihood of being susceptible to cigarette smoking among non-smoking youth, a lower likelihood of feeling confident about quitting among youth smokers, and a higher likelihood of intention to purchase cigarettes among youth smokers and experimenters.<sup>27</sup>



Albany, NY. Photo courtesy of [CounterTobacco.Org](http://CounterTobacco.Org)



Tobacco retailer across the street from a high school in Anderson, CA. Photo courtesy of [CounterTobacco.Org](http://CounterTobacco.Org)



Point-of-sale marketing also encourages impulse purchases and makes it harder for smokers to quit.

- Point-of-sale marketing increases average retail tobacco product sales by as much as 12 to 28 percent.<sup>28</sup>
- Another study found that 25 percent of surveyed smokers had made an unplanned purchase of cigarettes in the last 12 months as a result of seeing point-of-purchase tobacco product displays.<sup>29</sup>
- While the tobacco industry claims that they use marketing to promote brand options rather than to increase overall tobacco consumption, one study found that exposure to point-of-sale marketing increases urges to buy cigarettes and impulse purchases, regardless of whether the ads are for a smoker's preferred brand.<sup>30</sup>

## TOBACCO COMPANIES TARGET MINORITY AND LOW-INCOME COMMUNITIES WITH POINT-OF-SALE MARKETING

Because tobacco companies see lower-income populations as part of their core customer base, they have undertaken aggressive advertising campaigns targeted at minority and low-income populations.<sup>31</sup>

As gas prices have declined in the past few years, disposable income has increased. The tobacco industry and market analysts have seen this development as a boon to the tobacco category, as it has helped boost cigarette sales for the first time in years. Having more available income has been particularly beneficial to those whom tobacco analysts call “lower-income consumers – i.e. the tobacco consumer,”<sup>32</sup> enabling them to afford more premium cigarette brands. Analysts found that this has strengthened the tobacco industry's ability to increase product prices to generate profits, also known as “pricing power.” They stated, “There are several positive catalysts for U.S. tobacco stocks that are underappreciated by the market, in our opinion ... Stronger pricing power driven by a strengthening consumer with greater disposable income, particularly lower-income consumers...”<sup>33</sup> In other words, the tobacco industry is gaining profits as more lower-income smokers can afford more cigarettes.

Lower-income, minority communities are bombarded with tobacco advertising at the point of sale. This is partly because these communities typically have more convenience stores and gas stations compared to more affluent, white communities. Nationwide, census tracts with a greater proportion of African-American residents have higher tobacco retailer density.<sup>34</sup> More retailers means greater presence of tobacco marketing.



Durham, NC. Photo courtesy of [CounterTobacco.Org](http://CounterTobacco.Org)

The tobacco companies have a long history of specifically targeting these communities. As smoking rates have declined in higher-income populations, the tobacco industry increasingly relies on low-income populations for its consumer base, targeting this price-sensitive population through price discounting and









promotions, thereby undermining prevention and cessation policy efforts by making the products more affordable. Several local and statewide studies have found that cigarettes are cheaper and ads more prevalent in neighborhoods with more African Americans and low-income residents.<sup>35</sup> These same neighborhoods are also targeted specifically for promotion of menthol brands. Two national studies of cigarette prices in retail stores across the U.S. found that Newport cigarettes are significantly less expensive in neighborhoods with higher proportions of African Americans.<sup>36</sup>

## TOBACCO COMPANIES ENLIST CONVENIENCE STORES AND OTHER TOBACCO RETAILERS TO OPPOSE TOBACCO CONTROL POLICIES

The tobacco industry not only uses convenience stores to promote and sell their deadly products, but also to oppose policies like increased tobacco taxes that are proven to prevent kids from smoking and encourage smokers to quit. Because of their negative reputation, tobacco companies know that policymakers don't want to be seen as doing their bidding. Therefore they enlist neighborhood convenience stores and store associations to oppose policy change, even if it doesn't hurt the retailers' business. Particularly on taxes, retailers are the voices of the tobacco companies. This relationship is the result of a carefully orchestrated tobacco industry strategy.<sup>37</sup>

The tobacco industry has invested in retailer groups to help preserve its ability to reach young people and to thwart policy efforts to prevent young people from starting to smoke and help smokers quit tobacco. Under the guise of protecting local business, front groups supported by industry, like the National Association of Tobacco Outlets (NATO), provide retailers with tobacco industry talking points to block legislation that will reduce tobacco use and save lives.

With the support of tobacco manufacturers, NATO began in 2001 as an association of tobacco outlet stores. In 2009, it expanded to include any retailer who sold tobacco, including convenience stores.<sup>38</sup> NATO is supported by a virtual "Who's Who" of tobacco manufacturing, covering the full range of tobacco products including cigarettes, cigars, smokeless tobacco, and e-cigarettes.<sup>39</sup> NATO's Board of Directors includes membership from the major tobacco manufacturers, such as Altria, RJ Reynolds (RJR), ITG Brands, Swedish Match, and Swisher International.<sup>40</sup>

Manufacturer Board Members		
		
<b>David Riser</b> R.J. Reynolds Tobacco Winston-Salem, NC	<b>Bill Dunn</b> Swisher International Jacksonville, FL	<b>Molly Slingerland</b> Altria Client Services Albany, NY
		
<b>Dan Mulvaney</b> Swedish Match Alexandria, VA	<b>Larry Sherman</b> Nat Sherman Company Ft. Lee, NJ	<b>Bhavani Parameswar</b> King Maker Marketing Paramus, NJ
		
<b>Brittani Cushman</b> National Tobacco Company Louisville, KY	<b>Ron Milstein</b> ITG Brands Greensboro, NC	

**Tobacco Industry Members of NATO's Board of Directors**



NATO presents itself as a retailer group whose stated mission is “to enhance the common business interests of all tobacco retailers and to monitor and assist members in responding to tobacco-related legislation on the local, state and federal levels.” This “front” allows the tobacco industry to put a local business face on its efforts to protect its bottom line at the expense of our kids’ welfare. Dave Riser, RJR’s vice president of external relationships—trade marketing and a longtime member of the NATO board, praises this unified front: “We have all these threats, restrictions, regulations that have really been some bad ones: licensing, redefinitions, banning of flavors, proposals to wipe out visibility – bad stuff. You have to have industry alignment on these threats.”<sup>41</sup>

Both NATO and the National Association of Convenience Stores (NACS) joined forces with the tobacco industry to lobby Congress to include a provision in the appropriations bill that funds the Food and Drug Administration (FDA) that would limit FDA oversight of e-cigarettes and cigars. A *New York Times* investigation found that Altria lobbyists had actually written a bill proposed by Congressman Cole, H.R. 2085 the F.D.A. Deeming Clarification Act of 2015, which exempts thousands of kid-friendly products,

like flavored e-cigarettes and cigars that have flooded the market in recent years, from scientific review by the FDA.<sup>42</sup> A modified version of this bill was adopted as an amendment (the Cole-Bishop amendment) to the House Agriculture Appropriations bill for Fiscal Year 2017. NACS put further pressure on this issue by sponsoring the website, [www.stopthevapeban.com](http://www.stopthevapeban.com), a grassroots action website which encourages e-cigarette retailers and consumers to contact Congress to support the Cole-Bishop amendment and provides talking points and other resources to help them do so.



# The New York Times

POLITICS

## *A Lobbyist Wrote the Bill. Will the Tobacco Industry Win Its E-Cigarette Fight?*

By ERIC LIPTON SEPT. 2, 2016

### Tobacco War Lobbying Documents

The e-cigarette and cigar industries, backed up by dozens of lobbyists, are engaged in an intense fight on Capitol Hill to roll back a new rule that for the first time subjects them to regulation by the Food and Drug Administration. Here is an inside look at this fight, with lobbying documents that rarely become public. SEPT. 2, 2016 | [RELATED ARTICLE](#)

Since 2012, NATO has supported a project focused specifically on blocking local tobacco prevention ordinances focused on the retail environment. NATO, with cigar and smokeless tobacco manufacturer Swedish Match, even launched a website specific to this project in 2016, called “Tobacco Ordinances – Take Another Look” (TOTAL). The website provides talking points and materials for retailers to frame local tobacco prevention ordinances as anti-business, anti-free speech, and as irresponsible government

intrusion. What TOTAL is really doing is preparing retailers to protect the interests of the tobacco industry.<sup>43</sup>

The industry likewise supports other associations of retailers to block tobacco prevention and health measures under the guise of protecting small business. NATO and other retailer groups, with support from the tobacco industry, fight, block, and undermine tobacco prevention efforts around the country.

Here are some examples:



- Tobacco companies Altria and Reynolds American are members of the North Dakota Petroleum Marketers Association (NDPMA), which helped to defeat a November 2016 ballot initiative to raise tobacco taxes in the state.<sup>44</sup> The tobacco tax increase would have reduced youth and adult smoking and the revenue generated by the tax would have supported veterans' services and community health programs.<sup>45</sup> Mike Rud, president of the NDPMA, chaired the North Dakotans Against the 400% Tax Increase committee to oppose the ballot initiative. The NDPMA itself contributed over \$33,000 and independent convenience and gas stores contributed another \$40,000, but the vast majority of the funding – \$3.8 million of the total \$4 million in contributions – came from Altria Client Services and R.J. Reynolds Tobacco Company.<sup>46</sup> The NDPMA opposed the initiative under the guise of government overreach into small business while overtly claiming that it “does not support or promote the use of tobacco.”<sup>47</sup> Both stances help Big Tobacco hide behind the “small business” image of the NDPMA to oppose a tax that will cut into its profits. Some of the industry's opposition materials deceptively omitted the mention of tobacco, touting the proposal as simply a 400 percent tax increase.

**Let's Not Waste Taxpayer Money**

We all want to help our veterans and those who want to stop smoking, but if proponents want to increase the tobacco tax to fund state programs, they should draft a clean and simple measure so that voters can know exactly how the money will be spent, and that it won't be wasted.

**Stop the \$70 Million a Year "Blank Check" Tax Increase!**

Measure 4 is opposed by

- Greater North Dakota Chamber
- North Dakota Petroleum Marketers Association
- Concerned Veterans for America

**400% NO TAX Increase**

**Vote NO Measure 4**

Learn more about Measure 4 at  
**VoteNoOn4ND.com**

Paid for by North Dakotans Against the 400% Tax Increase, Mike Rud, Chairman.  
www.VoteNoOn4ND.com

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*North Dakota*  
**Way of Managing Money**

North Dakotans Against the 400% Tax Increase  
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Bismarck, ND 58501

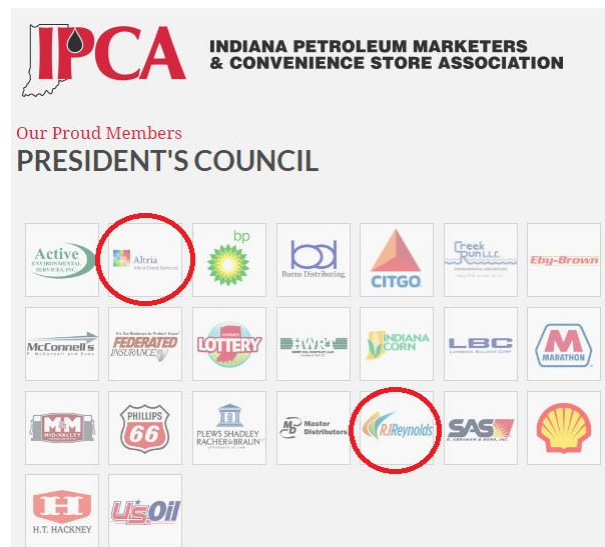
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- Altria also helped to defeat a November 2016 ballot initiative to raise the cigarette tax in Colorado by \$1.75 per pack. Although convenience stores did not contribute financially to the committee opposing the initiative (which was funded by more than \$17 million from Altria),<sup>48</sup> materials opposing the tax were distributed at convenience stores and posted on gas station pumps, targeting consumers and voters right at the point of sale and clearly demonstrating a tie between Altria and retailers.



- In November 2016, California voters approved a ballot initiative to raise the tobacco tax in California by \$2.00, despite the tobacco industry contributing more than \$70 million to defeat it. The opposition committee claimed to be comprised of a broad “Coalition of Taxpayers, Educators, Healthcare Professionals, Law Enforcement, Labor, and Small Businesses,” but in reality was funded almost entirely (more than 99%) by tobacco companies, primarily Altria and Reynolds American.<sup>49</sup> NATO also urged its California retail members to oppose this ballot initiative.<sup>50</sup> While NATO and convenience stores aligned with Big Tobacco, more than twenty business organizations and local chambers of commerce openly supported the tax increase.<sup>51</sup> The tobacco companies had previously spent \$45 million to oppose and defeat a California tobacco tax increase in 2012.<sup>52</sup>
- Similarly, during the 2016 legislative session in Indiana, an infrastructure funding bill that included an increase in the cigarette tax was thwarted in part by opposition from tobacco industry-sponsored retailer associations including NATO<sup>53</sup> and the Indiana Petroleum Marketers and Convenience Store Association (IPCA).<sup>54</sup> Altria and RJ Reynolds are members of the “President’s Council” of the Indiana Petroleum Marketers and Convenience Store Association.<sup>55</sup> NATO testified against the bill at a hearing claiming it would be bad for business, and the IPCA publicly opposed the bill claiming it would reduce Indiana’s tax-advantaged status with consumers from other states. Other retailer groups opposed the bill, including the Indiana Grocery and Convenience Store Association.<sup>56</sup> Conversely, other prominent business groups, such as the Chamber of Commerce, supported the bill, including the cigarette tax increase.

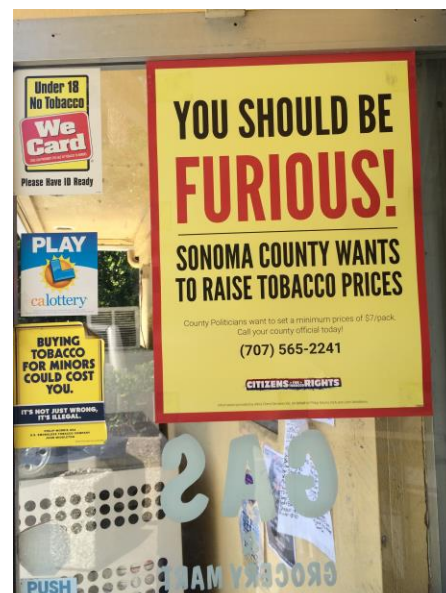


- In 2014, Healdsburg, California, took action to protect youth by raising the minimum legal sale age to 21, but dropped enforcement of the law when NATO threatened a lawsuit.<sup>57</sup> In interviews about the



threat, NATO's Executive Director Thomas Briant ignored research by the prestigious Institute of Medicine, which found that the policy will save lives, claiming that it would have the "unintended effect of raising the smoking rate."<sup>58</sup> This type of obfuscation about scientific evidence has long been the hallmark of tobacco industry interference with public health efforts. NATO issued a similar threat to another California jurisdiction that had adopted the issue, Santa Clara County.<sup>59</sup> The state of California later adopted the law statewide.

- In 2012, Philip Morris USA and R.J. Reynolds provided major funding for Californians Against Out-of-Control Taxes and Spending, a group opposing an initiative to increase California's cigarette tax that was on the June ballot. Members of this opposing group include the California Grocers Association, California Retailers Association, and the Neighborhood Market Association.<sup>60</sup>
- In Maryland in 2011, R.J. Reynolds placed flyers in convenience stores to oppose a 2011 tobacco tax increase proposal.
- In Georgia, receipts for cigarettes at a Kroger grocery store carried messages against the 2010 cigarette tax increase proposal. The messages were "Paid for by Altria Client Services on behalf of Philip Morris USA."<sup>61</sup>



**Sonoma County, CA. Photo courtesy of the Center for Well-Being.**

Providing financial and coordinating assistance enables the tobacco industry's messages to filter through retailers to policymakers and stop or stall tobacco control policies – a relationship that continues to work today. Tobacco companies communicate aggressively with retailers, urging them to become more involved in the legislative process. In addition to financial support, tobacco companies supply retailers with the tools and information to lobby effectively.

By using convenience stores as front groups and allies, the tobacco industry has been able to mask its real intentions – thwarting policies that reduce their profits – behind false ones such as supporting small businesses. If the tobacco industry truly sought to boost small business, it wouldn't lock retailers into promotional contracts that limit their autonomy.

**We recommend that retailers get engaged with their legislators and governors—and stay engaged.**

– Bruce Gates, Senior Vice President, Altria Client Services  
*"The Cutting Edge," CSP Magazine, July 2011*

## EFFECT OF TOBACCO CONTROL POLICIES ON CONVENIENCE STORES

Research shows that convenience stores are not affected by tobacco control policies – including tobacco tax increases – to the extent that the tobacco industry and its allies claim. Health economists from the University of Illinois at Chicago looked at the impact of increased tobacco taxes on convenience store density from 2000 to 2009 and found a small *positive* association.<sup>62</sup> That is, the number of convenience stores actually increased with increasing tobacco tax rates. Clearly, tobacco tax increases are not putting

convenience stores out of business. A 2010 NACS report on the state of the convenience store industry noted a 35 percent growth in “single stores” (non-chain stores) since 2001. This trend occurred during the same period when 47 states and the District of Columbia increased their cigarette tax rates more than 100 times.<sup>63</sup> Those results reinforced the findings from an earlier study, which found that declines in cigarette consumption from tobacco tax increases had little effect on employment in the overall retail sector, and any changes in the convenience store sector are offset by increases in other retail sectors.<sup>64</sup>

The tobacco and convenience store industries ignore the fact that people who quit or cut back on tobacco purchases will still spend their money on other products, so those dollars will not be lost to retailers entirely. Retailers understand that reduced sales of one product means increased sales of other goods, and recent history shows that this is exactly what happens. A 2012 NACS report on the state of the convenience store industry stated that, “For many years cigarettes was the leading category in terms of in-store sales and gross profit dollars, but in the last two years packaged beverages have been delivering more gross profit dollars and placed second behind foodservice.” While cigarette sales decreased from 2011-2012, packaged beverage sales grew 10 percent and foodservice sales grew 8.7 percent.<sup>65</sup> As business owners, they know the importance of diversifying the products available to consumers and updating options with changing trends. For instance, a 2015 report commissioned by NACS emphasized growth in healthy options in convenience stores and stated, “C-stores must understand that solely catering to their declining core audience [those purchasing cigarettes, beer, hot dogs, etc.] is not a growth strategy.”<sup>66</sup>

## POLICY SOLUTIONS

### Tobacco Tax Increases

Tobacco control advocates, the tobacco industry, and retailers all agree on one thing: Tobacco tax increases reduce tobacco use. The only difference is that public health groups think that’s a good thing, while the industry thinks it’s a bad thing. Tobacco tax increases prevent kids from starting to smoke, encourage smokers to quit, and save lives and health care dollars. Studies have shown that nationally, for every 10 percent increase in the price of cigarettes, youth smoking declines by approximately seven percent, smoking among pregnant women falls at a similar rate, and overall consumption declines by about four percent.<sup>67</sup>

Despite what the tobacco industry and its allies claim, every single state that has raised its cigarette tax rate significantly has generated dramatic new revenue despite the declines in smoking that occur as a result of the price increase. This is simply because the increased tax per pack brings in more new state revenue than is lost from the related reductions in the number of packs sold and taxed in the state. States will realize even more revenue if they also increase the tax on other tobacco products (OTPs), to deter children from experimenting with these products and encourage smokers to quit rather than switch to a lower-cost option.

Studies have found that state cigarette tax increases and declines in cigarette consumption do not have a negative impact on the number of convenience stores or employment in convenience stores.<sup>68</sup> Further, reducing smoking among the population means a healthier workforce, improved worker productivity, and lower health care costs for businesses.

Tobacco companies and their allies will say and do anything to oppose tobacco tax increases, including creating front groups and recruiting retailers to parrot the industry’s false claims. However, that doesn’t

change the fact that the tobacco industry and retailers know that tobacco tax increases will reduce tobacco use.

### Comprehensive Pricing Strategy

Increasing tobacco excise taxes is the most direct way to raise the price of tobacco and reduce consumption. However, tax increases only work to the extent that they translate into visible increases in price, and several factors can reduce the impact of tax increases. If the tax increase is small, it can be easily undermined by tobacco industry discounting and promotional strategies so that it will have minimal, if any, effect on reducing tobacco use. For example, the 50-cent coupon shown to the right was available as an insert on a pack of cigarettes sold in Louisiana after its 50-cent cigarette tax increase went into effect in July 2015, nullifying the increase.

Therefore, it is important to use multiple strategies to keep prices high because tobacco companies can easily undermine a single pricing policy with discounting. Non-tax approaches to raising cigarette prices include:<sup>69</sup>

- Prohibiting tobacco product price discounts, multipack offers, and redemption of coupons
- Setting a minimum price for tobacco products
- Setting minimum package sizes for certain cigars and little cigars
- Enhancing tobacco tax enforcement efforts to reduce tax evasion by retailers



### Raising the Minimum Legal Sale Age to 21

High tobacco taxes, comprehensive smoke-free laws and comprehensive tobacco prevention and cessation programs are proven strategies to reduce tobacco use and save lives. Increasing the minimum legal sale age (MLSA) for tobacco products to 21 complements these approaches to reduce youth tobacco use and to help users quit.

National data show that about 95 percent of adult smokers begin smoking before they turn 21, and a substantial number of smokers start even younger—about 80 percent of adult smokers first tried smoking before age 18.<sup>70</sup> If we can prevent people from smoking as kids, then most will never start. A March 2015 report by the Institute of Medicine (IOM), one of the most prestigious scientific authorities in the United States, strongly concluded that raising the tobacco sale age to 21 will have a substantial positive impact on public health and save lives.<sup>71</sup> IOM found that raising the tobacco sale age will significantly reduce the number of adolescents and young adults who start smoking; reduce smoking-caused deaths; and immediately improve the health of adolescents, young adults, and young mothers who would be deterred from smoking, as well as their children.



## Restrictions on the Sale of Flavored Tobacco Products

Continuing the long tradition of designing products that appeal explicitly to new users, tobacco companies in recent years have significantly stepped up the introduction and marketing of flavored other tobacco products (OTPs), particularly smokeless tobacco, cigars, and now electronic cigarettes. In recent years, flavored tobacco products have become increasingly common and many products are available in kid-friendly flavors such as vanilla, berry blend, chocolate, peach, banana, strawberry, and grape.<sup>72</sup>

Although tobacco companies claim to be responding to adult tobacco users' demand for variety, flavored tobacco products primarily serve to lure new users, particularly kids, to a lifetime of addiction. Flavored tobacco products are overwhelmingly used by youth as a starter product, and that preference declines with age. Eight out of ten 12-17 year olds who have ever used a tobacco product initiated tobacco use with a flavored product.<sup>73</sup>



Chapel Hill, NC. Photo courtesy of [CounterTobacco.Org](http://CounterTobacco.Org)

To address the flavored non-cigarette tobacco products on the market and their appeal to youth and young adults, states and localities can implement additional sales restrictions, such as banning the sale of all flavored tobacco products; restricting the sale of flavored tobacco products to adult-only facilities; or restricting the sale of flavored tobacco products near schools, playgrounds, or other youth-oriented locations.

## Retail Licensing and Zoning

The ubiquity and density of tobacco outlets, particularly outlets near schools, facilitates youth access to tobacco. As described earlier, more frequent visits to stores selling tobacco and greater awareness of cigarettes sold in stores increases the likelihood of teenagers being susceptible to initiating, experimenting, or becoming current smokers. Retail licensing policies can address where tobacco products are sold through the number, type, location (e.g., near schools or parks), and density of tobacco retailers.<sup>74</sup> Licensing and zoning policies provide local and state governments opportunities to effectively reduce the availability and exposure to tobacco among youth, discourage tobacco use generally, and protect their citizens from the harmful effects of tobacco. These types of policies can also help to reduce neighborhood disparities in tobacco retailer density and marketing volume.<sup>75</sup>

## Tobacco-Free Pharmacies

Reducing the number of stores that sell tobacco will ultimately reduce youth access and exposure to tobacco products and will help create environments supportive of quitting. Tobacco-free pharmacies also enhance state and local prevention and cessation efforts by decreasing the social acceptability of tobacco and reinforcing a tobacco-free norm.

## CONCLUSION

As this report demonstrates, the point of sale continues to be the dominant channel for the marketing of deadly and addictive tobacco products in the United States. Point-of-sale marketing provides the tobacco industry with a highly effective way to entice kids to start using tobacco, encourage continued tobacco use, and discourage quitting among current users. In addition, convenience stores have become essential partners with the tobacco industry in fighting tobacco control policies.

This powerful alliance between Big Tobacco and convenience stores poses a serious threat to efforts to reduce tobacco use, the leading cause of preventable death in the United States. It is critical that elected officials reject the influence of these special interests and take action to protect our nation's children and health instead. They should do so by adopting policy solutions proven to reduce tobacco use. Such actions are critical to continued progress and eventually winning the fight against tobacco use.

**More information on point-of-sale tobacco control policy is available at**  
<http://countertobacco.org/>.

**More information on cigarette taxes and the many public health and economic benefits from increasing them is available at**  
[http://www.tobaccofreekids.org/facts\\_issues/fact\\_sheets/policies/tax/us\\_state\\_local/](http://www.tobaccofreekids.org/facts_issues/fact_sheets/policies/tax/us_state_local/).

**More information on raising the tobacco age of sale to 21 is available at**  
[http://www.tobaccofreekids.org/facts\\_issues/fact\\_sheets/policies/tax/us\\_state\\_local/](http://www.tobaccofreekids.org/facts_issues/fact_sheets/policies/tax/us_state_local/).

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