



California STORE Campaign

**FORMATIVE RESEARCH
QUALITATIVE MANAGEMENT SUMMARY
FOR**

**The Public Health Institute
&
The California Medical
Association Foundation**

CONFIDENTIAL

**PREPARED BY:
COOPER ROBERTS RESEARCH, INC.
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PREFACE

This report presents the findings of a qualitative study designed to provide guidance to the Public Health Institute (PHI) and California Medical Association Foundation (CMAF) teams to develop strategies for a statewide campaign to reduce pro-tobacco messages and illegal sales to minors in the retail environment. The campaign is sponsored by the Tobacco Control Section of the California Department of Health Services. This project was made possible by funds received under Grant Numbers 99-85069 and 00-90381 with the California Department of Health Services, Tobacco Control Section.

The study is qualitative in nature and this report represents the interpretation of the researcher based upon discussions comprised of a total of 63 respondents in 11 focus groups across various market segments in California. The findings are intended for directional guidance and understanding. While we hope the respondents expressed views that are representative of the population addressed in the research, the opinions and attitudes are not statistically projectable.

Ellen Feighery and Christine Fenlon provided background information and day-to-day direction to Cooper Roberts Research, Inc. All groups, except those among Chinese retailers, were conducted and analyzed by Patricia Vaughan Jones of Cooper Roberts Research. Sophie Lin moderated the Chinese retailer groups.

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INTRODUCTION

BACKGROUND/OBJECTIVES

The Public Health Institute (PHI) and the California Medical Association Foundation (CMAF) are members of a workgroup convened by the Tobacco Control Section of the California Department of Health Services to develop a statewide campaign to reduce pro-tobacco messages and illegal sales of tobacco to minors in retail outlets throughout the State of California. The purposes of this research were to learn about the retail environment with regard to tobacco advertising and sales and to discover retailers' receptivity to modify their store policies and practices to achieve the campaign goals.

Specific objectives of the study included:

- Understand current store policies and clerk training regarding tobacco sales;
- Identify current problems retailers face concerning tobacco sales to minors;
- Explore methods to help retailers avoid tobacco sales to minors;
- Examine the role tobacco sales play in the retail environment;
- Identify the types of promotions, advertising and product placement that is most effective in retail outlets;
- Understand provisions of contractual agreements between tobacco companies and retailers;
- Determine how much knowledge of and involvement with the tobacco manufacturers' contracts exists at the chain store management level;
- Explore various concepts, such as, requiring a tobacco license for retail stores, instituting governmental regulation of tobacco prices and introducing health-related and illegal tobacco sales warning counter-top advertising inside retail outlets; and
- Confirm retailers' awareness and knowledge of current tobacco laws effecting the retail environment.

METHODOLOGY

Eleven mini-focus groups were conducted among retailers and clerks throughout the State of California (San Francisco, Sacramento, Fresno and Santa Monica). The sponsor of the research was not identified. The length of each focus group was about two hours long and was, on average, comprised of six respondents. Respondents were paid honorariums ranging from \$75 for clerks to \$150 for storeowners and managers for their participation in the research.

The screening questionnaire, discussion guides, proposed health messages and respondent profiles can be found in the Appendix to the report.

RESPONDENT QUALIFICATIONS

All respondents were qualified as follows:

- Have at least one year retail experience in the current store;
- Store sells cigarettes and/or tobacco (no volume requirements);
- Store has in-store advertising for tobacco products;
- Are knowledgeable about the tobacco products in the store

The different types of groups recruited include:

- Eight groups of owners and/or managers from independent or independent-franchise stores, such as corner groceries, convenience mini-marts (with and without gas) and liquor stores. These respondents are responsible for negotiating agreements with vendors, sales representatives, distributors and wholesalers for the purchase of tobacco products.
 - Six of these groups were conducted among respondents without any ethnic background requirement (two groups each in San Francisco, Sacramento and Fresno). See respondent profiles for actual ethnic breakdowns.
 - Two of these groups were conducted in San Francisco among English-speaking respondents of Chinese descent.
- One group of store managers from retail supermarket or grocery supply chains in the Los Angeles area.
- Two groups of clerks from chain and independent stores in the Los Angeles area. Almost all of these clerks are not related to the owner of the store where they work.

GROUP DISCUSSION TOPICS

Issues regarding ‘sales to minors’ were discussed in seven groups (four among independent managers/owners, two among clerks and one among chain store managers). ‘Point-of-sale’ Advertising issues were discussed in five of the groups (four among independent managers/owners and one among chain store managers).

	Sales to Minors	Point-of-Sale Advertising
Owners/Mangers of Independent Stores		
San Francisco (mix of ethnic backgrounds)	1	1
San Francisco (Chinese)	1	1
Sacramento	1	1
Fresno	1	1
Clerks		
Los Angeles	2	
Chain Store Managers		
Los Angeles (both topics discussed in group)	.5	.5

DIFFERENCES IN RESPONSES OF RESPONDENTS

The few differences in attitude noted in this report are driven primarily by the type of store (independent vs. franchise vs. chain) and the volume of tobacco sales rather than from the various geographic localities and ethnic backgrounds involved in the study.

EXECUTIVE SUMMARY

SALES TO MINORS

Attitudes about Potential Illegal Tobacco Sales

Worries about potential illegal sales to minors appear to be more of an issue for owners of small independent stores than it is for chain store managers or clerks.

- ◆ Independent storeowners are concerned that their businesses will be fined and that they may potentially lose the 'right' to sell tobacco products.
- ◆ The chain stores and their clerks appear to feel fairly confident that due to their tobacco training programs and their cash register scanners, they are less likely to make an illegal tobacco sale.
- ◆ Clerks, however, are concerned that they could lose their job if they make an illegal tobacco sale. Those that risk losing their job on the first offense feel this consequence is too harsh for making a mistake.

While Independent retailers genuinely want to make sure their tobacco sales are legal, they feel very strongly that the burden to prevent illegal sales to minors and the consequences of such sales are unfairly their responsibility.

- ◆ Retailers say that the underage youth who try to purchase tobacco products are intentionally breaking the law and should be punished accordingly.
- ◆ Retailers say that various factors that are out of their control, such as fake IDs, could result in a mistaken illegal sale to a minor.

Problems Faced by Retailers Regarding Tobacco Sales

Retailers are somewhat in agreement about the types of problems they face during the course of selling tobacco products. These include:

- ◆ Customers who use unfamiliar identification, such as, out-of state licenses, passports or military IDs make their jobs harder. They have to spend more time searching for the birth date or it is harder to tell if the identification is legitimate.
 - States, such as California, which have instituted the blue or red line to determine the correct age for tobacco and liquor sales make their jobs easier to check identification.
 - Retailers and clerks say that they cannot be expected to be experts at judging whether or not an ID is fake.
- ◆ Almost all retailers have experienced verbal abuse because they asked for identification or refused to sell tobacco to suspected minors. A few retailers mention that the

aggressive behavior sometimes becomes physical, such as; the customer throws or kicks things in the store.

- ◆ Some customers get offended when they are asked to show identification, even if they are of legal age.
- ◆ Customers claim they do not have their identification with them.
- ◆ Retailers mention that the underage customers sometimes ask adults to purchase tobacco for them. This puts the retailer in an awkward position of accusing adult customers of buying for the minor.

Clerk Training

The clerk training for tobacco sales varies from informal verbal instructions at independent stores to it being a component of a more formal three to five day overall training for cashiers at chain stores.

- ◆ Typically, retailers go over the rules about checking for identification for tobacco sales, explain the consequences for the clerk if an illegal sale is made and many require clerks to sign a document indicating that they understand the rules and consequences.
- ◆ Among the chain and franchise stores, many incorporate instructional videos into their tobacco-training regime. These videos may show a sting operation and how to check for identification. A few independent stores mention showing a 'We Card' training video to their clerks.
- ◆ Some independent retailers send their clerks to the LEAD training provided by ABC, for training on how to recognize fake identification.

The 'rules' about when to card an individual buying tobacco products vary across all types of retail outlets. While for many, it is store policy to ask for identification if the customer appears to be 25 or 27 years or younger, other stores may card anyone who looks to be under 35 years of age.

Most retailers provide some sort of paper or electronic calendar to aid clerks in determining the correct birth date for legal tobacco sales.

How to Prevent Sales to Minors

Most retailers feel that the most important message to convey to their clerks to prevent sales to minors is that the clerk will be fined and/or fired for doing so. However, others feel that using positive reinforcement, such as, paying a bonus for doing a good job or receiving recognition from authorities, is the best approach for gaining the clerk's cooperation in this matter.

- ◆ Storeowners, managers and clerks all agree that recognizing the clerk for 'passing' a sting operation would serve as a positive reinforcement to clerks, as well as, a warning that stings can occur in their stores.

All chain stores and most independently owned franchise stores use cash register scanners as a tool in preventing sales to minors. These scanners prompt a clerk to ask for ID or require that a birth date be entered into the system, which is an effective tool for retailers in ensuring that customers are screened when purchasing tobacco products.

- ◆ While most 'mom and pop' independent stores do not have scanners, presumably due to the cost, they recognize that they would be useful for them too.

Storeowners, managers and clerks all agree that recognizing the clerk for 'passing' a sting operation would serve as a positive reinforcement to clerks, as well as, a warning that stings can occur in their stores.

Almost all owners and managers feel that inserting messages about tobacco sales into paycheck envelopes would not be an effective way to prevent sales to minors. Clerks say that rotating various messages in the break room would be more effective than paycheck messages.

Reaction to Health Messages

Most retailers and clerks feel that posting health-related signage inside stores will not deter minors from trying to purchase tobacco products.

- ◆ Most respondents feel that the underage person has already decided to smoke before he enters their store.
- ◆ Retailers say that it is not their responsibility, nor is their store the appropriate place to educate customers about the dangers of smoking. They feel this responsibility and education should come from the family and the school system.
- ◆ Retailers worry that the health-oriented signage may conflict with their contracts with the tobacco manufacturers and/or offend their adult customers.

When clerks are asked, they agree that messages about the fines and consequences for clerks would be the most effective messages for clerks. They feel that health-related messages would not have much of an impact on clerks' attitudes about sales to minors. On the other hand, they feel that the messages with shocking statistics might help change minors' attitudes about smoking.

Several retailers suggest that an advertising campaign should be developed using teen idols, such as rap groups or Brittany Spears, as spokespersons for anti-tobacco or healthful messages. They say if the idols say and act as if it is not cool to smoke, it could be a deterrent to teens wanting to smoke.

Tobacco License

Two distinct opinions are given on tobacco licenses. Most chain managers say that requiring a tobacco license may help reduce the sale of tobacco to minors and that its purchase would simply be part of the cost of doing business. Many independent storeowners and managers, however, feel any additional license fees are too much. Once a fee of \$100 is mentioned, most

of the small independents feel that is not a great sum and that it may be an effective tool in reducing illegal sales to minors.

- ◆ A few independent store owners say they would be more enthusiastic if the money would be used in a productive manner, such as, educating youth about the dangers of smoking or arresting youth who try to purchase tobacco.
- ◆ If the license *must* be purchased, most retailers support a flat fee for the license rather than one that is volume-based.

Tobacco Laws

While most independent retailers receive information on new tobacco laws from the tobacco company representatives a few indicate getting information from the State. Chain stores receive their information from their corporate headquarters.

Most retailers are not familiar with either the name of or the exact requirements for most of the laws or local ordinances that effect tobacco sales in their stores.

Community

Almost all retailers feel their store plays an important role in the community, whether it is the source of items purchased regularly or in an emergency. Many of the stores, in the study, are in neighborhoods where they have repeat customers who they know.

Several retailers have had customers or church groups ask them to change the display of products in their stores that they found offensive. Several storeowners say they either removed or hid adult publications from the view of children in their stores. One chain removed large beer displays from the front windows in response to the community's concern about its impact on the neighborhood children.

While retailers say they will listen to concerns or complaints from community groups, their first priority is running their business for a profit. They are open to discussing valid concerns, particularly, if the customers asking for changes are those who patronize their business regularly. If the request will cause them to lose money or customers, they are less likely to be responsive to the request.

As far as being asked to restrict tobacco ads or to replace them with health messages in the store, retailers (particularly independent storeowners or managers) are less receptive. While many retailers do not appreciate others telling them how to run their business, others feel that it may interfere with their tobacco contracts and/or offend customers who smoke. Retailers tend to react more favorably to the type of 'health' message that offers help for those that want it, such as, an 800 number for those who want to quit smoking.

POINT-OF-SALE ADVERTISING

Tobacco Sales

Tobacco sales play an important role in the bottom line of most independent and franchise stores because of the proportion of sales they represent and because of the foot traffic they generate for additional sales of other items in the store.

- ◆ For some franchise convenience stores, tobacco products represent as much as 50% to 60% of their total sales. On average, this percentage falls somewhere between 20% and 30%. This percentage, however, can be as low as 5% for small corner grocery stores in urban markets.
- ◆ Cigarettes, which are low profit margin products, act as a ‘loss leader’ product to help sell high profit margin items.
- ◆ Tobacco customers generate more sales for independent stores than non-tobacco customers because they come to the store frequently and purchase other items while in the store.

While cigarette sales represent a much smaller proportion of total sales for grocery chain stores (2%, on average), the average volume of sales is much greater than that of independent stores (600+ cartons vs. 200 cartons, respectively).

In-store Advertising

Beer, soda and chips are the most heavily advertised products inside stores across all markets and store types. Cigarettes and liquor round out this top tier of advertised products in the independent stores, but not the chain stores.

- ◆ In-store advertising increases sales of the product advertised and sales of related products or items in close proximity to the sale item.
- ◆ Advertising that is closest to the front counter makes the biggest impact on sales.
- ◆ Advertising that notes a sale price is the most effective.

Tobacco companies appear to be making an effort to remove branded functional items, such as, clocks or penny trays from stores. They have directed stores to remove them and they no longer give the items to stores. Presumably because they have not been directed to remove them, some stores still have the items.

Tobacco Promotions

Price reductions (sales) and multi-pack discounts, such as ‘buy two and get one free’, are the most prevalent and effective promotions offered for cigarettes. Any one promotion lasts about one to three months and there is usually some cigarette product ‘on promotion.’ Almost all

sales and promotions are instigated by the tobacco companies because merchants cannot afford to put these low profit items on sale.

- ◆ The price reduction is almost always due to a buydown for which the retailer is reimbursed for the amount of the discount per pack after the sale ends.
 - Typically, tobacco companies review the purchase invoices at the store against the product sold to determine the amount of the reimbursement for the buydown. Several retailers, however, mention that in some cases the distributor provides the store's purchase information directly to the tobacco company. This practice bypasses the need to check the store's invoices and potentially shifts more 'control' from the retailer to the tobacco manufacturer.
 - Chain managers are not aware of tobacco buydowns. Several of these managers, however, are aware of a similar strategy used by beverage companies that reimburse them using 'backstage' money.

Product Advertising and Placement

In independent stores, the tobacco product itself has become the primary advertising for the brand.

Because of various regulations limiting store signage and counter-top displays, the placement and percentage of the product on the shelving behind the counter has become the focus of competitors vying for the prime position in the store.

- ◆ The highest bidder among tobacco companies will win the right to put their products in the 'first' or most visible position in the store. In most stores, this position is on the top or 'eye level' shelf. In most independent stores, this shelving is behind the front counter; in chain supermarkets, the shelving is in a clear cabinet at the front of the store that is accessible to all the clerks.
- ◆ Some independent retailers still have counter-top cigarette displays or small racks, but they are not self-serve.
 - All retailers agree that the removal of self-serve displays has been a very positive change for them because it eliminates almost all theft of cigarettes.

Retailers have mixed reactions about being 'asked' by the tobacco companies to put products and signs in specific places in the stores. While the pragmatic storeowners look forward to the tobacco company paying them for each 'request' that it makes, other storeowners find it annoying and intrusive. There is general agreement that the retailer can usually negotiate with a tobacco company representative about where marketing materials should be placed inside the store.

Contracts

There are many types and levels of contracts offered by tobacco companies.

- ◆ The all-encompassing contract attempts to control as much of the store space and as many promotions as it can.

- This type of contract specifies the total percentage of merchandise displayed for the contracting tobacco manufacturer's brands, which brands will be sold, where the brands should be placed in the store and the amount of money offered for racks, displays, buydowns and other promotions.
 - The retailer would most likely be required to carry the whole line of products from the contracting tobacco company, even the poor selling brands.
 - This type of contract would be based upon the volume of tobacco sold at the store. That is, retailers with greater cigarette sales volume are offered a higher category contract. The higher the category, the more money the retailer receives for each component of the contract.
 - Philip Morris or R.J. Reynolds offer this type of contract more often than other smaller tobacco companies.
- ◆ The exclusive contract is a more 'stringent' type of the all-encompassing contract and stores receive larger payments for the various components than if they were non-exclusive.
 - In this type of contract, the tobacco company provides the rack and shelving. Only their product is displayed on it or that company's products occupy the 'first' position on the rack or shelving.
 - The percentage of space allocated or the number of facings required depends upon the market share held by that brand in the area.
 - No signage or promotions for other brands are allowed during the special promotion period, which is usually 30 days.
 - ◆ Tobacco companies also offer 'less involved' contracts for individual buydowns or special promotions that are not necessarily tied with the all-encompassing volume-based contracts. The smaller players, Brown / Williamson and Lorillard, are more likely to offer the retailers multi-pack discount promotions, such as the 'buy two packs and get one pack' displays. The Newport coupons on individual packs are also offered and they do not require a contract.
 - ◆ For either type of contract, the tobacco company would most likely give the retailer temporary displays and signs to post for items on sale or promotion. Displays can also be provided even if there is no sale. Either way, the retailer is paid for using the display. Some retailers refer to this as a monthly payment.

While chain managers are aware that contracts or 'deals' are struck between the tobacco companies and their corporate headquarters, they are not aware of the terms negotiated. They receive instructions about pricing, promotions and product placement from their corporate offices.

Governmental Regulation of Tobacco Prices

Except for independent neighborhood stores in San Francisco, most independent storeowners and managers are opposed to the idea of the government setting the price of tobacco products.

- ◆ Owners of smaller stores recognize that governmental control of pricing could be an advantage to them over the larger high volume stores or chains.
- ◆ The high volume stores, however, feel that it would unfairly take away the competitive advantage they have worked to build for their business.
- ◆ Most storeowners are resistant to the idea simply because they do not want to be told the price at which they must sell products in their stores.

Chain store managers do not feel that governmental control over the price of cigarettes will impact their business a great deal.

Removing Counter Displays and Advertising

Retailers are reluctant to remove any items, such as, displays or pricing advertising, which are often part of their contracts with the tobacco companies and they may be paid to display them. In addition, these items help increase their sales of all items, not just tobacco.

- ◆ While retailers want to be responsive to their community, they must make sure that the request will not hurt their business or offend other customers.

Most retailers say they do not currently have tobacco advertising below three feet in their stores or near products, such as candy, that children purchase. Those who have signs in this type of area say they would be willing to move them to another location.

DETAILED FINDINGS

I. SALES TO MINORS

Independent Retailers in San Francisco, Sacramento and Fresno

Problems Faced by Retailers Regarding Tobacco Sales

Overall, many of the problems Independent storeowners and managers face with selling tobacco to minors are similar to those faced by chain managers. However, the problems are more top of mind for the independent retailers.

“It’s the hardest part of running a business.” (San Francisco)

“I worry about it in California with the ‘three strikes and you’re out.’ It’s important in my business.” (San Francisco)

A few problems independent retailers mention include:

- Some customers show aggressive or unpleasant behavior toward clerks.

“Sometimes they use the f-word and make racial remarks or throw things down on the floor (if you tell youth you won’t sell cigarettes to them).” (Sacramento)

“They get mad at the clerk if they don’t have their ID with them. Sometimes they’re rude to you – or kick the door.” (Fresno)

“I had a clerk get beaten up because he wouldn’t sell to a customer.” (Fresno)

- Some customers are offended when they are asked for identification.

“They get offended if you’ve just checked them the day before and then ask again.” (Fresno)

- Out-of-state licenses, military IDs and passports are harder to verify that they are not fake than are California IDs. Only a few retailers mention having the out-of-state identification book.

“We worry about fake IDs, especially the Navy, Army or out-of-state IDs. It’s hard to find the birth date on them.” (Fresno)

“You can’t control fake IDs.” (Sacramento)

“California has two different driver’s licenses and they’re always changing them. The out-of-state licenses are different and I don’t have a copy of the book with the out-of-state ads.” (San Francisco)

- Several retailers appreciate the ease of use of the California ID due to the red and blue lines that indicate the age of the individual.

“The red line on the ID tells you how many years before the kid is 18 years old. That helps figure it out.” (San Francisco)

*The California ID is easy and fast. It has a blue line to indicate the date.”
(Fresno)*

- A few retailers mention the problem of the customer saying that he does not have his ID with him. Sometimes they will ask someone else to buy cigarettes for them.

“People come in without an ID. They send someone else in to buy for them. If we see that situation, we don’t sell to the second person.” (Sacramento)

“When you say no, they run out and give the money to an adult.” (San Francisco)

- One respondent mentions that as the younger customers’ looks change due to age or a new hairstyle, it makes it hard for the clerk to know for sure that the ID is a good one.

“The problem with the ID is if the picture looks different- he’s getting older, he’s shaved his head or mustache.” (San Francisco)

Clerk Training

For most independent stores, the clerk training is less formal than that of chain stores. The independent franchises, that are part of a chain, appear to offer a few more training materials.

- Many of the retailers simply tell their clerks they must card customers for tobacco and alcohol.

“Every day I tell them to card minors.” (San Francisco)

- A few retailers mention receiving training videos from the franchise chain or from Philip Morris or RJ Reynolds.

“I show them the video, then work with them for 2-3 weeks and show them how to check the ID.” (Fresno)

“Corporate sends the videos, but no other official training.” (Fresno)

- A few retailers mention that they attended ABC seminars or received information from ABC that showed them how to train their clerks.

“I signed up for the ABC-LEAD training about alcohol and tobacco control.” (San Francisco)

“ABC furnishes information on how to train the clerks. There are about 4-5 pages of information.” (San Francisco)

- Some retailers provide materials for their employees to read about various store policies, including tobacco and alcohol issues. Employees are required to sign off that they have read and understand the rules.

“I have a three-page station policy. It goes over everything, including the laws and carding rules.” (Fresno)

“In their orientation, we go over the laws – in simple language and in legalese. It says it’s an affidavit on the bottom. They sign it and we give them a copy.” (Fresno)

- A few retailers from franchise stores say that the corporation sends them quarterly newsletters information about the 'We Card' program and signs.
- One retailer, who has a training background from Arco, puts her clerks through a more thorough training than most of the independent retailers. In addition to the 'We Card' video, she conducts role-plays and uses photographs of different faces to test the clerks to determine which are of legal age and which ones are not.

"I do a two-hour orientation. One hour is on cigarettes. We practice and do role-plays in the group on how to check IDs and how to tell which to check. I use photographs of men, women, kids, those that are thin, heavy, have a mustache to test them. They find out they're not as good as they thought they were in determining which ones are of age." (Sacramento)

Regarding sales to minors training for clerks, the major points covered include:

- The customers must be 18 years old for cigarettes and 21 years old for alcohol.
"It's not rocket science. It's pretty clear- 18 years for cigarettes and 21 for alcohol." (San Francisco)
- Retailers use a variety of age limits for determining when to ask for an ID. Some card anyone who looks to be 25 years or younger, while others use 26 years, 27 years, 30 years or 35 years.
"We card anyone who looks under 35 years of age and we have a sign that says we card anyone under 27 years old. We use that sign if someone gives us a bad time about it." (Sacramento)
"If a customer is new and looks 25 years or younger, I card him." (San Francisco)
"Need to card anyone who looks 26 years or younger." (Fresno)
- Clerks are told about fines they and/or the store would be responsible for and what will happen to them if they sell tobacco to a minor. In many cases, the clerk is told they would be fired if they sell to a minor.
"If they don't follow the rule, they'll be fired." (San Francisco)
- Clerks are told about the State stings.
- One retailer in Sacramento mentions that if he is suspicious about an ID or photo, he asks the customer to sign their name to see if it matches the ID.

Cash Register Scanners

Some of the stores in Fresno and Sacramento use cash register scanners. Most of these stores are independently owned franchises. A few of the scanners are only set for inventory control and a few have a system built in that requires an ID check by the clerk.

- Two respondents in Fresno have the type of scanner that is somewhat proactive. That is, when a tobacco product is first scanned, the machine tells the clerk the correct year,

the clerk must ask to see an ID and then press 'yes' for the birth date or the register will not work.

- Retailers, who use scanners, say that it makes it easier for the clerk. Those who do not have them think it would be a useful tool.

How to Avoid Sales to Minors

Most storeowners and managers feel their first line of defense in avoiding tobacco sales to minors is the clerk in the store. They feel the best way to prevent sales to minors is to penalize the clerk for failure and/or to reward the clerk for success.

- Some retailers feel that the fines should be stiff for the clerks.
"The cashier is the biggest deterrent. They have to have a reason to care. They'd remember a strong penalty like \$1,000." (Sacramento)
"They should increase the fines to the clerk." (Fresno)
"The employee needs to know they will get fined. There should be stiff penalties, including jail." (San Francisco)
"We train our employees not to make a mistake by making them pay for them. If the money comes out of their pocket, it doesn't happen again." (Fresno)
- Other retailers suggest giving clerks positive reinforcement for not selling to minors, whether it is a monetary payment or recognition from law enforcement.
"The clerks get a commission if they don't cash bad checks or sell to a minor." (Fresno)
"I use incentive rewards. When I see a clerk handle a tough situation, I give them a \$10 bonus or free gas." (Sacramento)
"You need to offer some sort of reward to the clerk for not selling to minors – instead of a punishment. But, then who will keep track of it? Who will pay for it? The clerk should get a bonus of \$100 for doing well." (San Francisco)
"The problem is you only know when you make a mistake. When ABC comes by, they send a letter saying that you passed. They tell you the time of day, so you know the clerk. Instead of sending a letter, they should do it on the spot for immediate recognition. Do it for tobacco too." (San Francisco)
"It would be good to advertise who has done a good job - to give positive rather than negative feedback. Around here, you get your name in the newspaper if you make a bad sale." (Sacramento)
- A few retailers also suggest that there be more 'presence' from law enforcement to help them convince their clerks that enforcing these laws is important. They suggest that law enforcement or the State should send documentation to be posted for employees to see the laws and fines.
"A letter from law enforcement to put in the employee area." (Fresno)
"Written documentation from the State would show that the rules are 'official' and not just store policy." (Fresno)

- Having tools that would help the clerk check the date are recommended, whether it is simply the color-coded lines on IDs, a calendar or a scanner that reminds the clerk to check the ID. One respondent suggests having a statue or face on the cash register that asks for the ID every time, so that it depersonalizes having the clerk ask.

*“Machines that must check the ID before the sale is made would be helpful.”
(Sacramento)*

“California and other states that have the blue and red lines on the birth date make it easy to check.” (Fresno)

“The red line on the ID helps me figure out the date.” (San Francisco)

*“If the statue or face asks 100% of the time, it will take the pressure off of the clerk.”
(San Francisco)*

“I give them a calendar that spells out the year – it’s easy for the clerk and the customer.” (San Francisco)

- One respondent suggests sending clerks to a seminar sponsored by the tobacco companies that would show the clerks the risks of selling to minors.

“Pay the clerks to attend (a seminar) to get the message across – at the tobacco industry’s expense.” (San Francisco)

- One respondent in Sacramento suggests having the clerks wear a badge that says ‘we card’ or some other anti-tobacco message.

Some respondents suggest that minors and those who buy cigarettes for minors should be prosecuted. Many retailers feel strongly that the retailer is being inappropriately penalized, while the youth are not being penalized for trying to purchase tobacco products.

“Minors found smoking should be cited by law enforcement.” (Sacramento)

“There should be penalties for those who buy for minors.” (Sacramento)

“It creates a problem for you (when the kid gets someone else to buy for them). Our job isn’t to police the adults.” (San Francisco)

“If someone can be fined for walking down the street under the influence of alcohol, why not a kid smoking?” (Fresno)

“The fines to the minors need to be higher – it is ridiculous – they are the ones breaking the law.” (Fresno)

“The pressure is on the wrong person; we’re the scapegoat. It’s easy for them to come after us if the cashier or owner makes an honest mistake and sells to a minor. We don’t even make much money on cigarettes.” (Fresno)

“They should do something to the person trying to purchase cigarettes. We’re not law enforcement.” (Sacramento)

There are mixed reactions to the idea of inserting tobacco law or health messages in employee paycheck envelopes. Respondents in Sacramento appear to be more accepting of this idea than those in Fresno. This question was not asked in San Francisco.

"It works pretty well. I already do it for some laws." (Sacramento)

"It would only be useful if the law were new or possibly to remind them about the fines." (Fresno)

Retailers are not particularly enthusiastic that posting anti-smoking or health messages in employee break rooms would be effective. Some of the stores are too small to have such rooms.

Health Messages for Minors

Retailers have mixed reactions to the idea of posting health messages in their stores as a way to deter youth from trying to buy tobacco.

- Several respondents suggest that signs or advertising campaigns should include messages from teen idols.

"If the industry is really serious about not selling to minors, they should do an ad campaign with teenage idols – Backstreet Boys, Christine Aguillar, whoever appeals to teens only. Someone they admire and will listen to. It would make our job easier if they would get the message across that it is not cool to smoke." (San Francisco)

"They did that with baseball players- they all used to chew tobacco. Then they got involved in discouraging kids from doing it. How do you get Bob Dylan or Tom Petty to do that? By time the kids are 12 or 15, they want to do what the idols do." (Sacramento)

- Some retailers, however, feel that signs in their stores will have no effect on youth. They say these youngsters have made up their minds before they come into the store. They feel that the issue should be addressed at home or in the schools.

"It's not our business to tell kids that it's killing you. It's a place of business. I can't offend the adult customers." (San Francisco)

"The problem starts with the families. Anything from us won't solve the problem." (San Francisco)

- Others say the signs should warn the youth of legal consequences for trying to purchase tobacco or for smoking.

"They should say that we will report them to the police. But, then will the police follow through in Fresno?" (Fresno)

- One respondent raises the question of stores being hypocritical if they post anti-smoking signs when they sell tobacco in their store.

"If 20%-30% of your sales are tobacco, wouldn't it be hypocritical to put health messages up?" (Fresno)

When respondents are shown the proposed functional items that have health messages on them, several react more favorably to the idea. They do not feel that these items are threatening to their other customers. Most of the respondents like the clock, as it would also serve a useful purpose.

“The clock is a different ballgame. It spells it right out. Everyone looks at the clock. You’d need a different message on it for kids though.” (San Francisco)

“The clock is good. Everyone comes in and asks what the time is.” (Sacramento)

“Enjoy healthy living is nice, but it won’t impact kids.” (Sacramento)

Awareness of Tobacco Laws

Like the chain managers, independent retailers are aware that they are not supposed to sell tobacco to those under 18 years of age. However, they are not particularly knowledgeable about the names of the laws. They are somewhat aware of some of the content of the laws regarding tobacco sales or at least what they perceive to be the content of the laws. A few of the things they mention about the laws include:

- The clerk and the store can be fined for selling to a minor. The first offense is \$250.
- The minor can be fined.
- The State of California runs stings. If the decoy comes into the store and is 24 years of age, the store still must card him.
- No tobacco signs for cigarettes are allowed outside or touching the window of the store.
- One retailer thinks there is some rule about being close to schools.
- No smoking is allowed inside the store.
- No self-serve tobacco displays are allowed, which is a change that retailers like.

“Removing the self-service racks was the best thing that happened. They were rammed down our throats by the tobacco companies to hook young kids who would steal them. They’re against the law because of the consent decree the Federal Government signed with the tobacco companies.” (Sacramento)

Source of Tobacco Law Information

Many retailers say they are informed about new tobacco laws by the State or the tobacco companies. Others mention convenience store or merchant magazines or newsletters, news (media) reports, word of mouth or distributors as being sources of information for them.

“The tobacco companies are good at keeping you informed- they send out brochures.” (San Francisco)

“It mainly comes from the State, but the tobacco companies supplement.” (San Francisco)

“In the mail from the (State) Health Department.” (Fresno)

Several retailers say they would prefer to receive information about the laws from one source. A few retailers say that whoever is making or changing the law should inform them.

“One single source (of information) would be good.” (Sacramento)

“If info only came from one agency – we get so much mail from different agencies.” (Fresno)

*“If the government is making laws, they should provide us with copies of them.”
(Sacramento)*

- Other suggested sources of information about laws include:
 - E-mail
 - Web site
 - With quarterly taxes
 - Local law enforcement
 - Wholesalers
 - Video
 - CD-ROM

Tobacco License

Retailers view the proposed license to sell tobacco as being another way for the government to collect money from them without making any difference in limiting the sale of tobacco to minors. A few retailers might react more favorably if the money were to be used for education or to arrest youth who try to purchase tobacco.

“It’s just another way to collect money from us. It wouldn’t help with sales to minors.” (Fresno)

“I don’t like the idea. It’s not going to deter the kid.” (Sacramento)

“I don’t think we should have another license. The government is taking our money for this and that.” (Sacramento)

“What would they do with the money? Is it for education? The tobacco industry has enough money to provide education.” (San Francisco)

“Don’t burden the retailer too much.” (San Francisco)

“If they’re going to take the \$100 and arrest minors who were smoking, I would be fine with it. If they’re just going to take our money – absolutely not!” (Fresno)

- A few retailers think they are paying for a license already.

“I think something is on the books now – if you’re caught more than three times, you can’t sell anymore.” (San Francisco)

“Basically we do it now. We give the ATF \$250 for the privilege of selling cigarettes.” (Sacramento)

- If the license must be required, most retailers say it should be levied as a standard flat fee.

“A flat rate would be fair if all are the same.” (San Francisco)

- A few respondents point out that, to be fair to the smaller stores, it should be based upon volume of sales.

“(The fee should be) based on volume. If one store sells 100 cartons a day and another only 1 carton. It would be a tough rate schedule to figure out.” (Sacramento)

- Once respondents hear that the proposed fee may be only \$100, a few are not quite as resistant to the idea.

“It’s reasonable. The business would absorb the cost.” (San Francisco)

Community Relations

Almost all storeowners and managers say they have repeat customers who come into their stores regularly and that the store plays an important role in their neighborhood.

“We know their names, their kids, their grandkids. We support the kids, the car washes, etc.” (Sacramento)

“We see some customers several times a day.” (San Francisco)

“We’re very important to the neighborhood. They come for a quick emergency like aspirin, water, eggs, lemon, etc.” (San Francisco)

“Parking is difficult in this neighborhood, so it’s hard for them to shop at Safeway and find a place to unload the groceries.” (San Francisco)

Several retailers say they have experienced customers asking them to make a change in their stores. Most of them have complied, as the requests tended to be around the topic of adult or sexual orientation publications.

“Two or three families came to me about the adult magazines, so I took them out.” (San Francisco)

“Many years ago adult magazines were on the regular rack. The churches sent letters and asked us to remove them. Now they are behind the counter or covered.” (Fresno)

“Someone had asked us to put out a freebie newspaper that I never looked at. Then the Presbyterian Church told us they’d tell their congregation not to shop at our store unless we removed the papers. After I looked at it and saw that it was about homosexuals, I removed them.” (Sacramento)

While retailers say they would listen to concerns or complaints from community groups, running their business for profit is their first priority.

“If it’s something I can do to make a change, I’ll try to do it. But, I believe everyone should have the right to choose and we’re in business to make money.” (San Francisco)

“I’d listen to them to get the information. You welcome anyone who takes the time to tell you about things in your store. You want to save that customer.” (Sacramento)

“If it makes sense. It depends upon the reason and why they’re asking.” (Fresno)

As far as restricting tobacco ads or replacing them with health ads, retailers react more defensively about other people telling them how to run their business.

“I won’t stop selling cigarettes. I’m not breaking the law. If you start with cigarettes, you open it to beer, wine, liquor.” (San Francisco)

“If I could get away without carrying tobacco, I would. But, for every two people who don’t want it, 20 do. You’d lose so many sales. Those who come in to buy cigarettes, buy something else, including cigarettes lighters that have a high margin on them.” (Sacramento)

“Smokers don’t like to see those 800 number signs about smoking.” (Fresno)

Recognizing Stings

Retailers in Sacramento explain how they can tell when a young person is part of a sting operation. The stings they describe are primarily for beer, not tobacco. The following are clues for them:

- The youth already has his license or ID in his hand, pulls it out quickly when asked or he has it in his pocket rather than in his wallet.
“A real customer would have to dig in his wallet.”
- The youth does not argue with the retailer.
“(A real customer) will do whatever he can to not show it to you.”
- The retailer can see the van outside and the adult walking toward the building.
- The youth usually brings a single can of beer to the counter and nothing else.

Clerks in Los Angeles

Problems Faced by Store Clerks

While the major concern of the clerks regarding selling cigarettes to minors is that they could lose their jobs, they do not appear to feel that ‘dealing’ with potential underage customers is a huge problem for them. That is, those from chain stores tend to feel that the rules and the scanners that are in place in their chains cover the bases. Clerks from independent stores say they can “just tell” when they should card someone and they claim to check IDs consistently.

- There appears to be a sense that underage youth are not coming to their stores to try to buy cigarettes as often as they try to buy beer or liquor.
“Our problem is more with beer.”
“There’s a lot of education in schools. The kids don’t even try to buy tobacco so much now – it’s alcohol they try to buy.”

A few problems that clerks mention that come up when they ask to check for identification include:

- The customer claims they do not have the ID with them.
“They don’t want to show any ID. They say they left it at home or don’t have it with them.”

- The customer gets an adult to buy the cigarettes for them.
"We can see across the parking lot that they get someone else to buy it (cigarettes)."
- Some clerks have experienced verbal abuse.
"Some people get upset that you're carding them. They say things verbally and will call you names."
- One clerk mentions they have problems with brothers who share the 'of age' brother's identification.
- Checking identification and getting cigarettes out of the front case slows their line down.
"It ties up the customer line every time someone wants cigarettes. It's time consuming."
- On passports and out-of-state IDs, it can be hard to find the birth date. One clerk from a chain says, when this happens, she asks for an additional form of identification.
"A lot of kids come in with fake IDs."
"We get a lot of passports and out-of state IDs. It's hard to find the birth date. I ask them where it is."

Clerks have various ways of dealing with the problems that arise with potential underage customers.

- Some clerks tell the customer that they will lose their job if they do not card the customer. This statement appeases some customers, but others still give them an argument about being carded.
"I point out that it's me carding them or losing my job. I tell them I'll hold the cigarettes for them to go to their car to get their ID. Some people react more favorably when I tell them that. Others still say 'who cares?'"
- In the case of brothers sharing identification or other suspicious IDs, the clerk asks the customer to sign his name to see if it matches the ID.
"We had a problems with brothers (trying to share an ID). We have them sign their name to see if it's the same (writing) as on the ID."
- In the chain supermarkets, clerks can call a manager if they suspect problems with the ID or have trouble with the customer.
"If I question the ID, I call my manager." (Ralph's)
- One clerk says that when they suspect an ID, they tell the customer to wait while they call the police to check it out. If the ID is not legitimate, the customer usually runs away leaving the ID at the store.
"We tell them the ID is fake and they say no. So we say, okay, we'll call the police. Then, they run away and we keep the ID."
- Some clerks ask the person their age before they ask for the ID. Obviously if the answer is younger than 18 years old, there is no need to pursue checking them or selling the

cigarettes. This policy also covers the storeowner if the customer is a decoy for a sting operation, as the decoys must tell their true age when asked.

“When we ask for the ID, we also ask how old they are. If he says 17, we won’t sell anyway- there’s no need to look at the ID. And, if it’s a sting, the decoy can’t lie to you about his age.”

- Some clerks find that customers are more willing to be carded when the machine’s (the scanner) requires that they must be the correct age.

“The customer is more willing to take the machine’s word than my word.”

Store Policies and Practices

Most of the stores, where the clerks work, have a policy to card anyone who looks under a particular age, whether it is 27 or 30 years old. Some stores have signs stating that anyone, who looks to be under a certain age, may be asked to show their identification. While some stores differentiate between the ages to card for tobacco versus liquor, others just card everyone who looks to be below the set age limit. Other ways to help judge when to ask for an identification that clerks mention include:

- Looking at the body language, such as, if the customer looks nervous and fidgety or will not make eye contact.

“You can tell by their body language and they don’t make eye contact with you. They’re nervous, fidgety and look around a lot.”

- If a young-looking customer comes in with schoolbooks.

“They come in with books in their hands.”

- The prompt from the scanner reminds and/or requires clerks to check for identification for tobacco (and alcohol) products.

“The scanner is a big help. It makes it easier. It reminds you to pay attention to check.”

- One older clerk admits that as she has gotten older, it is more difficult for her to judge the age of customers, as they all look young.

“As I get older, it’s really hard. Everyone looks young to me.”

Once the decision has been made to check the identification, clerks use calendars or the scanner information to take the ‘guess work’ out of determining whether or not customer is the correct age.

- Some scanners require that the clerk insert the birth date and the scanner tells them if the date is correct.
- On other scanners, the most recent allowable birth date pops up.
- Stores without scanners, use an electronic or paper calendar that is changed each day.
- A few stores have a scanner for the ID itself that is part of the ATM machine.

- Almost all clerks say they can override the scanner. After the scanner beeps, they can hit 'clear' to override the request. They would do this if the customer were obviously of legal age. Clerks say it is possible that some clerks may override routinely rather than checking the identification. But, as the consequences to the clerk are so severe, they do not believe many clerks do this.

"We can put a key in to clear (override) it."

"Everyone pays attention and checks IDs. You can be fined or lose your job. It's just totally not worth it (to not check)."

- Clerks agree that the scanners and calendars that give the date help take the burden of any calculations off of them.

There appears to be inconsistent treatment of the problem of minors asking others to buy the cigarettes for them. Clerks do not appear to be aware of the law for this situation, but go by their own judgment or the rules of their store.

- Clerks from grocery store chains say they will not sell to an adult who they suspect or know is buying for a youth. One clerk says if she sees a kid asking the adults, she will not sell to the adult because it "pisses her off," not because of a law or store rule. Another clerk says that if she sees one person hand the money to another one, she cannot sell to the 'of age' person because she could be fired.
- A 7-11 clerk appears to be following the rule that is most convenient at the moment. On one hand, he says that even if he sees the transaction in his parking lot, once the customer comes into the store, he cannot refuse to sell to him. However, he also states that if he knows for sure what is going on, he can call the police. But, "if you don't want to make trouble, you can let it slide."
- Another clerk confirms that he has to actually see or "visualize" the youth asking the adult in order to accuse the adult of buying for the minor.

Most clerks say their store policy is to give the clerk a verbal and/or written warning for the first offense of selling tobacco to a minor, followed by being fired for the second offense. One chain clerk says the clerks are suspended for the first incident and are never hired back. In this case, she says the union will not help the clerk. The smaller stores appear to have a policy of firing at the first offense.

- Most clerks feel these policies are too strict on the clerk, particularly the 'fire first' policy. They point out that, in most cases, the sale would be the result of a mistake, not an intentional act. They mention that in a busy supermarket check-out line, the clerk can have a great number of responsibilities to handle at once.

"Our policy is so strict and I need my job. I think the consequence is too strict. It's busy on the front end. If they are the PIC (person-in-charge) they run a cash register and they have to get change, deal with customer service and keep baggers organized - there are a lot of responsibilities. I think a second chance is better. It's management's fault for not giving enough help." (Ralph's)

"I think you should be written up. We have a similar thing with the WICK program (women, infant and children). If you make a mistake, you have a verbal and written warning before termination."

"Firing first is hard."

- There is not much enthusiasm for the clerk being sent to a class for selling to a minor, except as a better alternative than being fired.

"It's (going to a class) is more fair than firing"

"No one would take it seriously. It's like a punishment."

- Most clerks do not agree that a clerk is likely to sell to a minor he knows. One clerk (owner) says he tries not to hire kids from the neighborhood, as he does not want the problem of their friends hanging out at the store.

Clerk Training

The large supermarket chains have more formal training programs than most of the independents.

Chains

- The cashiers take a 3-5 day training that includes, among other things, how and when to check for identification and how to detect fake IDs. Videos showing a sting operation, a dramatization of how to check for identification and a re-enactment of an adult trying to buy for a minor are part of this training. Pamphlets and brochures supplement this training.
- Clerks are told to card anyone who looks under 27 or 30, depending upon the store.
- Most clerks are told they can lose their jobs if they sell to a minor.
- Typically, clerks are required to sign off that all the rules and procedures have been explained to them and that they agree to enforce them.
- Clerks at chain stores are encouraged to call a manager over to their register if they have any doubts about the identification provided by the customer or with the customer's behavior.

Independents

- One of the independent stores sends its clerks to the free LEAD training provided by ABC. Part of this training covers how to recognize fake IDs.
- A clerk from a smaller store says that they have a 30-minute training every six months or so to refresh.
- While no clerks say they have attended a 'We Card' training, one of the smaller store clerks (owner) gave a 'We Card' video to his clerks to view.

- One of the clerks from an independent store received his training at a staff meeting from Philip Morris during one of the cigarette promotion campaigns.
- One independent storeowner tells his clerks that if they sell to a minor, it will stay on the clerk's record.

Knowledge of Tobacco Laws

As with the store managers or owners, most clerks know that it is illegal to sell tobacco to those less than 18 years of age, but they do not know the names or the specifics of the State or Federal laws that apply to tobacco sales to minors.

- One respondent mentions that the clerk can be prosecuted and another respondent says it is a misdemeanor for the clerk. No one knows the amount of the fines that can be levied on the clerk.
- One respondent, who has been fined himself as a minor, knows that the minors can be fined for smoking. He says the first offense is \$35 with an eight-hour class and that the second offense is \$125.
- Most clerks say that self-service displays are illegal; one respondent says it depends upon the city.
- Some chain store clerks mention that the tobacco products must be locked in the front cabinet; others say that the cabinet doors, must be closed, but not necessarily locked.

Tobacco Stings

Most clerks are aware that the State conducts undercover stings for tobacco (and alcohol) sales to minors, but most are not aware of employer-sponsored stings. They all agree that if the clerk 'passes' the sting, that it would a good idea to let the clerk and the store know right away. They say that it would provide positive reinforcement for the clerk who 'passed' and it would alert other clerks to the fact that stings are conducted. A few stores, including 7-11, mention that a bonus is given if the clerk goes for a period of time without any "incidents."

"It would be very important. When I've had interaction with the tobacco and alcohol people, I've asked them for that type of positive reinforcement to put in the clerk's file. So the clerks are recognized for their hard work." (Owner)

"It will also alert the employee that it really happens rather than just having the employer say that it could happen. It would put them on notice, but also recognize the clerk for doing a good job." (Owner)

"It would be a good reflection on the management team and the company if they let you know you'd passed. They'd know they were doing the proper training."

Most clerks do not appear to have had enough experience with stings to recognize any ways to identify the customer as a decoy. One respondent, however, points out that he can tell because the decoy will not argue or give the clerk a "big hassle" when he asks for the identification.

Ways to Reduce Sales to Minors

When respondents are asked to identify ways to make it easier for clerks not to sell to minors or tools that could help eliminate sales to minors, they say that the issue is fairly well addressed in their stores.

“We already have the signs saying that we card anyone under 30 years of age and that you need to be 18 years old to buy cigarettes.”

“We have stickers on the registers reminding the clerks.”

“It’s well covered. I know I can get in trouble, pay a fine and lose my job.”

“Just check the ID.”

“The child should be responsible.”

One respondent suggests that more re-enactments could be done as a wake-up call for clerks, as well as, for minors in the store. When one of the clerks mentions the ATM machine that scans the ID, the other clerks think this would help them in their jobs.

“Scanning the ID would be faster and easier. That would help with fake or out-of-state identification.”

As a supplement to receiving positive feedback about ‘passing’ a sting, respondents say that having someone from one of the enforcement agencies come into their store to explain the laws and regulations would be effective.

“Police in uniform drop the packets by the store and explain things to the clerks. The customers would see that too. Someone in uniform makes a bigger impact.”

“ABC – they only come in to give fines, so the cashiers would pay attention.”

“They should come with a more positive purpose. They don’t guide you.”

While some respondents think including laws about tobacco sales to minors in the clerks’ paycheck envelopes might be an okay idea, they say that putting the signs up in the break room would be more effective.

Health-Related Messages

Respondents are not enthusiastic about health-related messages being an effective way to discourage youth from trying to buy cigarettes. Like managers of stores, clerks do not feel the store is the appropriate place to educate customers about the dangers of smoking and that the health-related signs may discourage adult customers. One respondent mentions that the signs may interfere with their contract with the tobacco companies. Their comments include:

“Posting a sign stating that the minor could be fined for trying to buy cigarettes. I don’t think most kids realize they could get a ticket.”

“The issue needs to be brought up in school. They talk about sex education there. Why don’t they talk about lung cancer?”

“When a person comes in, he has made his mind up already to buy cigarettes. If you don’t want to sell it, don’t put it in your store.”

“Why would an employer put up such a sign (anti-smoking) if he sells cigarettes to earn money to pay wages?”

“I don’t think the health messages are our business.”

“There will not be any impact because they (the minors) are there to buy - not to look at the communications. The person has to want to change.”

“All this money going into signs is not really hitting where the rubber meets the road.”

“The tobacco companies will take you out of the contract if you put these signs up.”

Recall and Reactions to Proposed Messages

When respondents are asked to ‘recall’ as many tobacco-related messages as they can from the reading by the moderator, the Stop Tobacco to Kids Enforcement Act provisions are ‘top of mind’ to many respondents. Other messages recalled include:

- Under the Stop Tobacco Access to Kids Enforcement Act, the owner of a store where a sale of tobacco was made is subject to a penalty of \$200-\$300 for a first offense, \$600-\$900 for a second violation up to \$5,000 to \$6,000 for a fifth offense in five years.
- Tobacco kills more people than from AIDS, alcohol, car accidents, murders, suicides, and fires combined.
- Tobacco is the leading preventable cause of death, killing more than 400,000 each year.
- The tobacco industry has been quoted as saying, “The base of our business is high school students.” (August 30, 1978, Lorillard).
- 90% of all smokers begin smoking at or before the age of 18.
- If you sell tobacco to an underage youth, you will be fired.

Almost all respondents agree that the best messages to direct toward the clerks are the two that spell out the fines and the one that states that the clerk would be fired for selling tobacco to an underage youth. These messages give straightforward information about the consequences of sales to minors rather than health-oriented messages.

- Under the Stop Tobacco Access to Kids Enforcement Act, the owner of a store where a sale of tobacco was made is subject to a penalty of \$200-\$300 for a first offense, \$600-\$900 for a second violation up to \$5,000 to \$6,000 for a fifth offense in five years.
- It is unlawful to sell, give or furnish tobacco to a person under the age of 18. Violators are subject to a fine of \$200 for the first offense, \$500 for a second offense and \$1,000 for a third offense.
- If you sell tobacco to an underage youth, you will be fired.

The messages that respondents feel would have the strongest impact on minors include:

- Tobacco kills more people than from AIDS, alcohol, car accidents, murders, suicides, and fires combined.
- Nearly 90% of lung cancer cases, 1/3 of all cancer deaths, and 1 in 5 deaths from heart disease are tobacco related.
- Tobacco is the leading preventable cause of death, killing more than 400,000 each year.
- Tobacco results in \$89 billion in annual health care costs.
- 90% of all smokers began at or before the age of 18.

Ad Placement

Most clerks agree that the placement of signs within the store is up to the store manager or owner. While the tobacco representative may physically put the signs up, he would check with the manager first about where to put them. The corporate office of the chain may send some directive to the store manager about the product and sign configuration.

Community

Like the storeowners and managers, the clerks see their stores as being an important part of the community, filling a need and, in some cases, offering convenience. Even the large chain store clerks say they have regular customers. They say that the store managers will listen to what customers say even if they do not make the requested change in the store.

Chain Managers in Los Angeles

Problems Faced by Retailers Regarding Tobacco Sales

Chain managers appear to feel that they have the sales to minors issue under fairly good control.

- They say they have provided ample training to their clerks, they continue to remind the clerks to check identification and that they have made it easy to do so.
- They feel that it is primarily an issue of the clerks following through on the behavior to always check identification.

Problems with selling tobacco to minors do not appear to be as top of mind with the chain managers as they are with the independent retailers. They say, that for the most part, minors view the supermarkets as being too stringent for them to try to buy tobacco in them. A few problems they mention include:

- Some aggressive or unpleasant behavior toward clerks.
“Sometimes they get aggressive with the clerks.”
- Some customers are offended when they are asked for identification.
“It’s situational – some get offended and other don’t.”

“People get ticked off when they don’t have their IDs with them.”

- Some out-of-state licenses, military IDs and passports are harder to verify than California IDs. No chains have the books to identify out-of-state identification.

Clerk Training

Chain stores provide more formal training and follow-up meetings and memos than do independent stores.

- Some chain stores provide a five-day cashier training that includes tobacco and alcohol compliance issues.

“The new cashiers go to a five-day training that covers the sale of alcohol and tobacco as part of it.”

- Some stores have corporate training departments that handle the clerk training.

“We have a training department that covers all of that.”

- Employees who attend training, store meetings and read memos are required to sign off on a form that states they are aware of the policies discussed, are responsible for their actions and understand they will be suspended or terminated if they do not comply.

“They sign off that they are responsible for their actions and that they won’t sell to anyone under 18 years old.”

- Videos are part of the training.

“They show videos during the meeting.”

Regarding sales to minors training, the major points covered include:

- If the customer looks to be under 25 years of age, card for tobacco.

“If they look 25 or under, they have to card.”

- Some say, if the customer looks under 30 years of age, card for alcohol – others apply this rule to tobacco as well.

“For alcohol, we card if they look under 30 years.”

“If they look under 30, we card for either one.”

- If there is any question about the validity of the identification, the clerk can ask a manager to handle it.

“If there are any questions, the cashier can bring a manager over to help.”

- Clerks are told they will lose their jobs if they sell to minors. A suspension or warning is the first step. Termination is the next step.

“Suspension and a warning first – then termination. It is enforced.”

- Some clerks are told about their chain’s internal test of employees where they can also be suspended, lose a week’s pay or be terminated for selling tobacco to a minor.

"We have an internal test for our own employees."

Cash Register Scanners

All chain stores use cash register scanners that have a system built in that requires an ID check or brings an ID check to the attention of the clerk.

- Some of the scanners are very proactive. That is, when a tobacco product is scanned, the clerk must input an acceptable birth date or the register will not work. The birth date is printed on the receipt.
- Some chain managers say the system can be overridden (by hitting enter) so that the clerk does not have to check the identification of customers who are obviously of legal age. Other managers say their system cannot be overridden; a date must be entered.
"A cashier can override the system by hitting enter and pass by. You don't want to ask someone who looks 40 or 50 for an ID."
- Other systems do not ask for the clerk to input a birth date. Rather, when tobacco is scanned, the system tells the clerk by what date the customer must have been born. If liquor is scanned after tobacco, the system will prompt the clerk again with a 21-year birth date.
- Managers agree that the scanners help deter tobacco sales to minors. In addition to reminding the clerks to check identification, the scanners also help because:
 - It takes some of the pressure off of the clerk asking for the ID. When it is a universal request, customers do not feel like they are being singled out.
"It helps to say that you have to do it to everyone."
 - Checking the identification may embarrass minors trying to buy tobacco because when they hold up the line, they may cause other customers to become disgruntled with them.
"It helps stop sales to minors; it acts as an embarrassment when people behind them complain."

How to Avoid Sales to Minors

All chain managers say the only effective message to deter clerks from selling to minors is a warning that they will lose their job. They say the 'We Card' is the best deterrent to minors from trying to buy tobacco products.

- Chain managers agree with the independent retailers that there is not much, in the way of signage, that can be done to deter minors who have already come to the store to buy cigarettes. Like the independent retailers, they feel their stores are not the appropriate place to try to educate minors about the dangers of smoking.
"Once they've started smoking, they won't pay attention to the signs. They've already made their minds up."
"Young kids think they're invincible."

“It’s appropriate in the elementary schools – not the grocery store.”

“We’ve seen enough about tobacco and how it kills. People are educated on the subject – it’s a social issue.”

Chain managers do not feel that inserting messages in employee paycheck envelopes would be effective. They say employees would *“blow it off.”*

Most chains have ‘We Card’ signs in their stores. They are near the cashiers in the front of the store. Chains also have materials provided by the tobacco companies stating that pregnant women should not smoke tobacco. They have stickers on the registers and brochures

“We’ve put out brochures stating that expecting mothers shouldn’t smoke. They were provided by the tobacco companies.”

Awareness of Tobacco Laws

Like the independent retailers, chain managers are aware that they are not supposed to sell tobacco to those under 18 years of age. However, they are not particularly knowledgeable about the names or content of the laws regarding tobacco sales. A few of the things they mention about the laws include:

- *“Some of the money goes toward education.”*
- *“The minor can be fined.”*
- *“The State (of California) runs stings.”*
- *“The clerk can be fined \$1,000 for selling alcohol, but they are not sure about tobacco.”*

Chain managers are informed about new tobacco laws by their corporate offices via email.

“On January 1 of every year, corporate sends a list of laws that have changed.”

Tobacco License

Unlike independent retailers, chain managers see a license to sell tobacco as being just another cost of doing business. They also feel requiring a license could help reduce the sale to minors because the store would not want to risk losing the license.

- As one respondent says, *“We might not do anything differently than what we do now, but it would be one more reason to make sure what we doing works.”*
- Several managers say the license should be levied as a standard flat fee.
- One respondent points out that, to be fair to the smaller independent stores, it should be based upon volume of sales.
- When asked how much they would expect the fee to be, the responses range from \$1,000 to several thousand dollars.

II. POINT-OF-SALE ADVERTISING

Independent Retailers in San Francisco, Sacramento and Fresno

Importance of Tobacco Sales

Tobacco sales represent a substantial portion of total sales at independently owned 'mom and pop' and franchise stores. The proportion ranges from only about 5% for the smallest corner grocery stores to 60% for the independently owned franchise gas/convenience stores.

- Even though the profit margin is low on tobacco products, tobacco sales are important to small stores. Tobacco sales contribute to increased sales of high margin products, such as, chips, soda or beer. For these stores, cigarettes are their 'loss leader' product used to increase foot traffic in their stores.

"Cigarettes generate foot traffic." (San Francisco)

"It's a 'loss leader', but the (tobacco) customers buy other things." (San Francisco, Chinese)

Particularly in neighborhood stores, customers who purchase cigarette packs are repeat customers who come in to buy cigarettes and other items every day or every other day. Retailers say these customers prefer the convenience of stopping into the store for a few seconds rather than having to wait in line at a supermarket chain store.

"50% of my customers buy cigarettes – we'd lose those customers if we didn't sell cigarettes. We're a convenience store; they don't want to stand in line at Safeway." (San Francisco)

"You can become a destination spot for cigarettes. They'll be a loyal repeat customer." (Sacramento)

You make more money from the cigarette customer. They come in more often, almost daily and spend more money (\$40 vs. \$8 for the non-cigarette customer). (Sacramento)

In-Store Advertising

Cigarettes, beer, liquor, soda and chips are products that are typically advertised inside the independently owned stores. The advertising primarily consists of posters or signs showing the price. Advertising is run in the stores for these products in order to increase sales by drawing customers in and encouraging them to make impulse purchases. Ads on the products that are closer to the front counter make the biggest impact on sales.

- Several respondents mention that the soda companies (Pepsi and Coke) offer sales in special displays to help draw in more customers. The store sells the soda at a cheaper price and is reimbursed by the soda company. Some respondents say this sale requires a contract with the soda company and others say it does not. These contracts can be exclusive or non-exclusive.

"On a soda contract, they provide extra money back for cases if you use their display." (Fresno)

“To get a better price from Pepsi, you agree to sell the sodas at a lower price. They’ll give you five cases free a quarter if you have certain displays.” (Sacramento)

- One respondent mentions that if the store cooperates with the soda companies for their sales, the soda companies are more likely to offer the store more deals.
- While tobacco ads in the store are posted to help boost sales, they are also a requirement of tobacco company contracts with the stores.

Most retailers no longer have functional items, such as clocks or floor mats, in their stores with tobacco company logos on them. Respondents in Fresno said the tobacco companies either took those items out of their stores or gave them a week to do so. Some stores, however, still have these items.

“Philip Morris told us to remove all the old classic signs – said they’d give us one week to remove them or they’d come in and remove them.” (Fresno)

Tobacco Sales and Promotions

Reduced prices or other promotions are offered on cigarettes most of the time. Almost all of these sales or promotions are passed down to the retailer or the wholesaler, who then passes them down to the customer. Each promotion can last from one to three months.

“Only the tobacco companies put cigarettes on sale. Even though they are a large percent of dollars, they are the lowest margin items in the store. We’d never put them on sale ourselves. It’s whatever the manufacturer dictates.” (San Francisco)

- A few respondents, from high volume stores, mention that they offer a discounted two-pack price that is not part of a promotion from the tobacco companies.

“The two-pack price works well without a buydown from the tobacco company. We give a discount to the customer to drive volume.” (Sacramento)

Retailers say that most customers, particularly Marlboro smokers, are brand loyal and are not very likely to purchase another brand because it is on special. A few retailers, with Chinese customers or those in lower income areas, see more switching of brands than those in other areas.

Buydowns and Coupons

Retailers say a reduced price has the greatest impact on tobacco sales and some shoppers are very price conscious. This reduced price is almost always the result of a buydown. Sometimes the sale price is due to coupons put directly onto the cigarettes (Newport) or newspaper/direct mail coupons (for the larger stores).

“(The) customer (base) is not growing. Your increased market share comes from your competitor. Price point is everything.” (Sacramento)

“Cigarettes never go on sale without a buydown. There’s no profit in it.” (Sacramento)

“If you’re off a dime, they’ll go someplace else” (Sacramento)

The buydown is the most typical way that a tobacco company helps the retailer put cigarettes on sale. Most retailers say they get this promotion directly from the tobacco manufacturer. Retailers purchase the cigarettes through their usual channels and sell them for the agreed upon discounted price. At the end of the sale period, the tobacco company representative comes to the store to look at the invoice, compare what was purchased in the time frame with what was sold and pays the retailer for the difference in price for the number of packs sold.

- As long as the retailer is not in an 'exclusive' contract with one of the tobacco manufacturers, he can participate in buydowns with more than one firm at a time.
- One disadvantage of this promotion is that the retailer must wait until the end of the promotion time frame to be reimbursed from the tobacco manufacturer.

Sacramento respondents mention a 'buydown' scheme by GPC, where the wholesalers (Costco and Sam's Club) are given a discount by the tobacco company and then they pass the discount onto the retailer when the retailer purchases from them. As with the typical buydown, the retailer sells the cigarettes at the sale price, which is the amount of the discount received from the wholesaler. The tobacco company rep goes to the store with a handheld computer that states exactly how much the retailer bought at the store. The tobacco rep checks to make sure the retailer is selling his product at the sale price.

- One respondent in San Francisco also mentions that the distributor reports the amount of product purchased by the retailer to the tobacco companies, who in turn, pay the distributor a large sum of money or this information.

"They (the tobacco companies) almost own your business. They know what you buy and sell – even the other brands. The supplier and tobacco company work hand-in-hand. The tobacco companies pay suppliers to provide that information - \$70,000 per quarter!"

Free Goods

Various 'free goods' offers are used to entice customers to purchase cigarettes.

- The 'buy one, get one free' is the most effective promotion, other than a sale price. However, 'the 'buy one get one free' is not offered very often. It would typically be offered for Winston, Camel, Newport, Parliament, Kool or Doral brands. If Philip Morris offers it at all, it would not be for their premium brand, Marlboro.
- The 'buy two, get one free' is the next most popular promotion.
- The 'buy three get two free' promotion is the one that stores have seen most recently. Some respondents say that only Marlboro is offering this 5-pack or one-half carton price.
- Gifts with tobacco purchase have not been very effective. Gifts, such as, the hot sauce promotion have been even less effective than the lighters, caps and tee shirts that used to be offered in catalogs by tobacco companies.

"Customers liked it when they used to give away lighters or offer the catalog products. The host sauce promotion was strange." (Fresno)

Growth Fund

One respondent from an independent franchise chain gas/convenience store in the suburban San Francisco Bay area mentions a 'Growth Fund' that is offered by tobacco manufacturers to chain accounts. This fund, which is based upon the volume of sales from the chain, provides money to the retailer during months when there are no special promotional deals. However, when other respondents from chains were queried about this, no one was familiar with it.

Product and Advertising Placement

In independent stores, the product itself has become the primary advertising for the brand.

Control over placement of tobacco products and ads in the independent stores appears to be driven by the type of contracts or agreements that have been made between the stores and the tobacco companies. That is, in a more 'strict' contract where the store receives more benefits from the tobacco company, the contract spells out more rigid conditions than less 'strict' ones. Because regulations in many localities have eliminated or limited tobacco products on the front counters of stores and limited signage inside the stores, the jockeying for prime position has shifted to the location of the product and signs on the shelving and the percentage of product on the shelving.

- Most retailers agree that the space required by the contract is based upon that tobacco firm's percentage of the market in their area.
- Philip Morris is mentioned as being the most aggressive in their demands for merchandise space and placement.

"You can't give Philip Morris less than 60% - they're the most rigid." (Sacramento)

"Some are more stringent than others. Marlboro is a strong brand, so they can demand more." (Sacramento)

- Most stores, particularly the larger volume ones, keep their racks behind the counter. In most cases, the tobacco companies provide these racks. Some of the smaller stores still have racks that sit on the counter.
- The tobacco company that receives the 'first' (or best) position in the store pays the retailer the most for that position. As each store is configured differently, what is considered 'first' position will vary somewhat from store to store. However, the main idea is that the 'first' position will be the one that is most noticeable. If the rack is behind the counter, this position is on the top shelves and/or on the shelves at eye level. Another company may pay for the 'second,' or next best position and a third company may pay for the 'third' position.

"At the counter, next to where customer lays merchandise, wherever it's the best view." (San Francisco)

"Want it at eye level or center, middle – first glance." (San Francisco)

- Exclusive and non-exclusive contracts drive the required placement of product and advertising.

Retailers seem to have mixed feelings about the various demands made upon them by tobacco companies regarding the placement of tobacco products and advertising in their stores. For some retailers, it requires diplomacy and compromising to make both parties happy. Some retailers are very pragmatic and view it as an opportunity to have the tobacco companies pay them more money for giving them what they want. Other retailers, however, do not like it. Most retailers say that the tobacco reps will not 'insist' on exact placement of displays or ad, but will 'suggest' where to put them.

"If you want their money, you'll do it. They pay pretty well." (Sacramento)

"It makes me feel good. If they want to move things around in my store, they have to pay me." (Fresno)

"When they want to put up a sign, I ask them how much will they pay me." (San Francisco)

"They'll do as much as they can get away with and it pisses me off." (Sacramento)

"We'd be breaking our contract if we didn't do it, but I don't like it." (Fresno)

"It's part of the contract and the money they give you makes it worthwhile. The reps are friendly and never force you to do anything you don't want to do." (San Francisco, Chinese)

"I put the displays where the tobacco companies ask me to because I get paid for them, but they're not so strict about the signs." (San Francisco)

Contracts

There appear to be a myriad of types and levels of contracts offered by tobacco companies. Some retailers appear to be more savvy about the different options than other retailers. Owners and managers, who have been involved with a variety of stores, have seen the volume grow in their stores or are in high volume stores, have been exposed to more types and levels of contracts. Other storeowners or managers, however, are not aware of those options.

"You have more power (with the tobacco companies) if you sell a greater volume." (Sacramento)

The all-encompassing contract, such as the Philip Morris 'Master Plan,' attempts to control as much of the store space and promotions as it can. This contract specifies the total percentage of merchandise displayed for the contracting tobacco manufacturer's brands, which brands will be sold, where the brands should be placed in the store and the amount of money offered for racks, displays, buydowns and other promotions. The retailer would most likely be required to carry the whole line of products from the contracting tobacco company. This type of contract is based upon the volume of tobacco sold at the store. That is, retailers with greater cigarettes sales volume are offered a higher category contract. The higher the category, the more money the retailer receives for each component of the contract. If the retailer's volume drops, the contractual incentives would go down. Philip Morris or R.J. Reynolds would most likely offer these contracts.

"If you don't hit your numbers, they'll bump you off the program." (Sacramento)

"For Marlboro, if you sell enough cartons a week, they'll talk to you. Then they will give you a contract, payment for racks, buydowns and other benefits if you give them 80% of the space." (Sacramento)

- In an exclusive contract, the tobacco company provides the rack and shelving. Only their product is displayed on it or that firm's products occupy the 'first' position on the rack. The percentage of space allocated, or the number of facings required depends upon the market share held by that brand in the area. No signage or promotions for other brands are allowed during the special promotion period, which is usually 30 days. For stores that receive quarterly payments for the positioning, the payment is higher if the firm is exclusive. Some store managers say that they no longer receive a monthly payment, but instead receive rebates on the cartons they buy at the time of purchase (not the same as a buydown). Stores, with an exclusive contract, receive larger rebates for cartons purchased on special, such as \$.90 per carton if exclusive and only \$.40 per carton if not exclusive. Most store managers say the amount paid in the exclusive is based upon volume sold. One store manager in Fresno, however, claims that it is no longer based upon volume.

- One storeowner in Fresno mentions that R.J. Reynolds will pay more for the exclusive contract than Philip Morris, thus covering the 'difference' of not having the Philip Morris exclusive.

"RJR will pay more than Philip Morris – to cover the difference." (Fresno)

- It seems that individual storeowners make different choices about being in exclusive or non-exclusive contracts depending upon the volume sold at their store, customer brand preferences and their willingness to work with the tobacco company representatives.
 - Some smaller stores may not qualify for an exclusive contract because their volume may not be high enough. For example in Sacramento, in an area where Philip Morris holds 80% of the market share, the store must sell at least 50 cartons per week to qualify.
 - If the customers of the store want brands offered by Philip Morris and R.J. Reynolds, some retailers say it does not make sense to be in an exclusive contract with one or the other for promotional deals.
 - One owner says that he makes about the same amount of money in an exclusive contract than if he had several non-exclusive contracts and it is less trouble to deal with only one firm.

"If you have an exclusive, the competition doesn't offer any promotions. You make about the same amount of money, but you only have to deal with one company. You're only waiting for checks from one company." (Fresno)

- Another storeowner in San Francisco says that he stopped entering into contracts with all the tobacco companies, as it was a waste of his time compared with the return of profits to him. His store is in an area where he can set higher cigarette prices and he does not have to be bothered by the paperwork required by the various contracts. The storeowners in his area have all agreed to sell tobacco products at a higher price and to not get into a price war with each other. Other storeowners remark that this would not work for them, as they have to be price competitive to keep their customers.

"I eventually told them – you don't run my store. I got fed up and kicked them all out. It's a pain; they take a long time to pay. I used to get \$800/month from them- but figured out I was doing all the work for them, so I got rid of them." (San Francisco)

The 'less involved' contracts may be those for individual buydowns or special promotions that are not necessarily tied with the all-encompassing volume-based contracts. The smaller players, Brown and Williamson and Lorillard, seem more likely to come to the retailers with individual promotions, such as the 'give away' displays. The Newport coupons on individual packs do not require a contract.

For either type of contract, the contracting tobacco firm would most likely give the retailer temporary displays and signs to post for whatever may be on sale or promotion. Displays can also be provided even if there is no sale. Depending upon the 'strictness' of the contract, the specific positioning of the display and signs in the store could be required or suggested. The retailer is paid for using the display. Some retailers refer to this as a monthly payment. The greater the volume of the store, the more that store is paid for the display. However, one storeowner in Sacramento says that payments are no longer made for the displays, but they are paid for the number of facings that their brand occupies on the shelving. Volume probably determines how much money is paid per carton if the display is in conjunction with a buydown.

Governmental Regulation of Tobacco Prices

Except for neighborhood stores in San Francisco, most retailers do not like the idea of the government setting the price of tobacco products.

- Those retailers, who have developed good relationships with the tobacco companies and feel they have a competitive advantage because of the volume they sell at low prices, are very much opposed to the idea of uniform pricing.

"We build a business and this type of government regulation would hurt it. We are aggressive in that market and have a competitive advantage. It helps the stores that have not built any market share." (Sacramento)

- Some retailers simply feel that they should have the freedom to charge what they choose. These retailers point out that it would give some stores unfair advantages over others. For example, stores with lower overhead or in ideal locations would be better off than those without those advantages.

"Overhead is different; if the rent is too high, it wouldn't be fair." (Fresno)

"If one store has a good location, it will get more business than a bad location." (Fresno)

- Chinese retailers point out that because cigarettes are used as a tool to attract customers in the store, they need to be able to offer promotions and lower prices.

"If my price is too high, they (the customers) will just go to Chinatown. (San Francisco, Chinese).

- Retailers in San Francisco, who favor the regulated prices, say it would help the smaller stores who cannot compete with the larger stores or chains for deals from the tobacco

companies. These retailers envision a 'free trade' scenario, where the cost to the retailer and the price sold to the customer are set uniformly. A few respondents also mention that it might help them compete with the 'tobacco only stores.'

"It would be better for small stores. We'd get our customers back from Costco or Walgreen's." (San Francisco)

"It's beneficial for the small companies, not the larger ones." (Sacramento)

Tobacco Law Information

All retailers say, that by law, they can no longer have self-serve displays in their stores. Most retailers like this law, as keeping the cigarettes out of reach of customers has cut down on the theft of these items from their stores.

"It's due to the government settlement." (Fresno)

Some retailers think they are licensed to sell tobacco because of their annual ATF license. No one has been to a 'We Card' training.

For retailers, the tobacco manufacturers are the primary information source about tobacco laws that impact their business. This information is provided via the mail or in person. A few retailers mention various business associations (local merchants, small business, convenience store, etc.) and departments of the Federal, State and/or Municipal governments as being sources of information for them. A few specifically mention the State of California Health Department. Retailers also mention the distributor or the news media as being sources of information for them.

When retailers are asked what would be the easiest way for them to learn about tobacco laws that effect them, many appear to be content to continue to get their information from the tobacco companies. Other retailers say that the governmental entities that pass the new laws should keep them informed. Some suggest this information could be dispersed via newsletters, pamphlets, seminars, web sites or by store visits.

Community Issues

Almost all storeowners and managers say they have repeat customers who come into their stores regularly and that they play an important role in their neighborhood.

"Some come in everyday. You know their names – you know their boyfriend's name." (San Francisco)

"We're a neighborhood store. We have regular customers. We care about our customers." (Sacramento)

"You see people grow up. I have people working for me who were babies who came with their parents when I first started." (San Francisco)

While retailers say they would listen to concerns or complaints from community groups, they must balance the requests with how it would impact their bottom line. As they say, making money from their business is their most important consideration.

- If there were a valid concern, retailers would try to compromise with the groups and come to a solution to satisfy everyone.
*“You have to listen to their complaints and try to solve the problem. Maybe both sides need to compromise. I’d ask them ‘what can **you** do?’” (Fresno)*
- Retailers say they would need to weigh how important the product is with how important the customer/community group is to their business.
“I’m in business to make money first. Depends upon how many people ask.” (San Francisco)
“Who is asking? Are they our big customers? If they just enter the store and never buy anything, then no, I wouldn’t do what they asked.” (Sacramento)
- As far as replacing tobacco ads with health ads, most retailers say it would be a conflict of interest as they are selling tobacco products and they may offend some customers. One respondent says they might “go one to one” and keep both types of ads up in their store. Most respondents are not enthusiastic about putting anti-smoking signs in their stores.
“That would be counter-productive.” (San Francisco)
“I came to the U.S. for the freedom. Even though I’m against smoking, I want smokers to take responsibility for their action. Humans with brains make their own decisions. Everyone knows cigarettes are bad for you.” (San Francisco)
“The customers (who want to smoke) will harass you.” (San Francisco)
“What about candy or soda that are full of sugar? Or snacks that are full of cholesterol and make you fat? Will we need to put up signs for that too?” (Sacramento)
“I wouldn’t take down tobacco ads and put up pro-health.” (Sacramento)
- Retailers are not interested in removing their ‘We Card’ signs.
“We wouldn’t do that – unless the new sign was as effective.” (Sacramento)
- Most retailers say they do not have tobacco ads below three feet in their stores and some say those ads are against the law.
“They’re already against the law.” (Fresno)
- While some retailers say they do not have tobacco ads near products children buy, others say they would be willing to move those ads if asked.
“It’s against the law.” (Fresno)
- Retailers react more favorably to pro-health messages that are positive, such as, providing a telephone number to help someone quit smoking or one that might have a young role model for youth.
“We already have a sign that says if you’re under 18 we card – we could add an 800 number for the customer to call if they want help to quit smoking.” (San Francisco)

“If there were an 800 number that says they can help you – that kind of message would show that we care.” (Sacramento)

“Those signs with the woman smoking out of her throat don’t stop people. They (the customers) have already decided when they walk in the store. There’s not enough time in the store. It wouldn’t discourage minors. Kids aren’t going to look at an old lady. It would be better if positive reinforcement were given, such as, if Brittany Spears said don’t smoke.” (San Francisco)

- Retailers are reluctant to move their tobacco displays from their counters as they receive money for them and/or they are part of a contract with the tobacco companies. A few retailers raise the question of how many customers are making this request and whether or not those customers are regulars who give them a good deal of business.

“I have to have them (displays) for my contract. If only 1% of customers are complaining, it’s not worth removing.” (Fresno)

Regarding their willingness to respond to community requests or signage about anti-smoking issues, retailers feel that they are asked to do a job that goes beyond their responsibilities as owners or managers of the neighborhood store. And, they feel they are unfairly penalized for mistakes that might happen.

“There are 50 IDs to check for. Someone is there for 30 seconds; you don’t have time to match with the (license) book. If I sell, and it’s fake, and I get caught, I’m punished.” (San Francisco)

“We’ve become the policemen.” (San Francisco)

They feel that education about the harmful effects of tobacco does not belong in their stores, but should be taught at home, in schools or other public forums.

“Parental education is the most important. You’ll never win this war if you don’t go through the parents.” (San Francisco)

“We’re not social workers.” (Sacramento)

They also suggest that there should be more emphasis on prosecuting underage youth who try to buy tobacco.

More punishment to the kids themselves who are trying to buy cigarettes. But, how would you enforce it? It’s actually easier to exhort money from the storeowner. (San Francisco)

Chain Managers in Los Angeles

Importance of Tobacco Sales

While chain stores sell many more cigarettes, on average, than do independent stores (600+ vs. 200 cartons per month), those sales represent a much smaller proportion of their total sales than they do for the smaller stores (2% vs. 25%).

Contracts

Chain managers are aware that contracts or 'deals' are struck between the tobacco companies and their corporate headquarters that determine what position **within** the cigarette case each brand will have and which sales or promotions will be offered. However, the chain managers are not privy to the details of the contracts.

- They presume that the tobacco companies pay a large amount of money for the privilege of having the preferred placement within the case – at eye level and/or near the top of the cabinet. However, managers have no idea what the dollar amount is.

“The store manager determines where the rack will go, but manufacturers determine where on the rack the cigarettes will go.”

“If you see a major change in the set, it’s because one of the tobacco companies has made a deal to be on the desirable rack.”

- Managers are informed about the allotment of space in the tobacco cabinet by the tobacco company or their corporate headquarters. Either the tobacco company representative marks how many facings they are supposed to have or the chain manager receives a schematic from corporate headquarters showing where each brand is supposed to go in the case.

“Even shared space is determined by how much space they paid for.”

- Some managers say if the tobacco representative finds the spacing is not right, they let the store manager know. Other managers say the rep moves the product if it is in their space. They indicate that they feel this is reasonable as *“the companies are paying a lot of money for their space.”*
- Chain managers have not heard of the term 'buydown,' nor are they aware of the concept for tobacco products.
- Chain managers have not heard of 'growth funds' or the RJ Reynolds 'Everyday Low Price' program.

In-Store Advertising

The tobacco companies appear to have no control over where **in** the store the tobacco products go. All chains have their tobacco products in a central cabinet in the front of the store, near the cash registers. The cabinet is locked or under close supervision. As in the independent stores, tobacco companies vie for the best positions inside the case.

- A few chain managers are aware that the tobacco companies often provide the case that the tobacco products are kept in.

Like the independent retailers, chain store managers say that the tobacco company representatives may make suggestions about tobacco ad placement, but the store manager has the final decision.

- The store manager may receive guidance from the corporate marketing plan as to ad placement.

"It's a combination of the store manager and the marketing plan from headquarters."

- As one respondent points out, ad space is limited to within or on the cigarette cabinet, so there is not a lot of room for discussion.

"As for ads, the tobacco reps might suggest something, but the cigarettes are in one rack, so there's not much (space) to work with."

National brand beer, soda and chips are the types of products that are advertised most heavily in the chain stores. Budweiser, Coke and Frito Lay are the firms that are perceived to be the top spenders.

- Chain managers are aware of exclusive advertising contracts for soda brands, where the soda company (Coke is specifically mentioned) may pay for a full-page ad in the newspaper to help drive sales.

"If you're exclusive for ads for coke, it will increase sales. They may pay for a full-page ad."

- One chain manager mentions "backstage" money that goes to corporate from the beverage firms and then is passed onto the retail store. There are differing opinions about how the amount 'given back' is derived. One respondent says it is simply based upon units sold. Another respondent mentions that a chain that sells a high volume would probably receive more money per unit sold.

"Beverage companies offer a lot of 'backstage' money. It looks like you're losing money until you get the money back through corporate. The rebate is based on how many units the store will move."

Chain managers agree that placing ads in the store increases sales of the advertised items, as well as, related items. Their comments include:

"Putting something on a major display increases sales 700%."

"Price does the selling."

"If high impulse products, such as chips, are displayed next to sodas on sale, their sales will increase too."

Like the independent retailers, chain managers say the most effective way to increase tobacco sales is through a price reduction or 'buy two get one free/buy three get two free' promotions.

- Gifts (unrelated to tobacco) with the purchase of tobacco products do not drive sales. All respondents say the hot sauce campaign (by Marlboro) was not successful.

"The hot sauce didn't work very well. When you look at a gift, you need to look at the clientele and decide whether or not they would use the gift. It's better to offer a lighter."

- Coupons that peel-off the cigarette packages or those from the newspaper help increase sales.

- Coupons that are not redeemable on site (mail-in coupons) are not effective.

"You need to have a coupon that is redeemable on site."

Governmental Regulation of Tobacco Prices

Chain managers do not feel that setting the price of cigarettes by State law will have a large impact on their business, as it is a small percentage of their sales. Also, they feel that since the taxes have risen on cigarettes, it is as if prices are already set, as their premium brands all sell for the same price (ranging from \$4.55 to \$5.00 per pack). A few respondents say that it may increase sales, as most customers are not going to go out of their way in search of a cheaper price.

"It's almost that way now with taxes so high. The premium brands are all the same price."

"It's like alcohol; a smoker is going to buy cigarettes if they want them. That's why liquor stores can get away with higher prices."

Community

Several chain managers have experienced being asked by community groups to move the location of product or ads in their store. The decision to comply with the groups was made at the corporate level.

"I've had that situation. Neighbors didn't like us building displays of beer in the front window. They were concerned that the kids would see alcohol. So, corporate changed it."

- Chain managers say that they do not have any ads below three feet.
- Only one store has any products for children (multiple packs of chewing gum) near tobacco products, as both of these high theft items are kept locked up.
- As far as replacing tobacco ads with health ads, they say they would want to find out what the concerns of the community were and they would discuss the concerns with their corporate office.

"I'd have to find out what the concern is and see what corporate says."