

Alliance of Australian Retailers

Potential impact on retailers from the introduction of plain tobacco packaging

February 2011

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This Report was prepared for Alliance of Australian Retailers for the purpose of illustrating the potential impact of the introduction of plain packaging of all tobacco products on retailers.

In preparing this Report we have relied on the accuracy and completeness of the information provided to us by independent retailers aligned with the Alliance of Australian Retailers and from publicly available sources. We have not audited or otherwise verified the accuracy or completeness of the information. We have not contemplated the requirements or circumstances of anyone other than Alliance of Australian Retailers.

Events may have occurred since we prepared this Report which may impact on it and its conclusions.

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Executive Summary

This study

The Commonwealth government announced in April a number of initiatives in relation to smoking in Australia.¹ Included within this was a proposal to introduce plain packaging of tobacco products from 1 July 2012.

This announcement came after a Private Members Bill — *Plain Tobacco Packaging Bill* was introduced in 2009 into federal parliament. This Bill sought to amend product information standards to remove brands, trademarks and logos from tobacco packaging.

Based on the government's announcement and the key components of the previous *Plain Tobacco Packaging Bill*, it is anticipated that plain packaging will regulate the colour, design, size and shape of tobacco packaging in order to reduce the distinctiveness of packaging and emphasise consumer product information.

Deloitte has been engaged by the Alliance of Australian Retailers to assess the potential impact of plain packaging on the following categories of retailers:

- Service Stations/Convenience Stores
- Tobacconists
- Newsagents.

The purpose of this study was to illustrate the potential impact of the introduction of plain packaging for all tobacco products on these categories of retailers. The costing methodology that was followed was based on the regulatory costing approach utilised for Regulatory Impact Statements in Victoria. This methodology focuses on assessing the additional economic costs resulting from compliance with new regulation, and in particular, estimating additional business activities (primarily measured in time).

The approach adopted and analysis of potential impacts was also informed by previous work Deloitte undertook during 2009 in relation to the introduction of the retail display bans for tobacco products. This analysis involved consultation with a significant number of convenience store operators in New South Wales, Victoria and Western Australia to estimate the likely impacts from the introduction of the retail display ban regulation.

To inform this analysis, Deloitte conducted consultations with two retail operators in each of the above-mentioned categories. The objective of the consultations was to inform the analysis of the likely operational impacts from the introduction of plain packaging on these types of businesses.

Key identified operational impacts

There were seven key areas of potential impact on businesses identified. These were:

- **Stock management** – the increase in time associated with stock management procedures resulting from the removal of key distinguishing features from packaging
- **Increased time taken to complete a transaction** – the increase in time taken by staff to search for and locate the requested product due to the removal of key distinguishing features from packaging
- **Increased product selection errors** – the increase in the number of staff-based product selection errors. This has the potential to lead to both increased transaction times and higher levels of stock shrinkage
- **Security costs** – the potential adverse impact on security and theft

¹ Kevin Rudd April 2010, *Anti-smoking action media release* available at <http://pmrudd.archive.dpmpc.gov.au/node/6720>, accessed on 19 October 2010.

- **Channel shift** – the potential impact of “channel shift” to other retailers, such as supermarkets, given uncertainty over stock holdings and time delays
- **Increased potential for counterfeit and illegal product trade** – as the removal of branding makes it easier for genuine stock to be reproduced; compliant retailers are concerned about the risk of being stocked with counterfeit product and the loss of trade to the illegal tobacco market.

Indicative costs

Table ES.1 below provides an indication of the potential impact of introducing plain packaging on the individual businesses categories.

The economic impact of time has been estimated by assessing the additional economic costs resulting from compliance with any new regulation concerning plain packaging, and in particular, estimating additional business activities (primarily measured in time).

Table ES.1: Potential Estimated Costs of the introduction of plain packaging of cigarettes

Operator	Estimated number of daily transactions	Indicative additional time (hours)	Indicative extra annual costs
Service Station/Convenience Store	200 – 400	455 – 1,692	\$9,000 – \$34,000
Tobacconist	100 – 200	323 – 1,218	\$6,500 – \$24,000
Newsagent	50 – 200	216 – 834	\$4,500 – \$17,000
Other potential costs identified by retailers but not quantified:			
<ul style="list-style-type: none"> • Increased potential for counterfeit and illegal product trade • Increased regulatory uncertainty • Increased security costs • Increased potential for channel shift. 			
Note: Ranges reflect the size of the operator.			

1 Introduction

This chapter provides an introduction to this report.

The Commonwealth government announced in April a number of initiatives in relation to smoking in Australia.² Included within this was a proposal to introduce plain packaging of tobacco products from 1 July 2012.

This announcement came after a Private Members Bill — *Plain Tobacco Packaging Bill* was introduced in 2009 into federal parliament to amend product information standards to remove brands, trademarks and logos from tobacco packaging.

Based on the government's announcement and the key components of the previous *Plain Tobacco Packaging Bill*, it is anticipated that plain packaging will regulate the colour, design, size and shape of tobacco packaging in order to reduce the distinctiveness of packaging and emphasise consumer product information.

1.1 Approach

The objective of this study is to demonstrate self-identified impacts on retailers from the introduction of plain packaging of tobacco products. As a result, it is appropriate that this discussion be informed by retailers.

To facilitate the discussion, Deloitte conducted consultations with two retail operators in each of the following categories:

- Service Stations/Convenience Stores
- Tobacconists
- Newsagents.

The costing methodology was based on the regulatory costing approach utilised for Regulatory Impact Statements in Victoria. This methodology focuses on assessing the additional economic costs resulting from compliance with new regulation, and in particular, estimating additional business activities (primarily measured in time).

The approach adopted and analysis of potential impacts was also informed by previous work Deloitte undertook during 2009 in relation to the introduction of the retail display bans for tobacco products. This analysis involved consultation with a significant number of convenience store operators in New South Wales, Victoria and Western Australia to estimate the likely impacts from the introduction of the retail display ban regulation.

To inform this analysis, Deloitte conducted consultations with two retail operators in each of the above-mentioned categories. The objective of the consultations was to identify the likely operational impacts from the introduction of plain packaging and to illustrate the potential costs to these types of businesses. The consultations were used to identify the likely operational impacts from the introduction of plain packaging and to estimate the potential costs to their business. Conducting face-to-face consultations with operators allowed for qualitative and quantitative impact data to be collected.

Participants of the face-to-face consultations included 'on-the-ground' retail operators. Each interviewee was provided with an outline of the likely regulation (see Appendix A) and then asked to identify and, where appropriate, estimate the potential costs to their business from plain packaging.

This report illustrates the key identified operational impacts of the proposed regulatory changes on retailers and estimates the quantifiable costs that may be imposed.

² Kevin Rudd April 2010, *Anti-smoking action media release* available at <http://pmrudd.archive.dpvc.gov.au/node/6720>, accessed on 19 October 2010.

2 Retail sector background

This chapter provides an overview of the key retailer categories canvassed by this report.

This report has a specific focus on the identified impacts of service stations/convenience stores, tobacconists and newsagents from plain packaging.

Across these sectors, business operations are conducted in both metropolitan and regional areas across Australia and each sector comprises of both major and independent proprietors. Proprietors that are independent tend to be either sole proprietors or partnerships with a significant number being family-run. The average independent retailer in these sectors employs five to ten employees with the majority of these employed on a part-time or casual basis.

2.1.1 Service Stations/Convenience Stores

Service Stations

A service station is a retail establishment where, alongside the refuelling of motor vehicles, customers can also purchase a variety of non-fuel products. These can include beverages, confectionary, dairy, groceries, newspapers and magazines, fast food and tobacco.

Approximately one-third of service stations in Australia are independent.³ Alongside the major refiner-marketers, since the late 1990s there has been a surge in the number of supermarket-owned service stations.

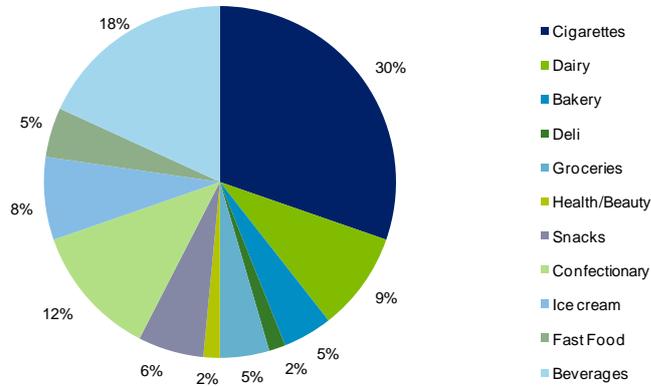
Convenience Stores

Like that of a service station, the traditional market position of a convenience store is based on their location alongside busy roads, densely-populated urban neighbourhoods, at service stations or near railway stations or transport hubs. Convenience stores generally stock products based on these key locations, for example bakery/deli products where breakfast and lunch time traffic is high or live bait and tackle for sites at beach/holiday locations. There tends to be an overlap between the business models of service stations and convenience stores with non-fuel products at service stations often being similar to those found at convenience stores.

On the following page, Figure 2-1 illustrates the typical products sold at convenience stores. Cigarettes are the largest merchandise category and account for 30 per cent of total sales. Beverages (17%) and confectionary (12%) represent other key merchandise categories however these products combined have approximately the same turnover as cigarettes.

³ AC Nielsen, "Coal Consulting Face and Him! For AACS" (2007), State of the Industry Survey Australia 2007

Figure 2-1: Product mix for convenience stores (as % of total sales)



Source: Deloitte consultations with convenience store operators

2.1.2 Tobacconists

Tobacconists are specialty retailers that predominately sell tobacco and tobacco-related products. Tobacconists tend to carry a larger range of tobacco products than other tobacco retailers. Additional items which a tobacconist may stock include confectionary, puzzles and giftware.

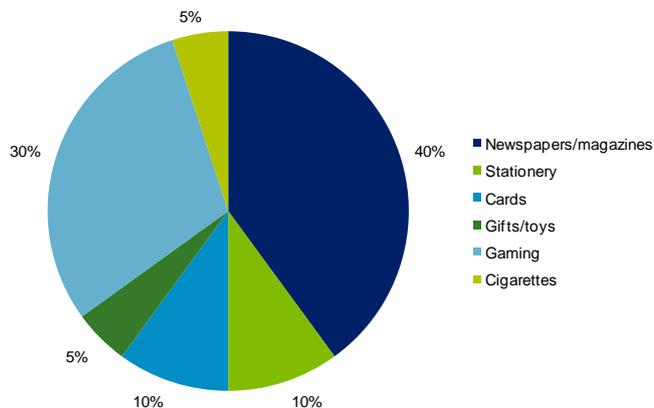
Industry estimates that there are approximately 1000 tobacconists across Australia. There are several tobacconist franchised operators within Australia as well as a large number of independent tobacconists. Over the years, due to their specialisation, tobacconists have found the market to be increasingly difficult. Many have also opted to diversify their stores and sell other products alongside those related to tobacco.

2.1.3 Newsagents

Alongside newspapers, magazines, stationery and greeting cards, newsagents also sell tobacco-related products.

Figure 2-2 below illustrates the breakdown of products that newsagencies typically stock.

Figure 2-2: Product mix for newsagencies (as a % of total sales)



Source: Deloitte consultations with newsagency operators

Across Australia, there are approximately 5,000 individually owned and operated newsagencies, with more than 20,000 employees.⁴ Newsagencies in Australia are typically owned and operated independently, with the majority operating under a franchise brand or banner group.

Two major newsagency franchises operate in Australia; 'The Lucky Charm' and 'Supanews'. The Lucky Charm has 30 newsagency operators across Western Australia, Queensland and Victoria. The Supanews franchise has 49 newsagencies that are located in Queensland, New South Wales and Victoria.

Banner groups are characterised by a common, identifiable brand that comprises separate independent small businesses. These businesses draw upon a collectively funded centralised source of advice and support systems. The three main banner groups, which operate across all states, include:

- NewsXpress – 170 newsagencies
- Newpower – 380 newsagencies
- Nextra – 45 newsagencies.

In addition to franchisee and banner group operators, there are a small number of delivery-only newsagents. These specialist delivery newsagents work from light industrial premises and deliver publications to businesses and homes. The largest number of delivery-only newsagencies operates in South Australia and Western Australia. This differs from practices in Queensland, New South Wales and Victoria where the newsagent operates both a retail store and delivery service. However, deregulation of the industry since the 1990s has seen newsagencies increasingly separate their home delivery and retail functions.

During the global financial crisis newsagents suffered as households reigned in spending. Recently the Australian Newsagency Federation commented that “community newsagents were already struggling to cope with the impacts of falling newspaper and magazine circulation, one sided supplier contracts, increased cost and red tape from changing workplace relations regulation, recent increases in tobacco excise and increased competition from Coles and Woolworths”.⁵

⁴ Australian Newsagents Federation Ltd

⁵ Inside Retailing Online, “Newsagents concerned by tax”, 10 May 2010

3 Potential operational impacts identified by retailers

This chapter discusses the identified impacts of the plain packaging of cigarettes on these categories of retailers. Where practicable, cost estimates provided by retailers are presented.

Two categories of potential impacts from the introduction of plain packaging of cigarettes on daily business operation have been identified:

- **Direct operational costs** — there will be a direct impact on day-to-day operations for retailers. Surveyed retailers expected that such impacts would include sales transaction costs, restocking costs and stock selection errors
- **Indirect impacts** — plain packaging of cigarettes has the potential to affect the behaviour of staff, business operators and wholesalers in a manner which may not be originally intended through its introduction. Retailers posited that such unintended consequences could include an increase in transaction errors, increased business uncertainty and the potential for the trade of counterfeit products.

3.1 Stock management costs

Retailers identified three potential ways in which stock management procedures may be affected by the introduction of plain packaging:

- An increase in time to receive and **unload** the regular delivery
- An increase in the time taken to **restock** product by staff
- An increase in the time taken to complete the regular tobacco **stocktake**.

Each stock management cost was expected to result from the difficulty in distinguishing products from one another and the increased importance of correctly storing products in the storeroom and the shopfront.

Typically, when an order is delivered the delivery driver will assist the retailer in counting the stock and ensuring that the correct order has been received. Many retailers expected that the time taken to receive and unload deliveries would more than double as retailers checked-off the delivered stock. Retailers identified that this would lead to additional delivery delays faced by the deliverers and that there would likely be fewer deliveries per day. A typical retailer receives two deliveries per week.

Retailers generally conduct a stocktake at least once a day. This involves manually counting the number of items for each product on the shopfront and in the store room. At present, this is estimated to take around 15-20 minutes. Under plain packaging, retailers estimated that the time taken to complete a routine stocktake would increase by 5-10 minutes a day. Surveyed retailers reported that tobacco stocktakes occurred daily.

To re-stock product in the store, retailers often knew in advance what stock was running low through the ease of packet identification. With plain packaging of cigarettes, retailers expect this to increase as they will have to carefully read and check each individual package. As a result, they estimated an increased in time taken to complete a re-stock by 15-20 minutes a day.

Table 3-1 displays the estimated economic costs from the increase in time dedicated to stock management anticipated by retailers under plain packaging. Based on information given during our face-to-face consultations, we assumed an average wage of \$20 per hour for a casual worker in a retail outlet to estimate the indicative annual cost imposed on the retailer.

Table 3-1: Estimated annual economic costs from increased time taken for stock management

Legislative environment	Increase in daily time taken	Indicative annual cost
Plain Packaging	10 – 45 minutes	\$1,200 – \$5,500

Note: An average wage of \$20 per hour is assumed, stores are assumed to open seven days a week and rounded figures have been presented as the numbers are only intended to illustrate magnitude only

3.2 Sales transaction costs

Transaction times are dependent on the number of steps required to complete the transaction and the time taken to complete each step. Retailers in both this, and previous studies, have expressed concerns regarding the impact that plain packaging would have on a transaction involving tobacco. Additional time taken to complete any given transaction imposes an opportunity cost onto the retailer.

The introduction of plain packaging of cigarettes is expected to increase the time retailers take to search for and locate the correct product requested by the customer. Retailers estimated time increases as part of this study. They are presented in the third column of Table 3-2 on the following page.

Table 3-2: Potential increases in transaction times, as estimated by surveyed retailers

#	Steps	No Plain Packaging (Base Case)	Plain Packaging
1	Customer locates the product they require, if possible, through a visual scan of product, if not, through a scan of price boards/price tickets or through enquiry	5	+5 – 15 seconds
2	Sales assistant searches for stock	10	+10 – 30 seconds
3	Customer views/enquires about price and quantity	-	-
4	Sales assistant provides information	-	-
5	Customer agrees to transaction	-	-
6	Sales assistant asks for identification	2	-
7	Customer produces identification, it is checked	8	-
8	Sales assistant gets the product	5	-
9	Customer pays for transaction	5	-
10	Sales assistant enters transaction and receipt is produced	5	-
Total		40 seconds	+15 – 45 seconds

Based on the above estimates of increased transaction times from the introduction of plain packaging, the potential impacts on individual retailers were estimated. Table 3-3 presents these estimates below.

Table 3-3: Indicative annual costs to retailers from increased transaction times

Retailer	Average number of transactions involving tobacco per day	Indicative annual cost
Service Station/Convenience Store	300	\$7,500 – \$27,000
Tobacconist	200	\$5,000 – \$18,000
Newsagent	115	\$3,000 – \$10,500

Note: An average wage of \$20 per hour is assumed, stores are assumed to open seven days a week and rounded figures have been presented as the numbers are only intended to illustrate magnitude only

When regarding these estimates, it is important to note that they *only* relate to sales which involve a tobacco product. Most retailers pride themselves on their customer service standards, yet many foresee that there will be negative flow-on effects to their ability to serve other customers brought about by increased waiting times. The likely result of this will be a potential loss in the sale of both tobacco and non-tobacco products as customers seek service elsewhere. The costs brought about by a loss in customer purchases of non-tobacco are not quantified here.

3.3 Stock selection errors

Surveyed retailers highlighted the importance of information on product packaging to complete a sale. The nature of tobacco sales can be considered unique within the surveyed retail environments because staff members search for, select and provide the consumer's requested product. In contrast, when purchasing non-tobacco products the customer has greater control over the desired product's selection, while the retailer has less responsibility. Visual cues such as colouring and branding attempt to ensure that retailers can clearly identify the requested tobacco product. In the absence of such cues, as would be the case under plain packaging, retailers expected that there would be a greater instance of product selection errors.

If a stock selection error occurred, retailers outlined that it could be resolved in the following ways:

- a. The consumer does nothing
- b. The consumer leaves the store, opens the package (diminishing re-sale value) and later exchanges the product
- c. The consumer recognises the mistake before opening the package and exchanges the product.

Where the package is opened, the retailer would then face two costs:

- Increased transaction time from completing a second transaction
- Stock shrinkage.

3.3.1 Increased transaction time from completing a second transaction

On the occasion where the package is not opened, the retailer will only face costs associated with increased transaction time from having to complete a second transaction.

Retailers explained that currently, errors in tobacco product selection rarely occur. However under Plain Packaging, they estimated that selection errors would increase by approximately 5 per cent due to the reduced number of distinguishing features on the packaging.

The cost imposed on retailers from an increase in selection errors is a construct of the extra transaction time and additional transactions arising from selection errors under Plain Packaging. Table 3-4 below shows the indicative cost of completing additional transactions arising from product selection errors.

Table 3-4: Economic cost of increased transactions related to selection errors

Retailer	Average number of tobacco transactions per day	Indicative annual costs
Service Station/Convenience Store	300	\$400 – \$1,400
Tobacconist	200	\$180 – \$640
Newsagent	115	\$200 – \$710

3.3.2 Stock shrinkage

Retailers also expected that under plain packaging the number of customers leaving the store with the incorrect product, opening the package, and then returning the product would increase. This would impact on their level of stock shrinkage as once the product is unsealed it no longer holds any re-sale value.

3.4 Potential for counterfeit & illegal product trade

Retailers felt that under plain packaging, counterfeit products would become more difficult to identify. Retailers believed that this would impose additional impacts, including:

1. A greater risk that stock would include counterfeit product
2. Increased competition from the illegal tobacco market

3.4.1 Increased risk of being stocked with counterfeit product

Retailers stated that it is difficult for them to certify that the product they stock is not counterfeit. They felt that, were plain packaging to be introduced, there would be greater opportunities for counterfeit products to replace legal tobacco products by either wholesalers or their retailing peers.

3.4.2 Increased competition from the illegal tobacco market

In Australia, recent estimates suggest that the volume of illegal tobacco consumption is equivalent to 12.3 per cent of total tobacco consumption.⁶ During our consultations, retailers expressed major concerns

⁶ PriceWaterhouse Coopers (2009) 'Illegal Tobacco: Counting the Cost of Australia's Black Market'

about the competition they already face from the illegal tobacco market and the likelihood that plain packaging will make it much easier for illegal trade to thrive.

One surveyed retailer provided an example that he sold tobacco virtually at cost yet illegal traders could sell it for a fraction of the price. This retailer foresaw that plain packaging would make it much more difficult for them to compete and that many, particularly those retailers relying solely on tobacco products, would be forced to close.

3.5 Security costs

Retailers expressed concern over the increased potential for store theft while searching for and retrieving the requested tobacco product. With their backs to the customers for a longer period of time, retailers cited that there may be a greater likelihood of customers stealing products at the counter or elsewhere in the store.

Service station operators raised the possibility of there being more drive-offs from petrol pumps while their attention was directed towards locating plain-packaged cigarettes requested from customers. Our research has found that independent service station operators estimate that fuel theft costs them around \$4,600 per year, depending on the price of fuel.

Possible investment in increased security was raised, be it through installing more cameras or hiring additional security staff, to curb the opportunity for such theft. As a result though, retailers would have to incur the extra cost of such increased security measures.

3.6 Channel Shift

Smaller retailers expressed a high level of concern about the potential loss of business to larger retailers. This may occur as customers may naturally opt to visit the supermarket instead of the convenience store as they know that the supermarket will always stock the product that they are after.

Retailers described that many consumers also purchase other products (such as milk, bread and magazines) when making a tobacco purchase and foresaw a channel shift away from their business would also have a significant broader implications on other purchases and financial viability.

An example of such a channel shift has been the development of large supermarkets in suburban and regional areas which appear to be encroaching on the traditional convenience store model. Supermarkets offer a broader range of products and are often more competitively priced than convenience stores. In this way, consumers are turning to supermarkets for products that they would have normally purchased at convenience stores.

During consultations, retailers cited that channel shift could arise from one or more of the following:

- The knowledge that a larger retailer, e.g. a major supermarket, would always have what they were after – retailers believed that plain packaging would bring about a lack of visibility in terms of available tobacco products. As a result, they believed that consumers would instead visit a supermarket as their first choice where they would know they could purchase what they were after.
- The increase in time taken to complete a transaction would lead to customers becoming increasingly frustrated due to the delays and longer queuing time. As a result, many retailers believed they would leave their store without making a purchase and would opt to visit a larger retailer with more staff in the future.

Appendix A

Summary of labelling requirements — Plain Tobacco Packaging Bill (2009)

Objective of Plain Tobacco Packaging Bill (2009)

To regulate tobacco packaging in order to:

- (a) Reduce initiation of tobacco use, tobacco consumption and quitting relapse
- (b) Enhance the effectiveness of package warnings
- (c) Remove the package's ability to mislead and deceive consumers.

Requirements for labelling

Remaining package area refers to any part of a retail package, including the interior of the package, that does not carry and explanatory message, information message or warning message or graphic required under Part 4.

The remaining package area:

- Must be matt brown, without illustration or decoration⁷
- Must not bear any decorative ridges, embossing, bulges, or other irregularities.

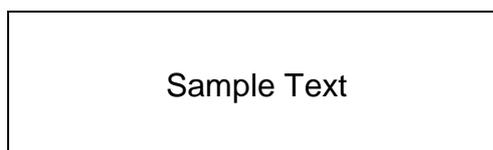
The remaining package area must not contain any words, trademarks or logos other than the following information:

- On the bottom of the front of the package, in 12 point size — the brand name of the product
- On one side of the package, in 12 point size — a number representing the number of cigarettes in the package, or a number and weight representing the amount of tobacco in the package
- On the other side of the package, in 8-point size — the name, address and a contact phone number of the manufacturer or importer of the package, as the case may be.

The text that is permitted must be printed in:

- Black text
- The typeface known as Helvetica, in normal weight (Box 1).

Box 1. Sample text in 'Helvetica', black ink, size 12



Further Reading

This summary was compiled with reference to the Plain Packaging Bill (2009), which can be accessed online:

http://parlinfo.aph.gov.au/parlInfo/download/legislation/bills/s724_first/toc_pdf/0916020.pdf;fileType%3Dapplication%2Fpdf, last accessed 28.01.2001.

⁷ Matt brown is defined as the colour identified as PMS 154 on the Pantone Matching System, reproduced with a non-gloss finish

Appendix B

Retailer Consultations

Case Study 1 – Convenience Store

This retailer is a convenience store in regional New South Wales.

The retailer is a convenience store operator in regional NSW and sells tobacco products.

When orders need to be placed, the retailer believes there'll be a doubling in time as staff will have to physically read and check the stock of each product.

Currently when stock is delivered, the driver assists in manually checking off the orders. The store does not have a barcode arrangement to check off stock like that of larger supermarkets. The unloading process generally takes 10-15 minutes. If plain packaging was introduced, the retailer believes that it could add 5-10 minutes onto unloading times, depending on the driver.

In-store re-stocking is usually done at least three times a day. The retailer believes that there would be a 50 per cent increase in the time taken to re-stock under plain packaging.

The retailer believes that there will be a greater likelihood of channel shift due to two reasons:

1. When customers become irritated with having to wait for longer in queues before being served due to longer transaction times, they'll leave the store and will take other purchases with them. The retailer believes that such customers would be unlikely to return
2. Customers may naturally opt to visit the supermarket instead of the convenience store as they know that the supermarket will always stock the product that they are after.

The retailer believes that there will be a significant impact on staff training. Much of the staff training is done on-the-job. Under plain packaging, more time will need to be spent explaining the new procedures to staff. Casual staff are also likely to struggle as they won't regularly handle the product and may need to take extra time at the start of each shift re-familiarising themselves with product location.

The retailer also expressed uncertainty around what is classified as 'incidental' viewing. For instance, will the staff member be able to mark the pack in the back storeroom to aid identification when re-stocking.

Case Study 2 – Tobacconist

This retailer is a tobacconist in the Melbourne suburbs.

At present, when new stock arrives, the retailer's staff physically checks it off to make sure that all the ordered cartons are there. Under plain packaging, the retailer believes that there will be a doubling in time needed to check off an order.

The retailer believes that plain packaging will make it much easier for the illegal market to thrive. He felt that the biggest issue that he comes up against is illegal market competition – be it through Chop Chop or counterfeit products – and that this is likely to increase.

Currently if the customer knows what they want then the transaction is very quick. With plain packaging, the retailer believes that this transaction time will double due to:

- Increased time spent reading the packets: At the moment, the staff don't need to read the text on the tobacco product packets as they can identify the product through its colour and logos. Under plain packaging the retailer felt that there'll be more time needed to locate the product.
- Increased time by customer to decide on product: The public knows cigarettes by the colours of the packets. Not only will more time be needed to explain to customers the change under plain packaging

but, according to the retailer, confusion will arise as the customer tries to work out what they want and as the retailer tries to locate it.

As a result of this increase in transaction time, the staff's back is likely to be facing the customer for longer and so the retailer felt there would be a greater chance of theft.

The retailer currently employs two staff members that wear glasses. The retailer foresaw that these staff members will likely struggle in selecting the right packet as it'll be harder for them to see.

At the moment, if someone puts a packet in the wrong spot, staff can easily identify that it is not in the right place. Under plain packaging this will be much harder. Additionally, the lack of lighting around tobacco products makes it difficult to identify stock. The retailer believes that this will be compounded under plain packaging.

Stock selection errors will be a greater issue.

Case Study 3 - Newsagency

This retailer is a newsagency in the Melbourne suburbs.

The retailer is a newsagency in suburban Melbourne however; it also acts as a tobacconist and Australia Post outlet. The store was near the railway station and so quick trade was expected.

At the moment, transactions are fairly quick as it is very simple to identify and select the requested tobacco product. According to the retailer, the key to this is colour. To be able to find a product by having to read the label and then find the type would lead to at least a tripling in transaction time.

The retailer thought that by having to spend more time looking for the product, their back would be to the customer for longer and provide a greater opportunity for theft to occur.

There would be an increase in time needed for training as the owner won't be able to just assume that staff members will know where each product is located. New processes will also likely need to be put in place around what to do if a mistake in product selection is made.

The retailer identified that there are currently no other products which they sell that require the staff to be able to select the product for the customer. As pressure on staff to correctly select the product increases, the retailer believed that they'll have to ensure that staff can see correctly in order to minimise the risk for selection errors.

According to the retailer, packet colour is significant. If colour is removed, there will be a greater opportunity for counterfeit products to infiltrate the market.
