



N A R G O N

The Grocery Retailers'
Association

15 February 2008

Courtenay Mackie
Tobacco Policy and Implementation
Sector Capability and Innovation
Ministry of Health
PO Box 5013
Wellington

Dear Courtenay

I am writing to make a submission on behalf of the National Association of Retail Grocers and Supermarkets of New Zealand (Incorporated) on the Review of tobacco displays in NZ.

If you would like further details regarding, or clarification of, any of the matters raised in this submission, please do not hesitate to contact me via e-mail at director@nargon.co.nz or on telephone (04) 471-1338.

Thank you for the opportunity to provide this submission.

Yours sincerely

Samantha Seath
Executive Director

Review of Tobacco Displays in New Zealand

Submission by the National Association of Retail Grocers and Supermarkets of New Zealand (Incorporated)

INTRODUCTION

The National Association of Retail Grocers and Supermarkets of New Zealand Incorporated (NARGON) represents the interests of approximately 40% of the food retailing industry in New Zealand.

The approximately 500 retail members of NARGON are owner-operators of retail food warehouses, supermarkets and grocery/convenience stores. In the main, retail members of NARGON are aligned to a banner/advertising group of stores such as Pak 'N Save, New World, Write Price, Four Square, Supervalu and Fresh Choice. The majority of NARGON's retail members are the owners of smaller stores.

NARGON also has a number of associate members who are major suppliers of products and services to the retail members of NARGON.

This submission is made on behalf of the retail members of NARGON. For many of NARGON's retail members, the sale of cigarettes and tobacco products constitutes a significant percentage of sales revenue. In addition to this, many members find that tobacco products are a significant source of supplementary sales, as they are a product that draws customers into their store, thereby allowing the opportunity for the purchase of additional items. These characteristics of cigarette and tobacco products retailing are particularly observable among NARGON's smaller members.

NARGON notes that the reduction of compliance costs is critically important for the grocery retail industry, which is a low-margin industry that provides essential services and considerable employment to the New Zealand community. NARGON considers that there are considerable avoidable compliance costs associated with the implementation of the proposals currently contained in the consultation document, and addresses such costs in this submission.

Option 1 – Current restrictions with enhanced education and enforcement

This is our preferred option.

NARGON agrees that it should be an offence for retailers to sell tobacco or tobacco products to minors, in the same manner as it is an offence to sell alcohol to minors. NARGON dedicates resources to ensuring that our members are aware of their responsibilities in relation to the sale of cigarettes and tobacco products, and to urging our members to take these responsibilities seriously. NARGON urges all its members to require photographic identification as proof of age prior to the sale of cigarettes or tobacco products being finalised, and to prominently inform customers that cigarettes or tobacco products will not be sold to anyone under the age of 18 years.

We are happy to continue to educate our members and ensure they are up to date with requirements.

Option 2 and 3

The practicality of such proposals can only be fully assessed when balanced with an understanding of the reasons that retailers hold tobacco products at the point of sale.

Grocery retailers generally store tobacco and tobacco products at the point of sale in a secure carousel, freestanding unit or wall fixed unit. Such a unit requires either that a staff member select the required product for a customer, or that a staff member open the display unit to enable a customer to select their required product.

Grocery retailers store tobacco and tobacco products at the point of sale in this manner for the following primary reasons:

1. Cigarettes and tobacco products are small, easily concealable items of comparatively high retail value. Placing such items in secure units at the point of sale is the only effective means of reducing shoplifting of such items.
2. Cigarettes and tobacco products can only be legally purchased by customers aged 18 years or older. Placing such items in a secure unit at the point of sale enables a cashier to ascertain the age of a customer prior to completing a transaction for such items.

3. These units are secure storage units that meet the operational requirements of a grocery retail business. Cigarettes and tobacco products that are not stored in such secure units must be stored in a secure location elsewhere in the store, and must be transferred to the secure unit(s) at the point of sale as necessitated by the operational requirements of the business. Retailers stock their units in a way that will minimise the disruption to staff and customers that would be caused by frequent restocking.

The ability to display the products that are sought by customers is a fundamental premise of modern-day retailing. Customers that are unable to see the product that they are seeking are likely to go elsewhere to purchase that product, thereby reducing the revenue of the retailer. For these reasons, NARGON considers that further restricting the number of tobacco products that may be visible at the point of sale is likely to reduce the revenue of some retailers.

Option 2 – Further restrictions

Reduce maximum size of display: While this may not have a huge impact on retailers it would depend on the limit that is set. This option would have the greatest impact on the smaller stores that only have one display currently and given the number of SKUs for tobacco would limit the products that could be displayed.

Limit displays to one per retail outlet: This is likely to have greater impact on the larger stores as limiting the display to one will mean that all customers requiring tobacco would be required to use the same check out causing delays and consequent annoyance to customers. The smaller stores would not be likely to be affected by this option.

Health warnings: NARGON considers that while the graphic warnings may be a deterrent to some people it could also have the opposite effect in drawing attention to tobacco stock.

We do not support this option.

Option 3 – Ban on tobacco displays

Ban tobacco displays in areas accessible to under-18s: Realistically this is not an option. There are not many retailers that would have areas that are not accessible to under 18 year olds and to create such areas would give an importance to the products stored in those areas.

Therefore this option is the same as a total ban for the majority of retail outlets.

Completely ban all tobacco displays: This option would cause major compliance costs for retailers as many would not have places to store tobacco where it cannot be seen.

This option would have the greatest impact on the smaller stores, many members find that tobacco products are a significant source of supplementary sales, as they are a product that draws customers into their store, thereby allowing the opportunity for the purchase of additional items.

For the larger supermarkets at checkout is the only safe place that tobacco can be stored in there is very little room for these displays to be out of sight. The current situation for many larger stores is that tobacco displays are covered up but they will always be visible when open for customers to obtain product.

We do not support this option

RECOMMENDATIONS

The National Association of Retail Grocers and Supermarkets of New Zealand (Incorporated) (NARGON) recommends that Option one be the preferred option.