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Executive Summary

- The purpose of this research was to determine the level of operational impact felt by small retailers in Australia as a result of the introduction of plain packaging of tobacco products.
- Lists of owners/managers of small retailers across Australia – including convenience stores, general trade and tobacconists – were provided by the Australasian Association of Convenience Stores (AACCS), Convenience and Mixed Business Association (CAMBA) and Philip Morris Limited (from the nationwide PML Retailer Panel), and 450 of these respondents were surveyed by telephone in August 2013 to gain an understanding of retailers' experiences with plain packaging.
- This was the second wave of a similar survey originally conducted in December 2012 at the commencement of 100% plain packaging penetration. While the first wave uncovered experiences with the transition to plain packaging, the current wave explored the ongoing impacts now that plain packaging is established within the market.

Summary of Findings

- The introduction of plain packaging has had a negative impact on numerous facets of small retailers' **customer interaction**:
 - Overall, around three-quarters of small retailers have experienced an increase in the time taken to serve adult smoker customers, and three in five report additional time is spent communicating with these customers about tobacco products.
 - Three in five small retailers have faced increased frustration from adult smoker customers, and nearly two-thirds have seen an increase in the frequency of staff giving the wrong products to customers (primarily due to difficulty in recognising/distinguishing between brands). A third of retailers have experienced increased frequency of attempted product returns since the transition to plain packaging (predominantly due to customers being given a product they did not ask for).
 - More than two-fifths of small retailers also consider that plain packaging has negatively affected the level of service they are able to provide to their non-tobacco customers.
 - Overall, of the three small retail types, tobacconists and general trade have generally felt the strongest impact of plain packaging on customer interaction.

- Small retailers' **stock and inventory management** has also seen a detrimental effect since the transition to plain packaging, encompassing impacts on ordering, deliveries, and storage:
 - Some three-quarters of small retailers find it now takes more time to order stock, including nearly half claiming it takes much more time. The accuracy of the ordering process has also been impacted by plain packaging, with almost half of small retailers facing an increase in the frequency of incorrect orders placed. Around half have also experienced an increase in the occurrence of out of stocks since the transition to plain packaging.
 - Around three in five small retailers noted an increase in the time taken to receipt stock while the courier is on site (also resulting in courier frustration), and four in five now take longer to process stock once the courier has left, including more than half reporting it now takes much more time.
 - General trade and tobacconists have generally been the retail channels whose stock and inventory management has been most affected by plain packaging.

- Plain packaging has also impacted on several **staffing** issues, particularly amongst tobacconists:
 - While only around a quarter of small retailers overall had increased the number of staffing hours (a fifth of general trade, just over a quarter of convenience and more than a third of tobacconists), the majority reported that their staff now have a heavier workload since the transition to plain packaging.
 - Around a third of small retailers indicated being concerned about store or staff safety issues as a result of staff members facing the storefront less since the introduction of plain packaging.
 - Two-thirds of small retailers have spent additional time training part-time, casual or transient staff as a result of the changeover to plain packaging, while two in five have faced additional costs from training staff members as a result of the changeover.
- Small retailers have clear views about the **government's involvement in tobacco regulation** and impact on them.
 - More than four-fifths expect to see more government involvement in tobacco regulation, and two-thirds do not perceive that the government considers the needs of small businesses at all in its tobacco legislation.
 - Two-thirds of retailers reported that their feelings towards the government are now less favourable as a result of the plain packaging legislation.
 - More than four-fifths perceive that the government has negatively affected the ability of small retailers to compete with larger chains.
 - Negative government perceptions were most common amongst tobacconists and general trade.

- The **human reaction** to plain packaging centred around the perception that it hasn't worked or made any difference to smoking habits, the impact on customer service and requiring more work/training/effort for retailers, and the notion that the legislation is costing retailers money through increased costs and losing customers. These themes were common across the three small retail channels, but particularly predominant amongst tobacconists.
 - Two-thirds of small retailers rated plain packaging as having had a negative impact on their business overall.
 - Tobacconists experienced the strongest sense of frustration with the plain packaging legislation, followed by general trade.

- Small retailers' awareness of **illicit tobacco products** in Australia is high, particularly amongst tobacconists (followed by general trade). Just over four in ten retailers perceive illicit trade to have a moderate impact or a major impact on their business.
 - Perceived impact of illicit trade varies by channel, from just over a third of convenience retailers considering it to have a moderate or major impact on their business, to two in five general trade and just over half of tobacconists.
 - A third of small retailers reported having had customers enquire about purchasing illicit tobacco since the introduction of plain packaging. This was less common amongst convenience stores, with one in ten reporting customer enquiries about illicit tobacco, and considerably more prevalent amongst tobacconists (three in five).
 - Nearly nine in ten retailers expect the upcoming 12.5% excise tax increase each year for the next four years will contribute to a negative impact of illicit trade on their business.

Background & Research Objectives

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- Under the Australian Government's *Tobacco Plain Packaging Act 2011*, the manufacture, packaging, labelling and supply of tobacco products (cigarettes, loose leaf tobacco, cigars etc.) in Australia has become standardised to specific plain packaging regulations, including:
 - Requirement that tobacco retail packaging is a specified drab dark brown colour in a matt finish;
 - Removal of all branding (corporate logos, brand imagery, colours and promotional text) on tobacco products and retail packaging, other than brand and variant names in a standard colour, position, font style and size;
 - Restrictions on the size of tobacco retail packaging; and
 - Restrictions on packaging format and materials for cigarette retail packaging.
- The manufacture and rollout of plain packaged tobacco products began as early as September 2012. From 1 October 2012, all tobacco products manufactured or packed for the Australian market were required to be in plain packaging, with 100% plain packaging penetration of all tobacco products for sale or supply nationally from the legislated start date of 1 December 2012.

Research Objectives

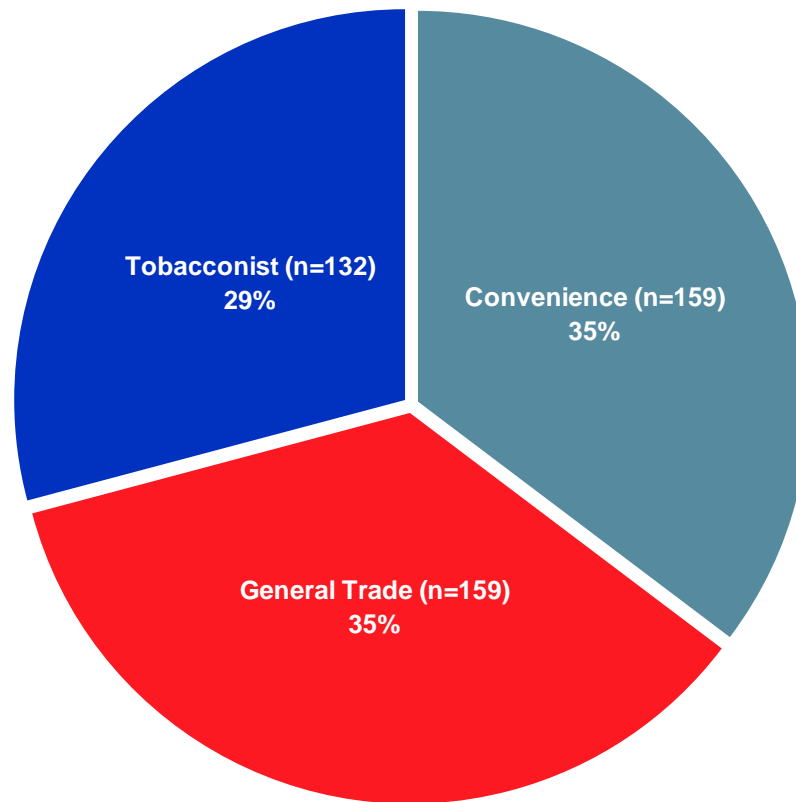
- Roy Morgan Research was commissioned to conduct research to determine the level of impact felt by small retailers in Australia as a result of the introduction of plain packaging of tobacco products.
- The questionnaire included a variety of questions centred around various themes, including:
 - Impact of plain packaging on customer interaction;
 - Impact of plain packaging on stock and inventory management;
 - Impact of plain packaging on staffing;
 - Perceptions about the government's involvement in tobacco regulation;
 - Human reaction to plain packaging;
 - Awareness and perceived impact of illicit tobacco; and
 - Retailer characteristics and experience in relation to tobacco retailing.
- In order to evaluate this, three types of small retail channels were targeted via a telephone survey obtained from lists supplied by client, AACS and CAMBA :
 - **Convenience stores;**
 - **General trade;** and
 - **Tobacconists.**
- This was the second wave of a similar survey originally conducted in December 2012. While the first wave uncovered experiences with the transition to plain packaging, the current wave explored the ongoing impacts now that plain packaging is established within the market.
 - This report covers results from the second wave (conducted in August 2013) only. A separate report will compare the immediate versus ongoing impacts.

Methodology & Sampling

- A total of **n=450** telephone interviews were conducted via Computer-Assisted Telephone Interviewing (CATI) with a nationwide sample of small retailers.
- For the purposes of this research, target respondents were defined as owners, licensees/franchisees, and managers or assistant managers of small tobacco retailers in Australia, including convenience stores, general trade, and tobacconists.
- Contact details of eligible respondents were provided to Roy Morgan Research from three sources:
 - The Australasian Association of Convenience Stores (AACS);
 - Convenience and Mixed Business Association (CAMBA); and
 - Philip Morris Limited (from the nationwide PML Retailer Panel).
- The final sample was split relatively equally by channel, with the following number of interviews completed amongst each retailer type:
 - A sample of **n=159** was achieved for **convenience stores**
 - A sample of **n=159** was achieved for **general trade**
 - A sample of **n=132** was achieved for **tobacconists**

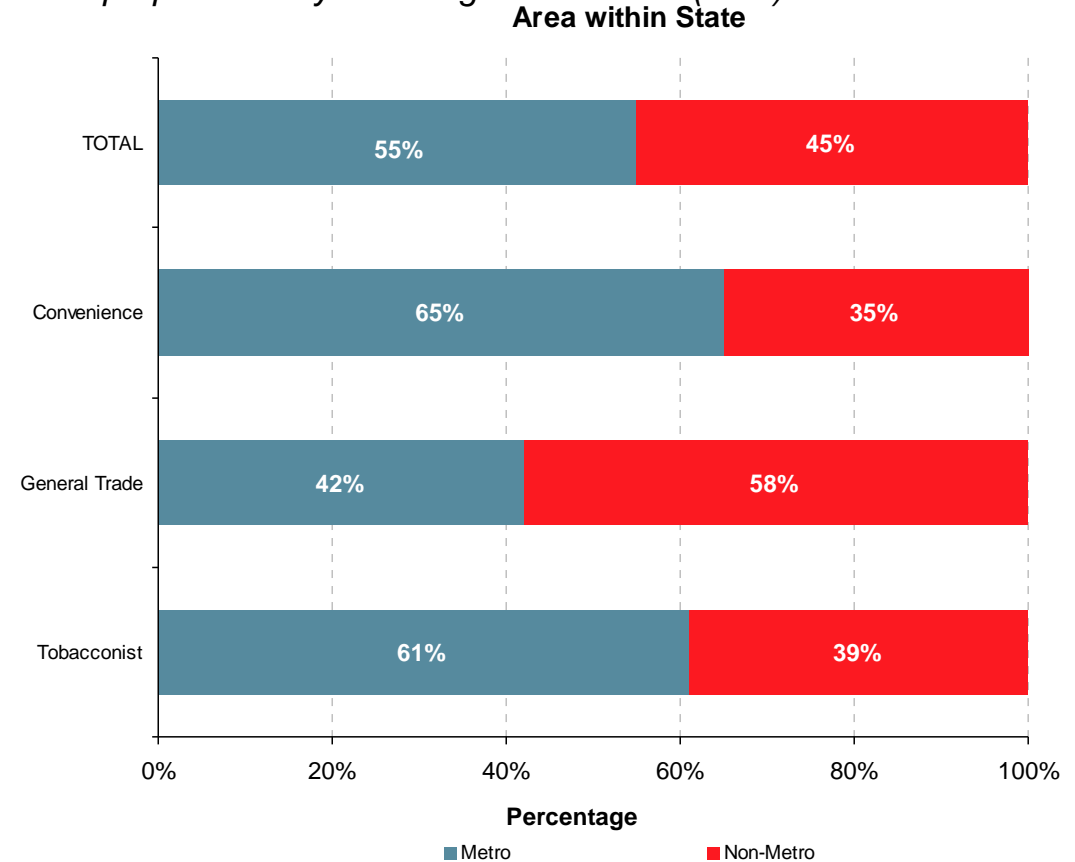
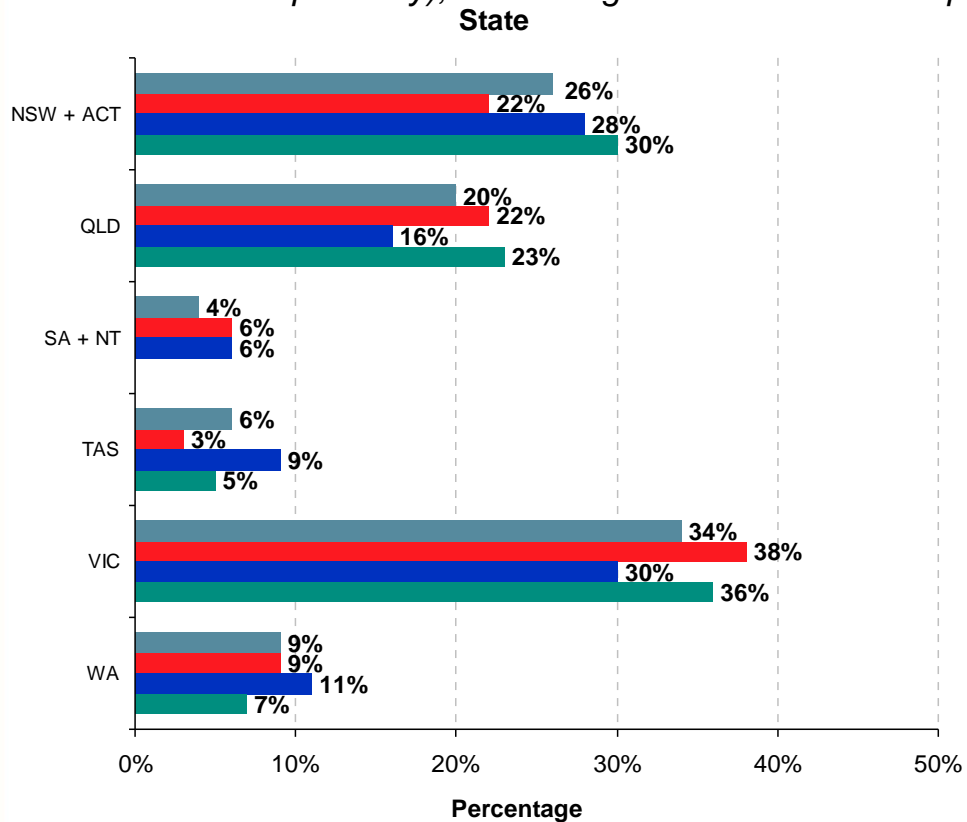
- Interviewing was conducted from Tuesday 20 August to Wednesday 28 August 2013.
- Overall, contact was made with a total of 794 retailers throughout the fieldwork period, to achieve an overall participation rate of 56.7%.
- The survey took an average of 16.2 minutes to complete, and participating respondents received a \$40 gift card as compensation for their time.
- NB: Figures reported throughout may not sum to 100% due to rounding.
- Single response questions are denoted by (s), and multiple response questions by (m) throughout this report.

Sample & Retailer Characteristics



Region Distribution

- The sample included retailers from a mix of Australian states and territories, with strongest representation of the eastern seaboard states: Victoria (34%), New South Wales (incl. Australian Capital Territory; 26%); and Queensland (20%).
 - This was broadly consistent across all three channels surveyed.*
- Overall, just over half of retailers in the total sample were based in metropolitan areas (55%).
 - The convenience and tobacconist sub-samples included higher proportions of metropolitan retailers (65% and 61% respectively), while the general trade sub-sample had proportionately more regional retailers (58%).*



■ TOTAL ■ Convenience ■ General Trade ■ Tobacconist

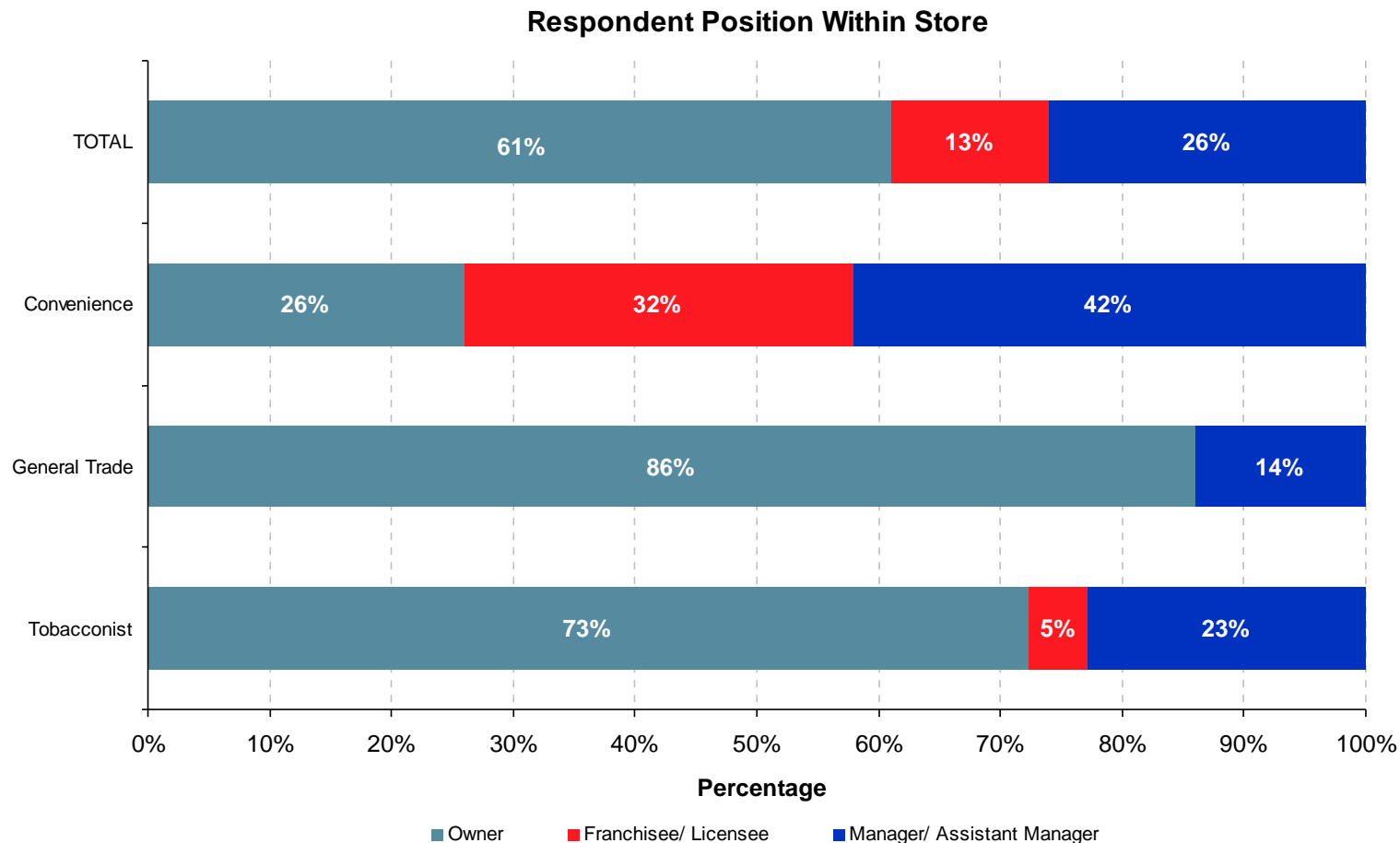
Not asked in survey; state and area were recorded on sample file.

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

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Respondent Position Within Store

- The majority of respondents surveyed were the owners of the retail outlet (61%).
 - This was also the case for the general trade and tobacconist sub-samples (86% and 73% respectively); however, amongst convenience stores, a quarter of respondents were the business owner (26%) and a further third were franchisees/licensees (also business owners) (32%), with store managers/assistant managers making up 42% of the sample.*

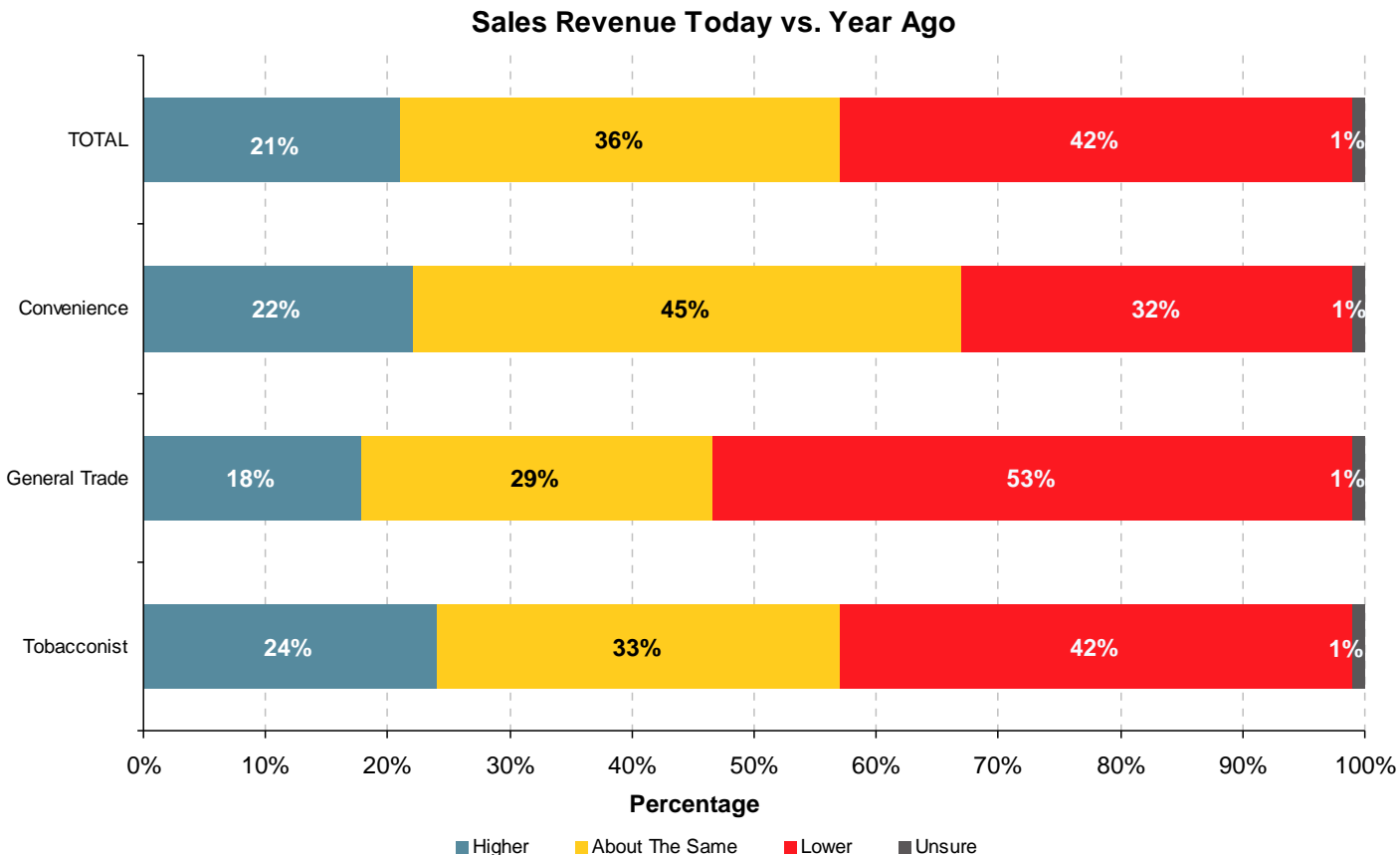


Q1. Which of the following best matches your position within the store? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Sales Revenue Today versus Year Ago

- On the whole, the small retailers surveyed tended to report lower (42%) or similar (36%) revenue levels compared with the same time a year ago. One in five reported an increase in revenue over this period (21%).
- General trade were most likely to have experienced a decline in revenue (53%).

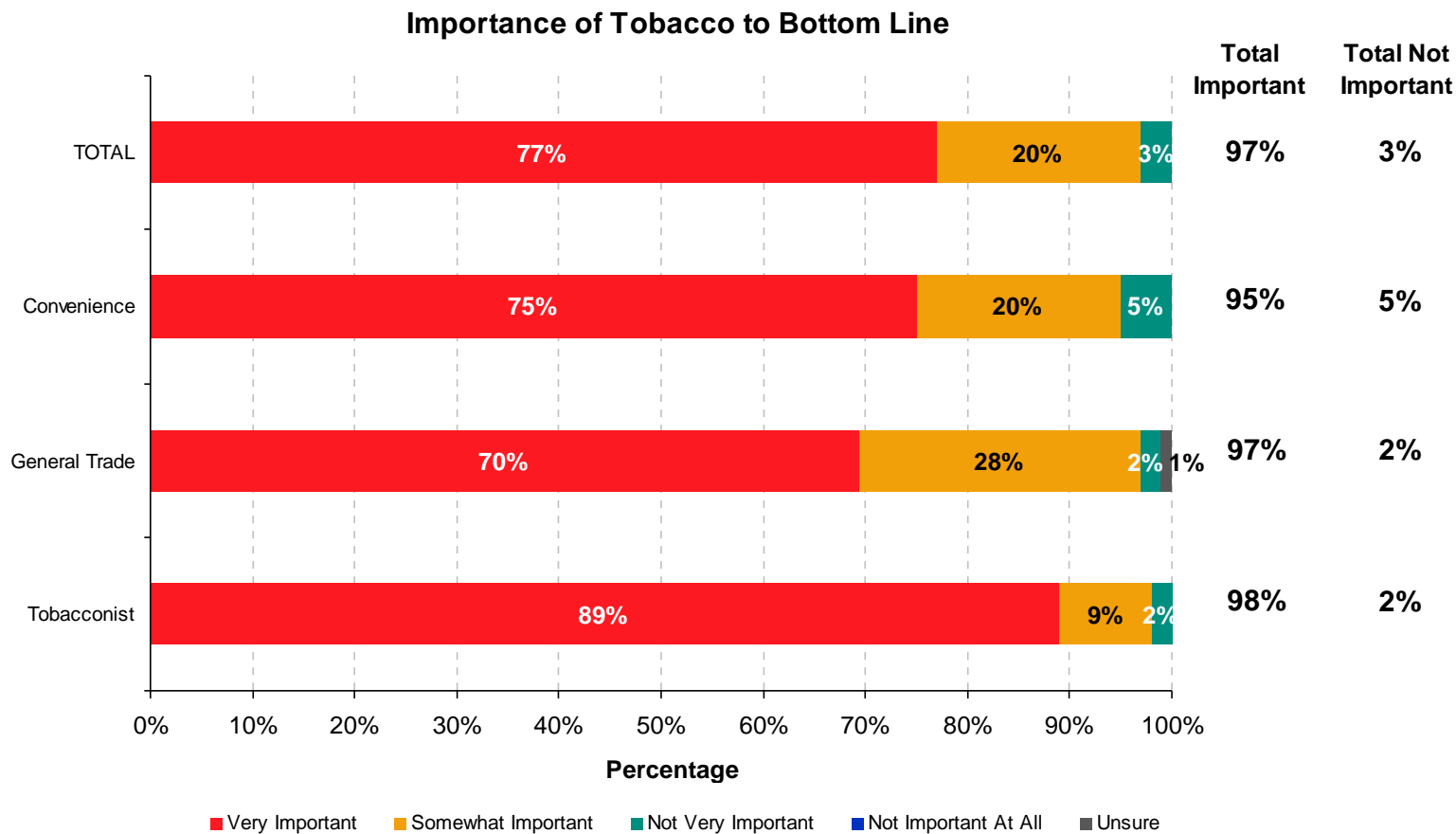


QN1. How would you compare your sales revenue today versus a year ago? Overall, is your sales revenue higher, lower, or about the same? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Importance of Tobacco to Bottom Line

- Tobacco is important to the bottom line for the large majority of retailers (97%).
- Not surprisingly, this proportion was highest amongst tobacconists (98%, including 89% 'very important').



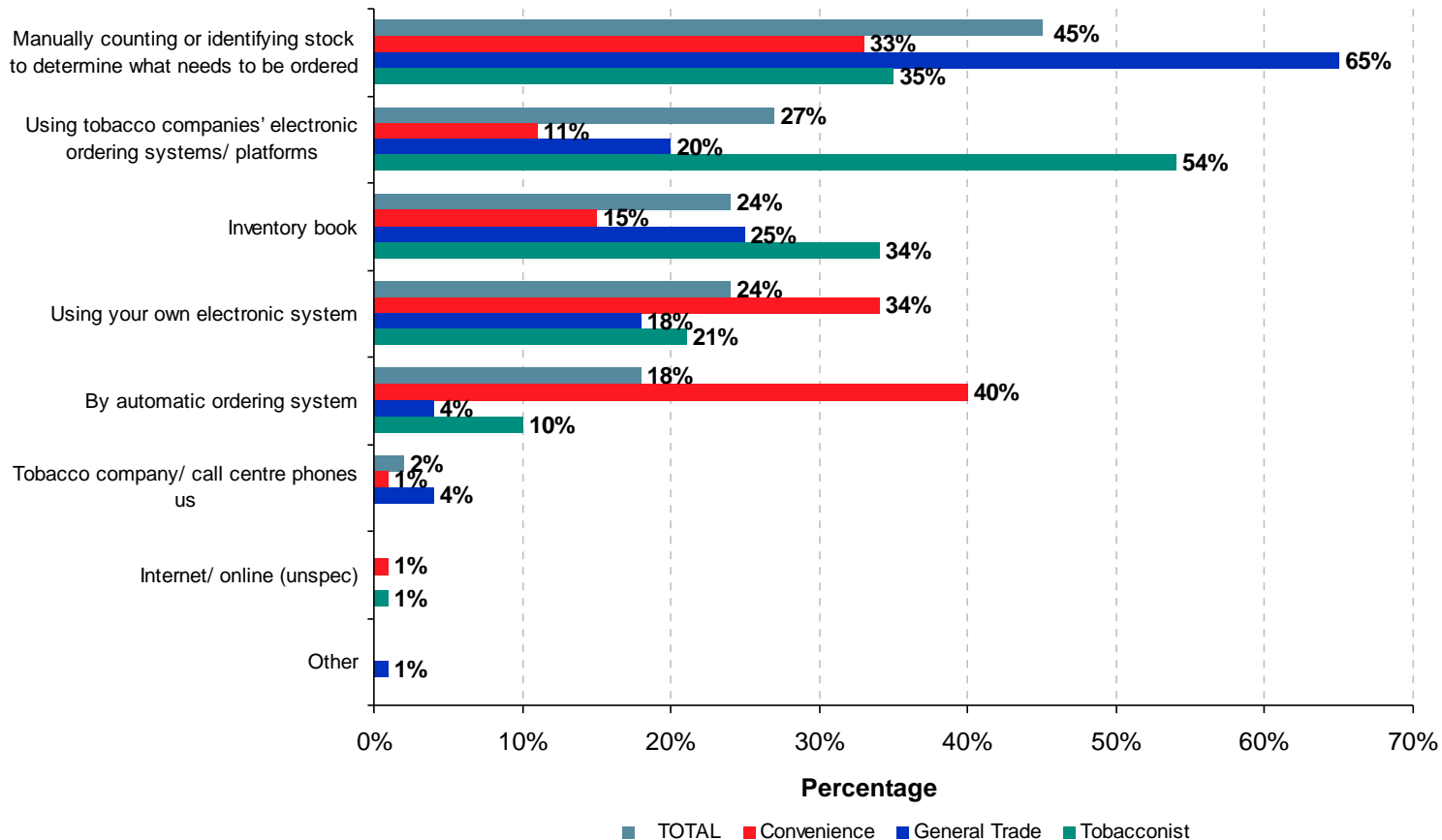
QN2. How important is tobacco to your bottom line? And by this I mean the direct sale of tobacco, how much foot traffic it brings into your store and how it impacts the basket size they purchase. (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Methods Used for Ordering Tobacco Products

- The most frequently cited method currently used for ordering tobacco products was manually counting or identifying stock to determine what needs to be ordered (45%).
- Tobacconists were also likely to use tobacco companies' electronic ordering systems or platforms (54%), while convenience stores were most likely to use automatic ordering systems (40%).

Methods Currently Used for Ordering Tobacco Products



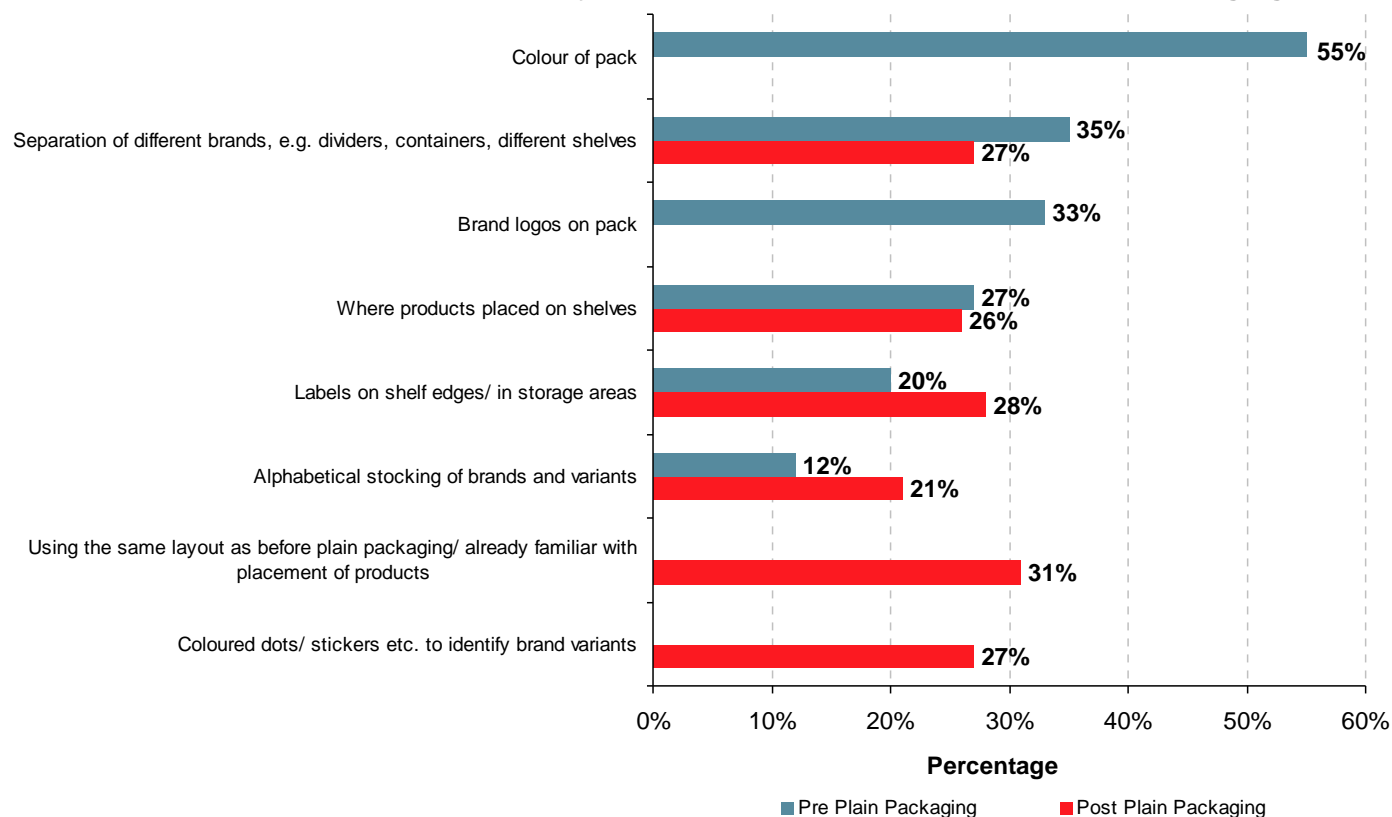
Q4. Which of the following methods does your store currently use for ordering tobacco products? (m)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Methods Used to Identify Tobacco Products – Pre versus Post Plain Packaging

- Not surprisingly, methods used to identify tobacco products differ pre- and post-plain packaging.
- In addition to the removal of visual cues such as pack colour and brand logos (55% and 33% respectively pre-plain packaging), the separation of different brands (27% cf. 35% pre-plain packaging) has also dropped off since the introduction of plain packaging, while labels on shelf edges/in storage areas (28% cf. 20%) and alphabetical stocking of brands and variants (21% cf. 12%) are now used by higher proportions.
- Since the introduction of plain packaging, key new methods for identifying tobacco products include using the same layout as before (31%) and coloured dots/stickers to identify brand variants (27%).

Top Methods Used to Identify Tobacco Products - Pre vs. Post Plain Packaging



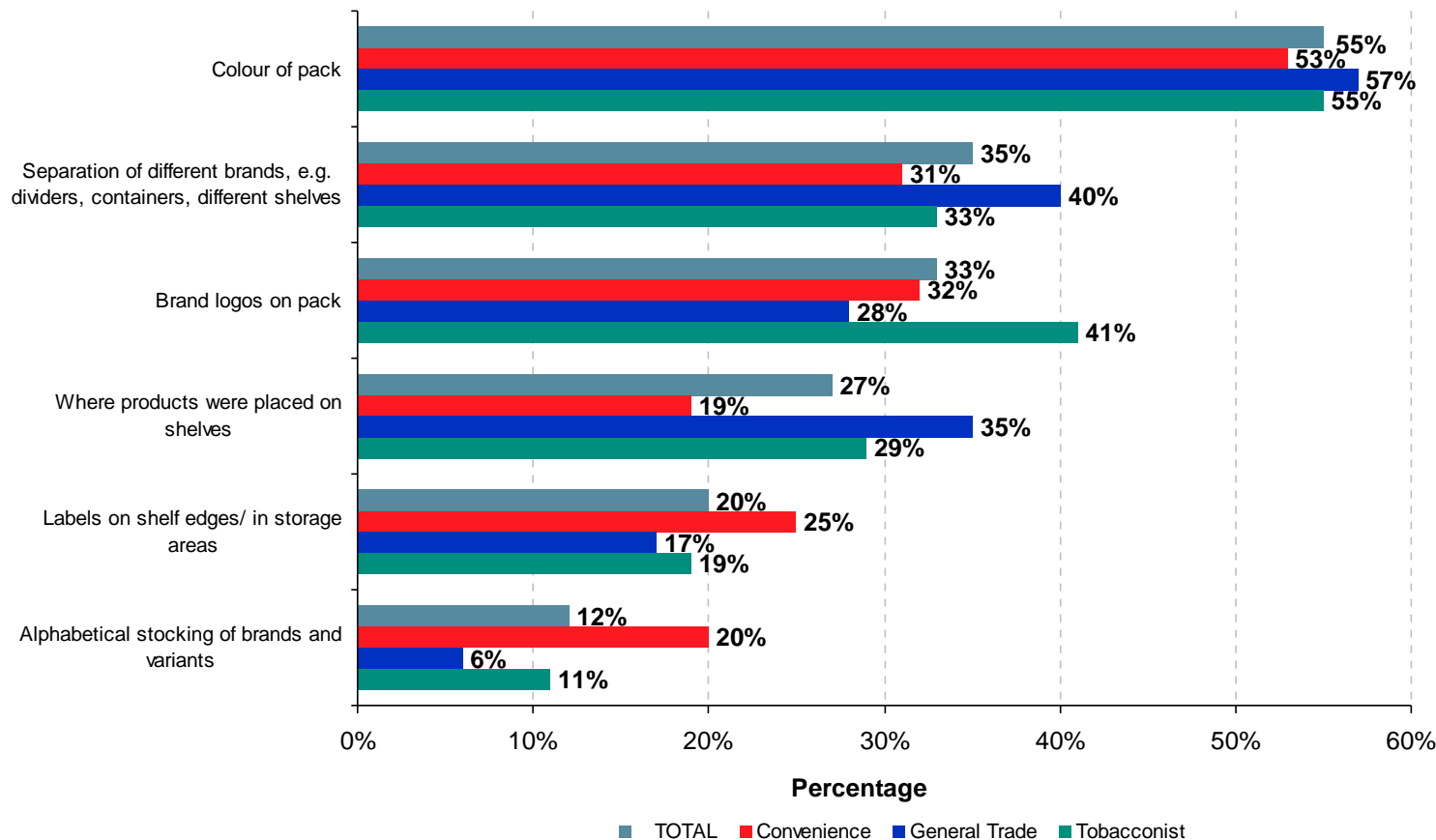
Q5. Prior to plain packaging, which of the following methods did your store use to identify tobacco products? (m); **Q6.** And which of the following methods does your store NOW use to identify tobacco products since plain packaging? (m)

Base: All respondents (n=450). Responses less than 5% not shown.

Methods Used to Identify Tobacco Products – Pre Plain Packaging

- Prior to plain packaging, the use of pack colour was the most frequently reported method used to identify tobacco products across all three channels.
- Tobacconists in particular also used brand logos on packs to identify tobacco products (41%).

Top Methods Used to Identify Tobacco Products - Pre Plain Packaging



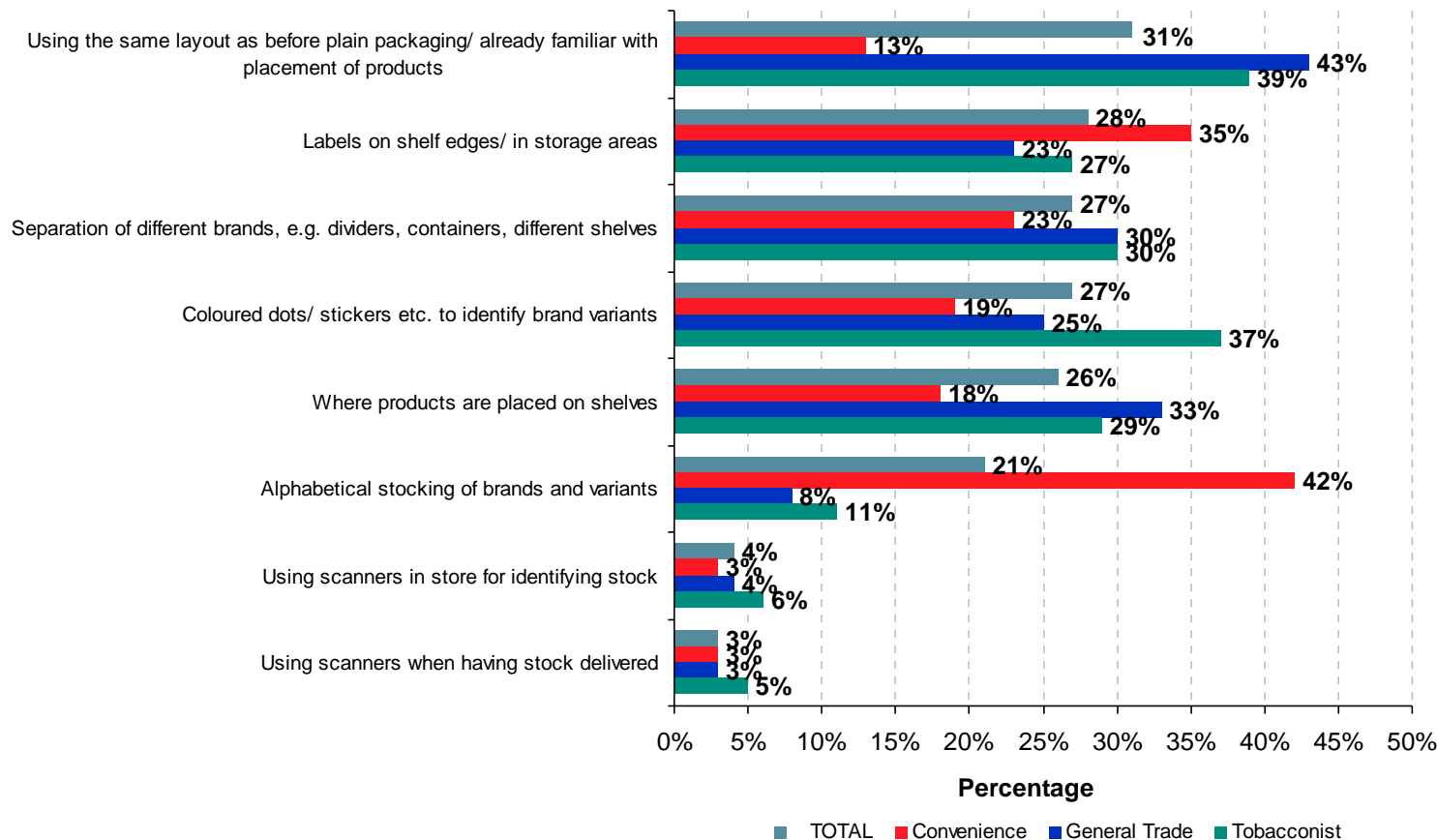
Q5. Prior to plain packaging, which of the following methods did your store use to identify tobacco products? (m)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132). Responses less than 5% not shown.

Methods Used to Identify Tobacco Products – Post Plain Packaging

- Since the introduction of plain packaging, general trade and tobacconists are more likely to use the same layout as before (43% and 39% respectively), while convenience stores are most likely to use alphabetical stocking of brands and variants (42%) and labels on shelf edges/in storage areas (35%).

Top Methods Used to Identify Tobacco Products - Post Plain Packaging



Q6. And which of the following methods does your store NOW use to identify tobacco products since plain packaging? (m)
Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132). Responses less than 5% not shown.

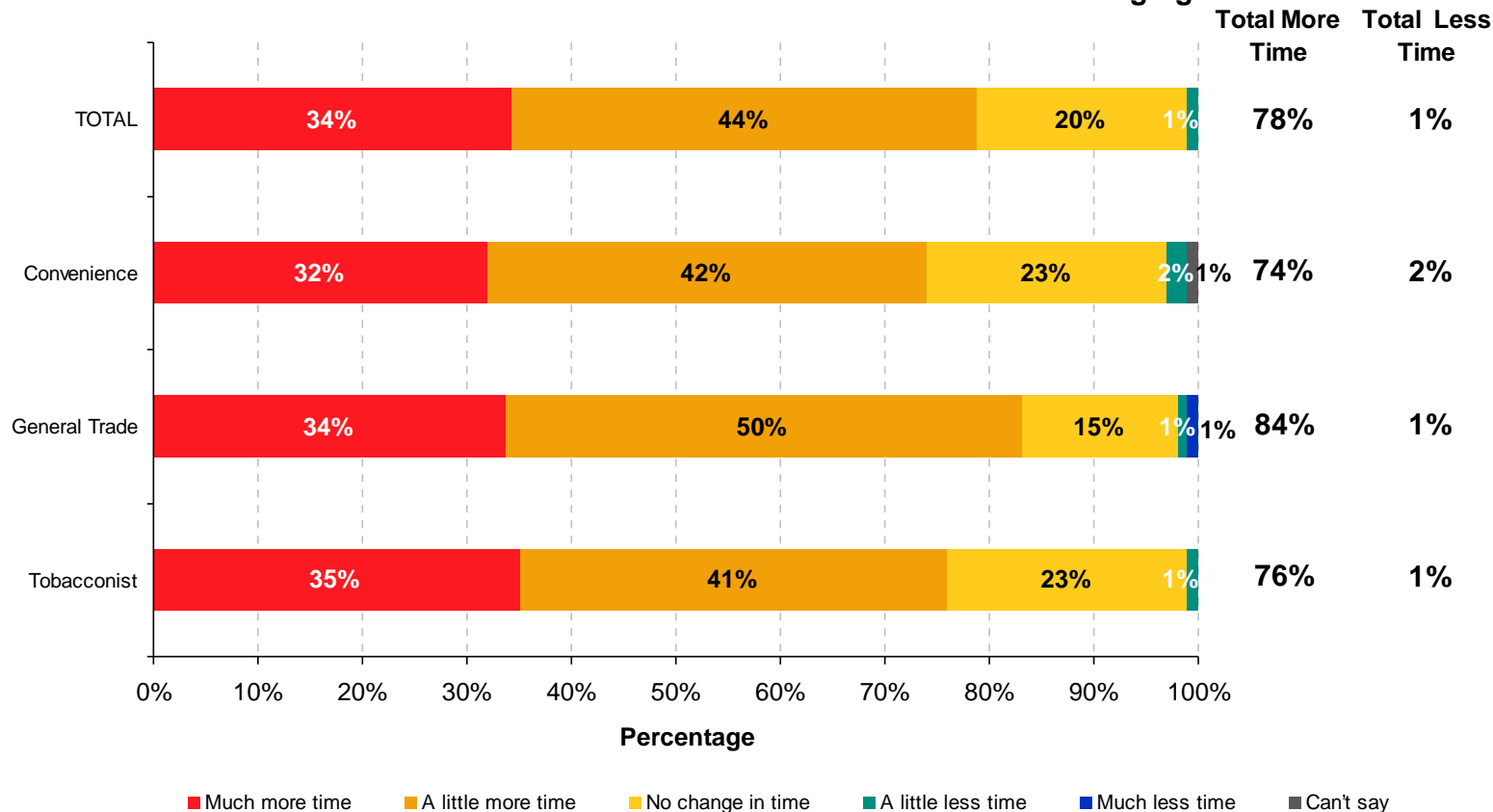
RESULTS

Impact of Plain Packaging on Customer Interaction

Time Taken to Serve Adult Smoker Customers

- Just over three-quarters of small retailers reported experiencing an increase in the time taken to serve adult smoker customers since the introduction of plain packaging (78%), including a third indicating it now takes much more time to serve adult smoker customers (34%).
- Increase in time taken to serve adult smokers was most prevalent amongst general trade, with 84% reporting an increase.

Time Taken to Serve Adult Smoker Customers Since Plain Packaging



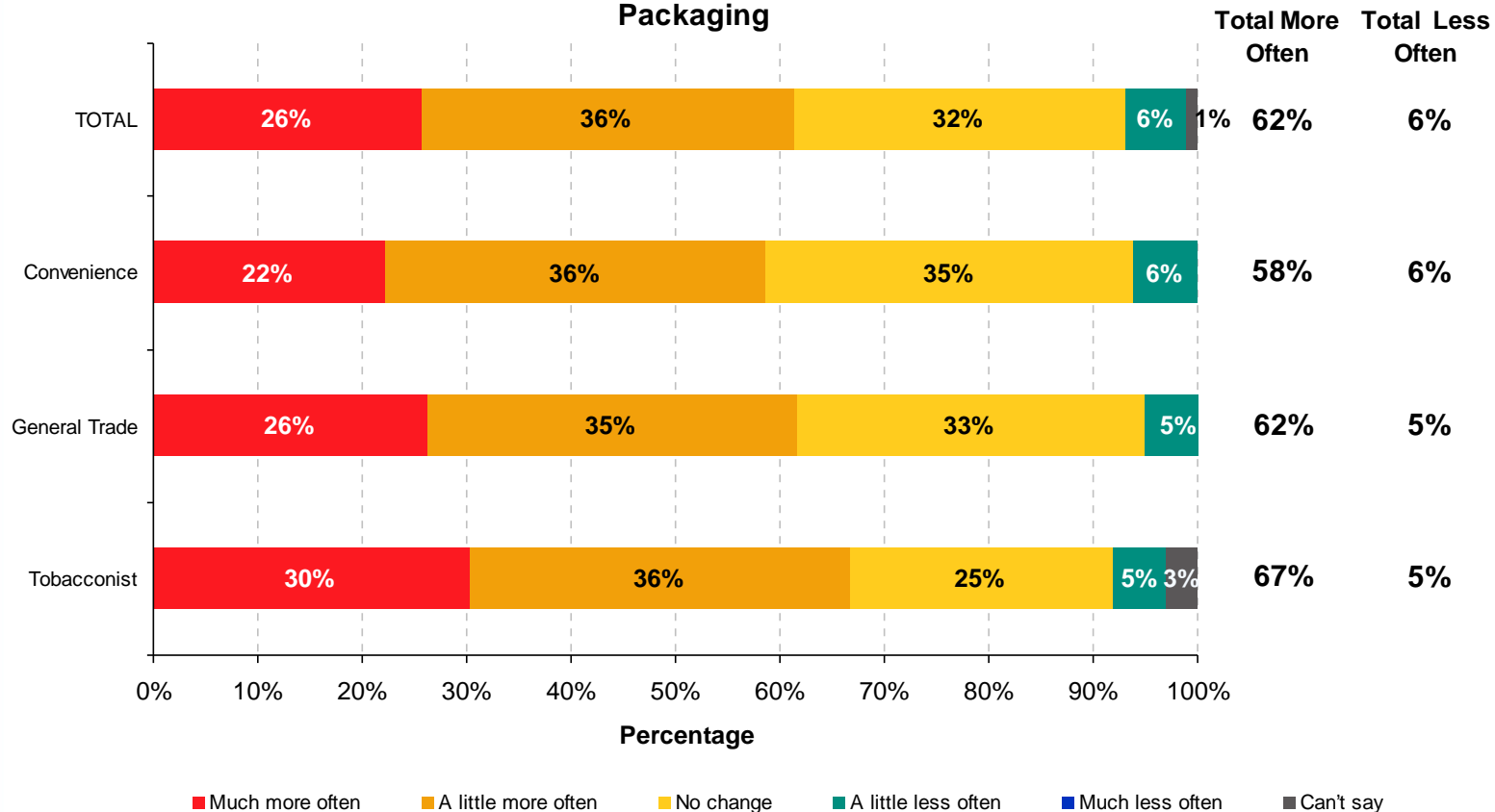
Q8. Has there been any effect on the time taken to serve adult smoker customers? Would you say that it takes...? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Frequency of Adult Smoker Frustration During Tobacco Sales

- Around three in five small retailers surveyed indicated that adult smokers now experience or express frustration more often during tobacco sales (62%).
- This proportion was highest amongst tobacconists (67%, including 30% much more often).

Frequency of Adult Smoker Customer Frustration During Sale Since Plain Packaging



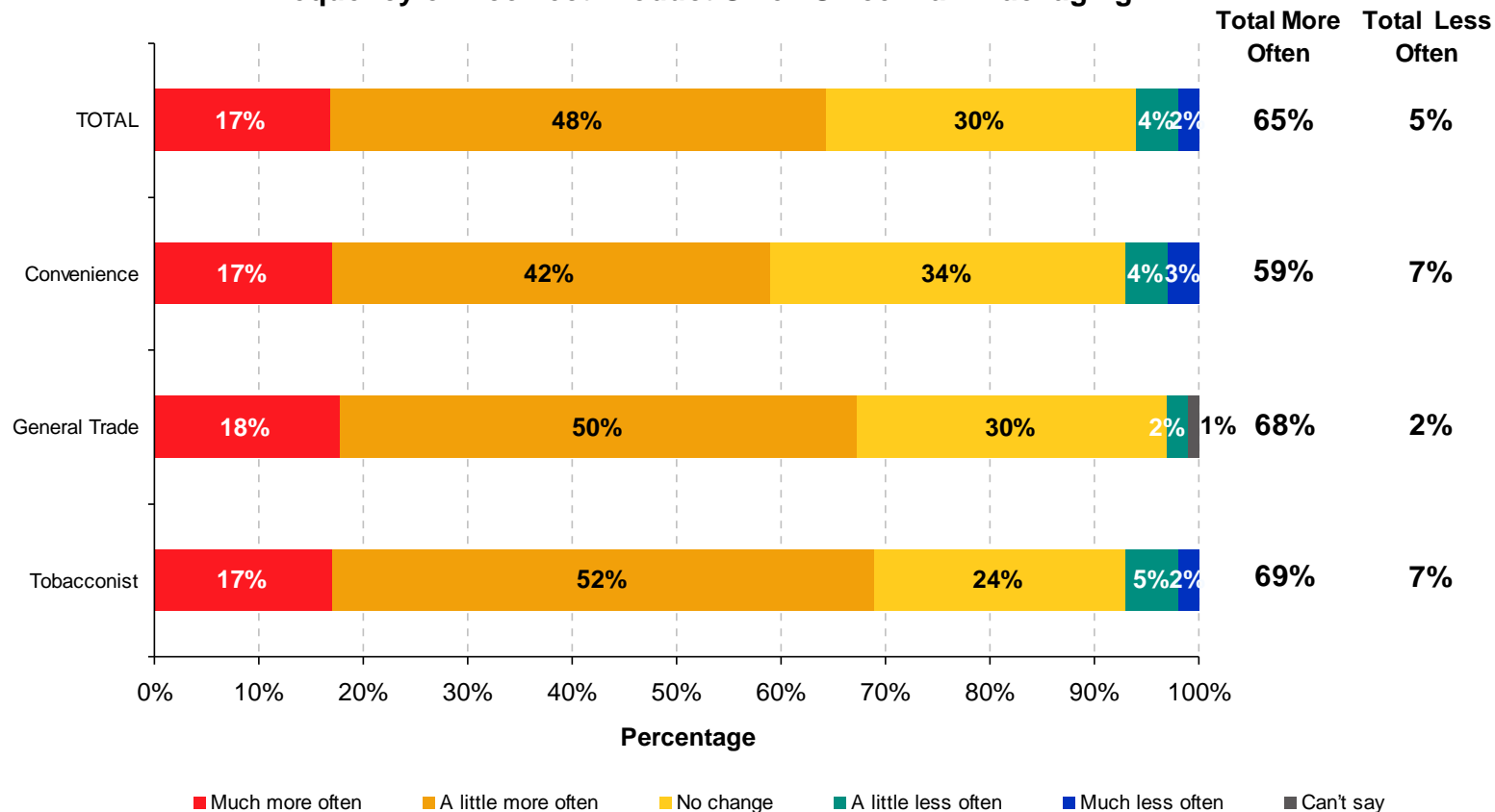
Q9. The frequency of adult smoker customers experiencing or expressing frustration during the sale? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Frequency of Giving Incorrect Product

- Nearly two-thirds of small retailers indicated that staff have given adult smoker customers the wrong product more often since the introduction of plain packaging (65%).
- General trade and tobacconists were more likely to report an increased frequency (68% and 69% respectively) than convenience stores (59%).

Frequency of Incorrect Product Given Since Plain Packaging



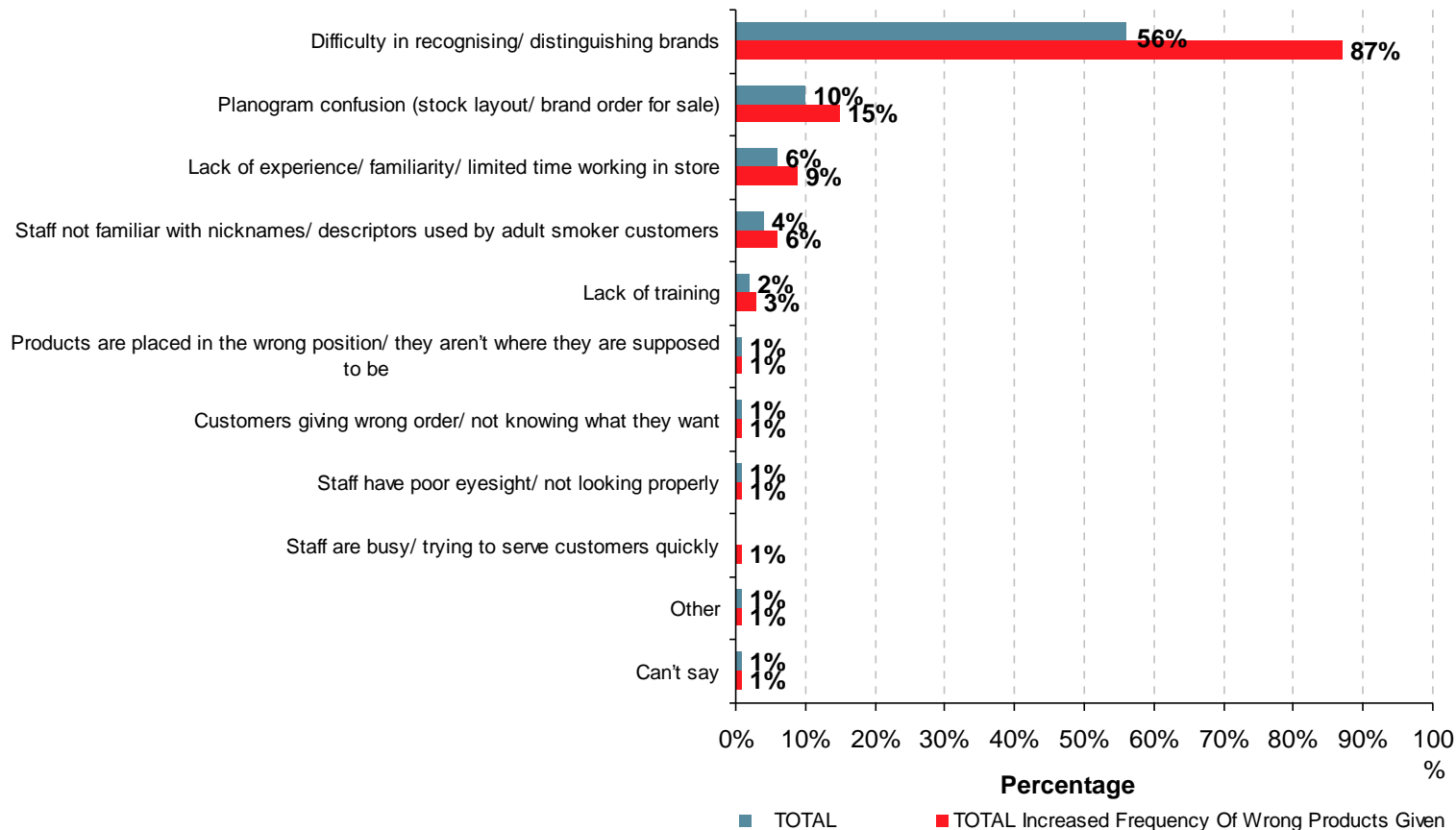
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Q10. The frequency of store staff giving the wrong product to adult smoker customers? (s)
Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Reasons for Increase in Incorrect Product Given

- Amongst those who reported an increase in the frequency of staff giving the wrong tobacco products to adult smoker customers, the large majority indicated that it was due to difficulty in recognising or distinguishing between brands (87%).
 - *This equates to just over half of total retailers experiencing an increase in the frequency of incorrect products being given due to difficulty recognising/distinguishing brands (56%).*

Reasons for Increase in Incorrect Product Given Since Plain Packaging



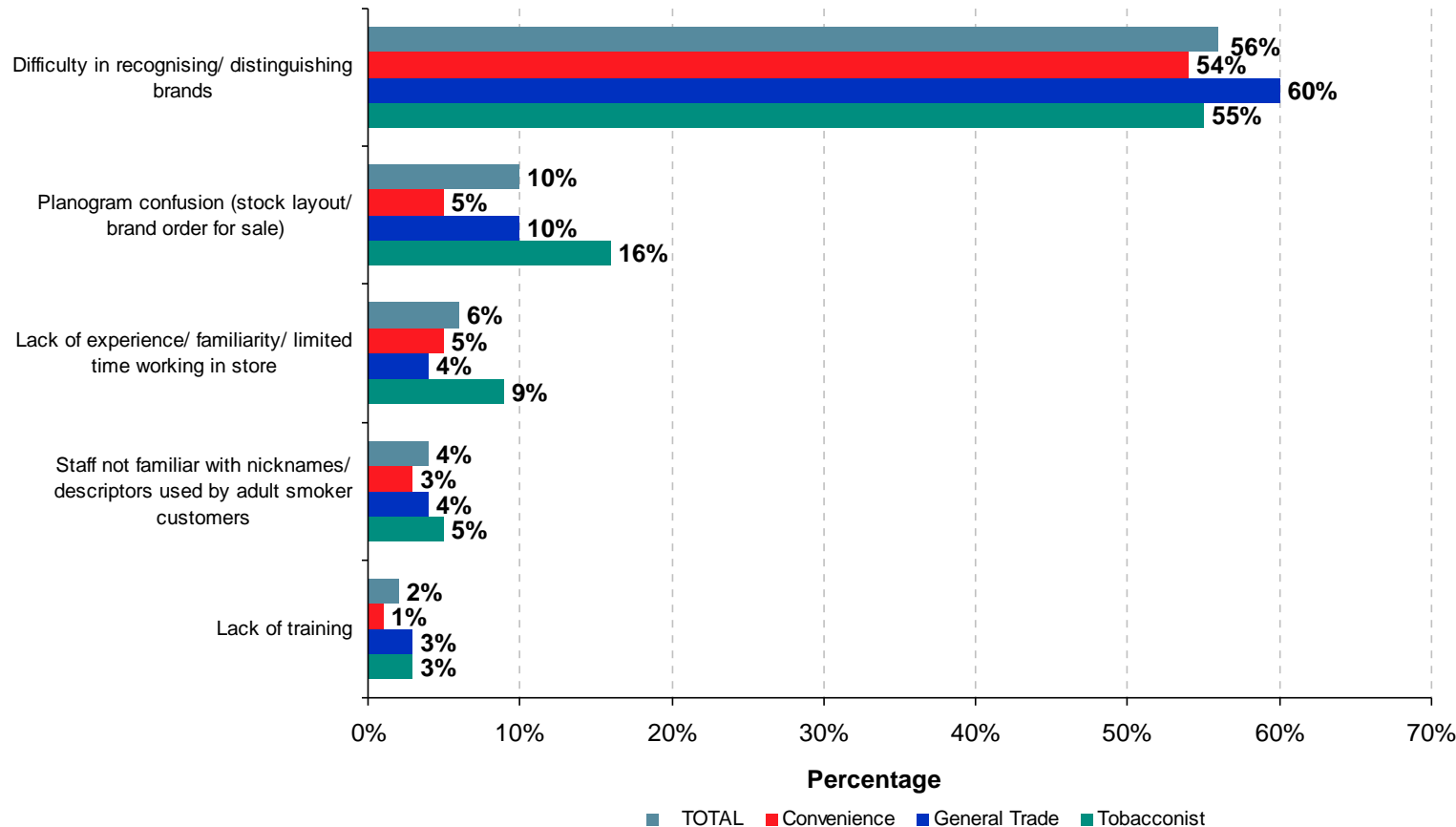
Q11. What are the reasons for the increase? (m)

Base: All respondents (n=450); total increased frequency of wrong products given (n=293).

Reasons for Increase in Incorrect Product Given

- The incidence of increases in wrong products given due to planogram confusion or staff lack of experience/familiarity/ limited time working in store was highest amongst tobacconists.
- Other reasons were generally similar by retail channel.

Top 5 Reasons for Increase in Incorrect Product Given Since Plain Packaging



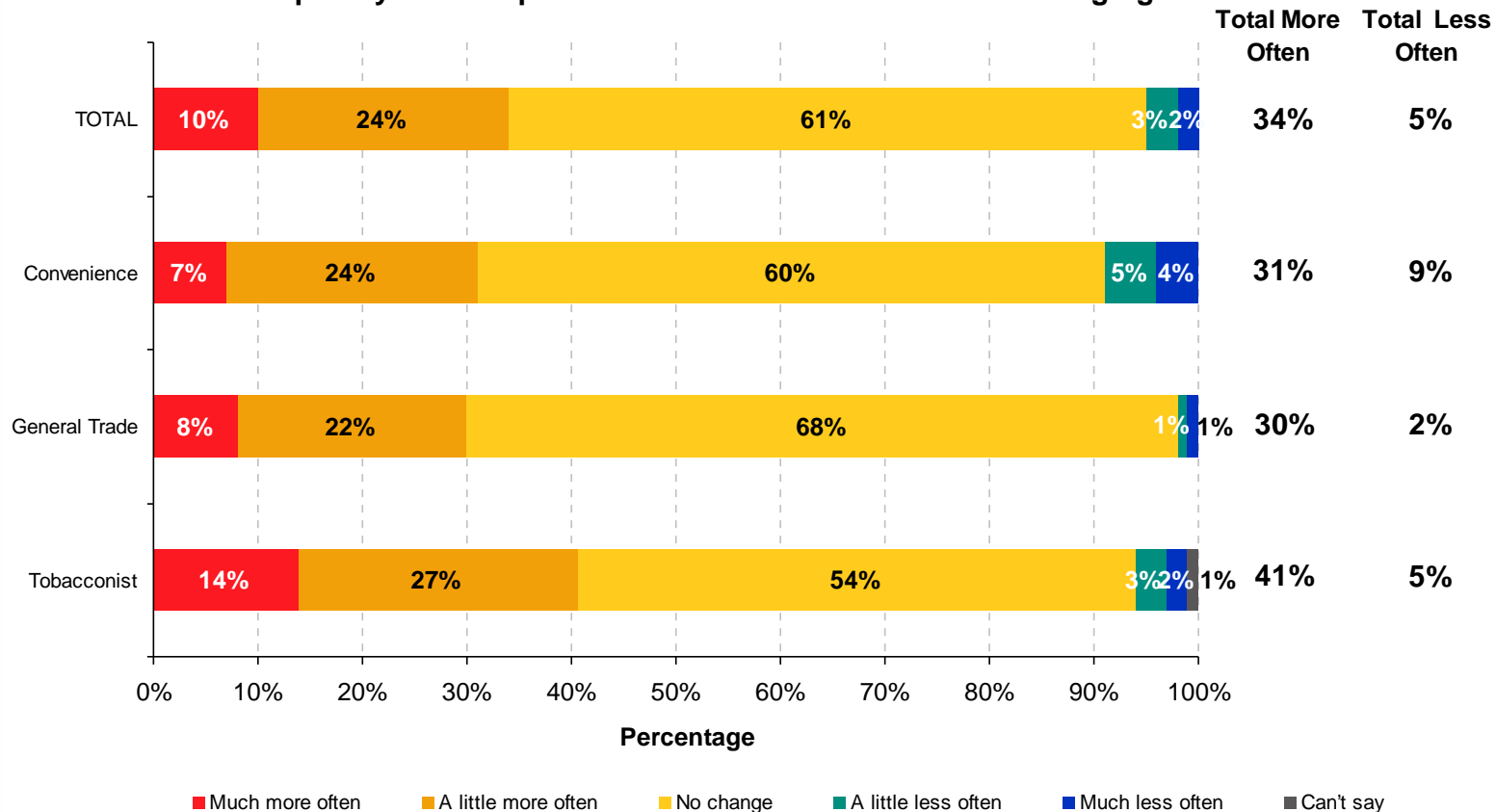
Q11. What are the reasons for the increase? (m)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Frequency of Attempted Product Returns

- The majority of retailers surveyed reported that there has been no change in the frequency of adult smoker customers attempting to return tobacco products since the introduction of plain packaging (61%).
- Incidence of increased frequency of attempted returns was highest amongst tobacconists (41%).

Frequency of Attempted Product Returns Since Plain Packaging



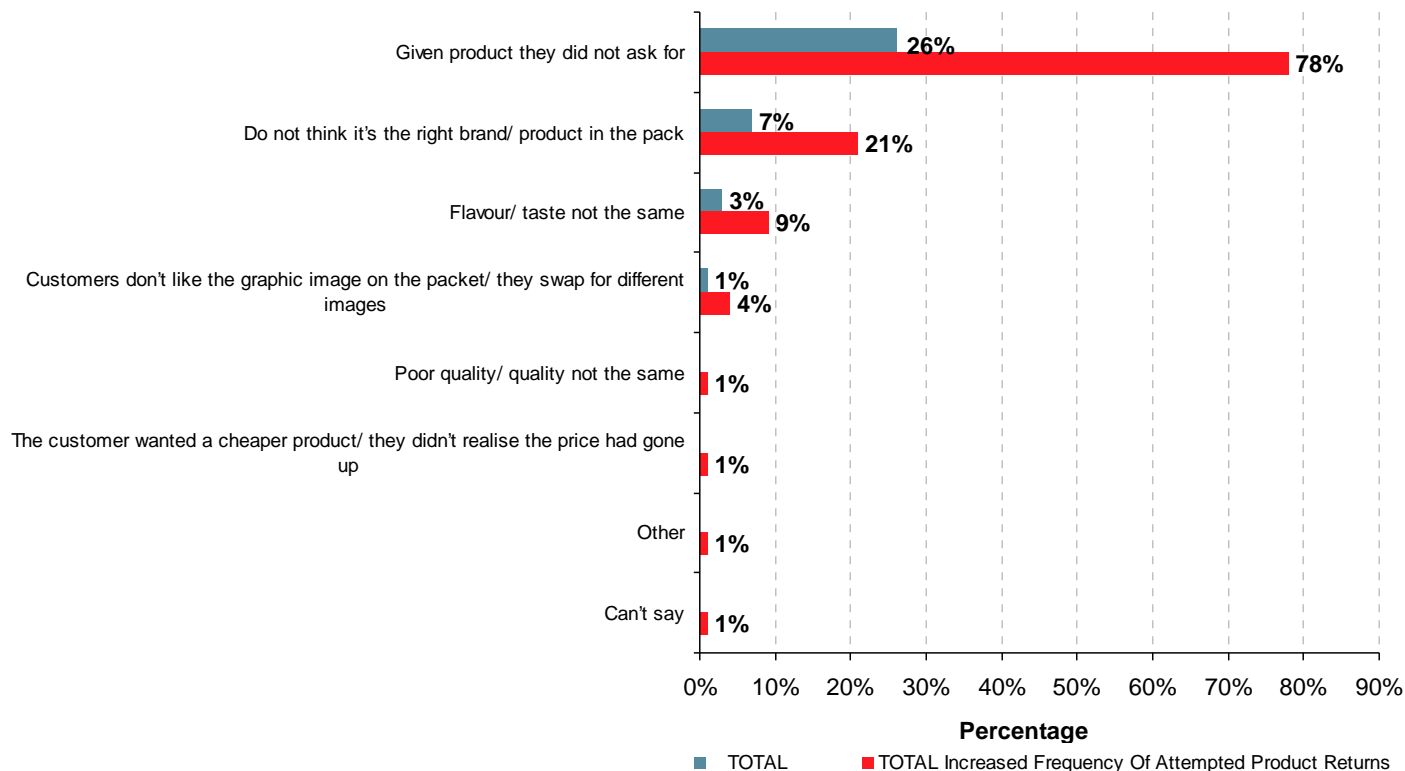
Q12. Has there been any change in the frequency of adult smokers trying to return cigarette products? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Reasons for Increase in Attempted Product Returns

- Amongst those who reported an increase in the frequency of adult smoker customers attempting to return tobacco products since plain packaging, more than three-quarters indicated that it was due to customers being given a product they did not ask for (78%).
 - *This equates to 26% of total retailers experiencing an increase in attempted product returns due to adult smokers being given products they did not ask for.*
- Other main reasons for the increase included the adult smoker customers not thinking it's the right brand or product in the pack, flavour/taste not being the same, and dislike of the graphic health warning images on the packet.

Reasons for Increase in Attempted Product Returns Since Plain Packaging



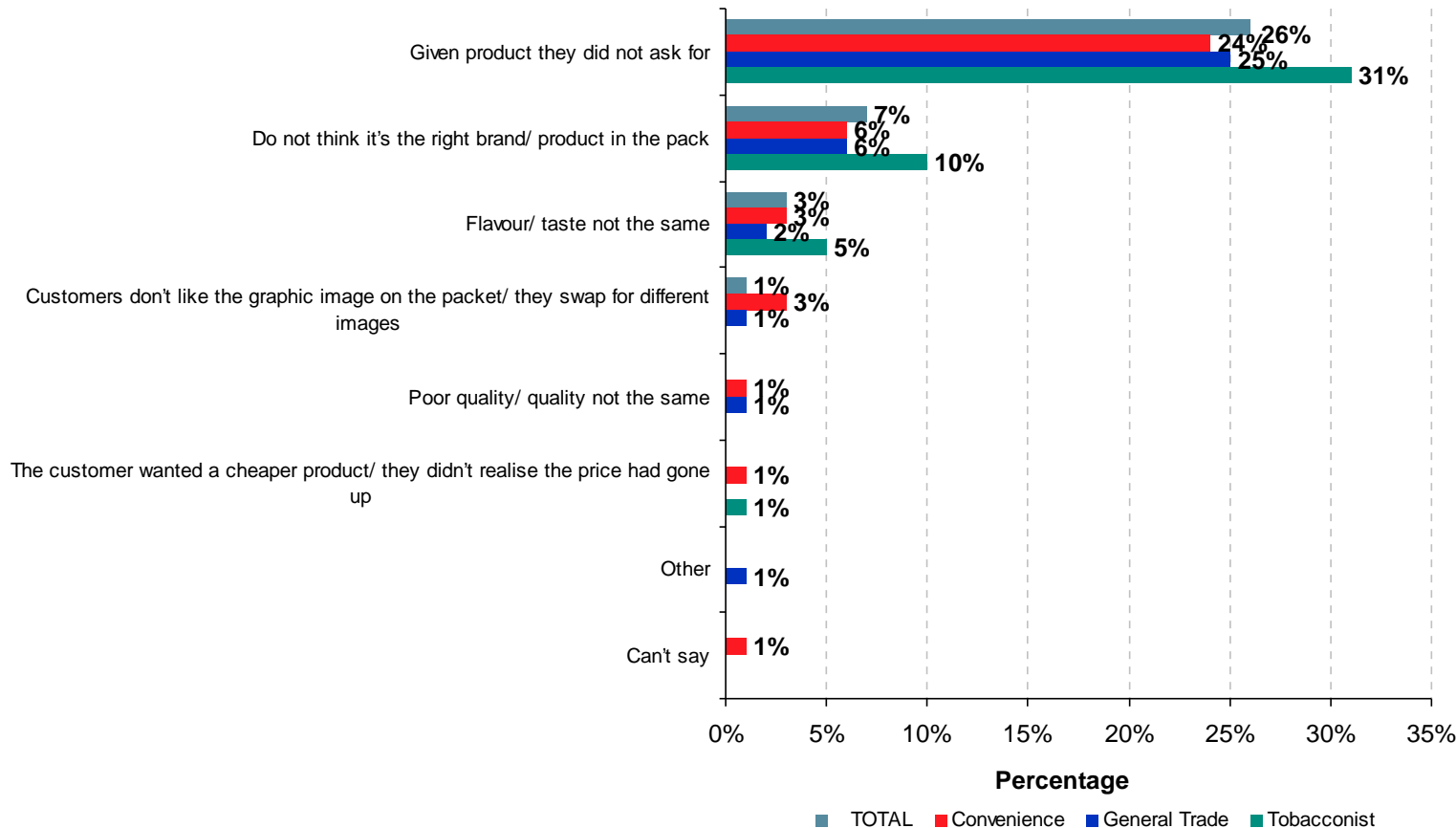
Q13. What types of reasons have been given for their return? (m)

Base: All respondents (n=450); total increased frequency of attempted product returns (n=151).

Reasons for Increase in Attempted Product Returns

- Tobacconists were more likely to experience increases in attempted product returns due to customers being given products they didn't ask for, thinking it is the wrong brand/product in the pack, or the perception that the flavour/taste is not the same.

Reasons for Increase in Attempted Product Returns Since Plain Packaging



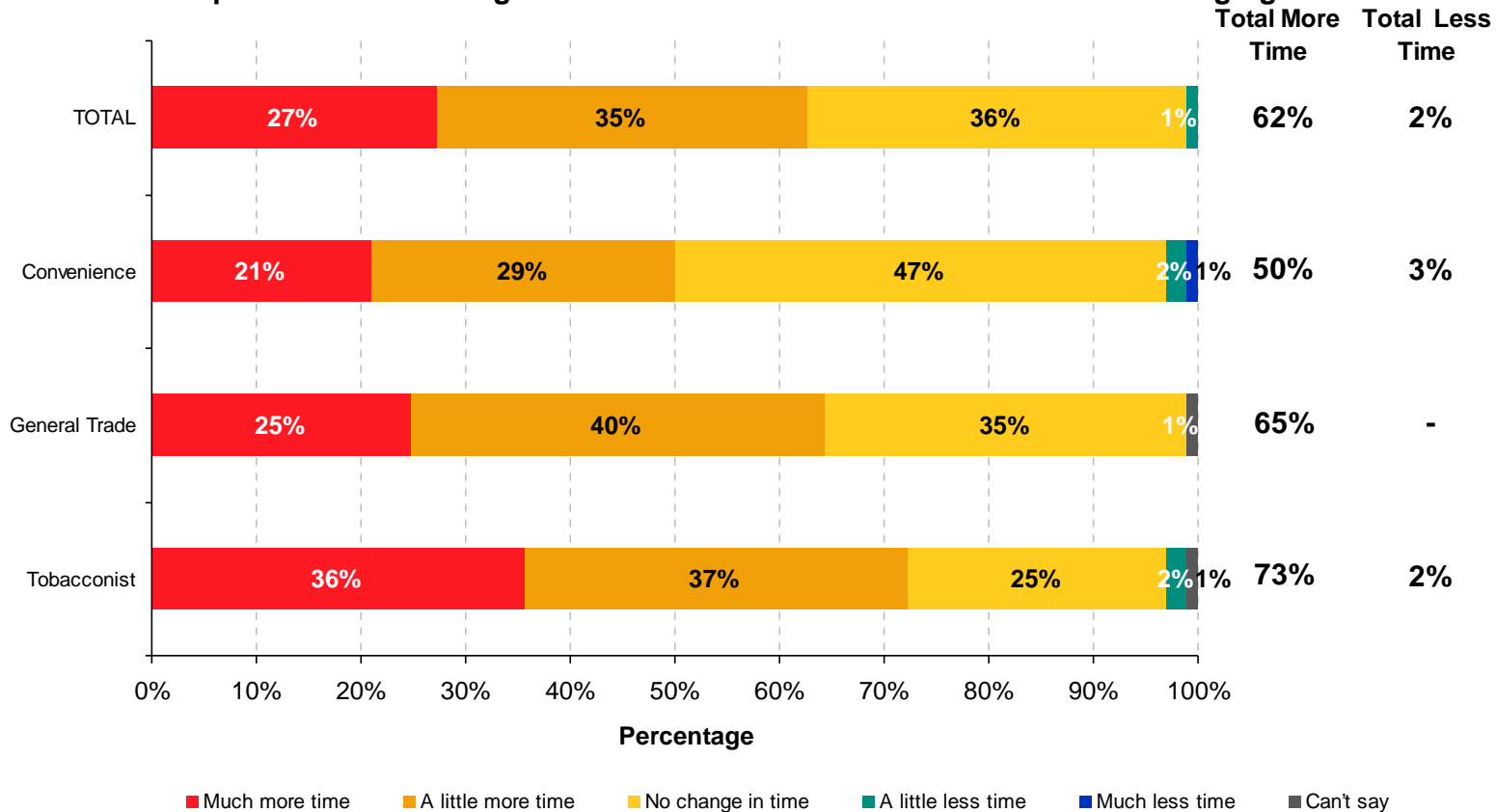
Q13. What types of reasons have been given for their return? (m)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Time Spent Communicating with Adult Smoker Customers

- Around three in five small retailers interviewed reported that their staff now spend more time communicating with adult smoker customers about tobacco products (62%).
- Tobacconists were most likely to have experienced an increase in communication time (73%, including 36% taking much more time), followed by general trade (65%).

Time Spent Communicating with Adult Smoker Customers Since Plain Packaging



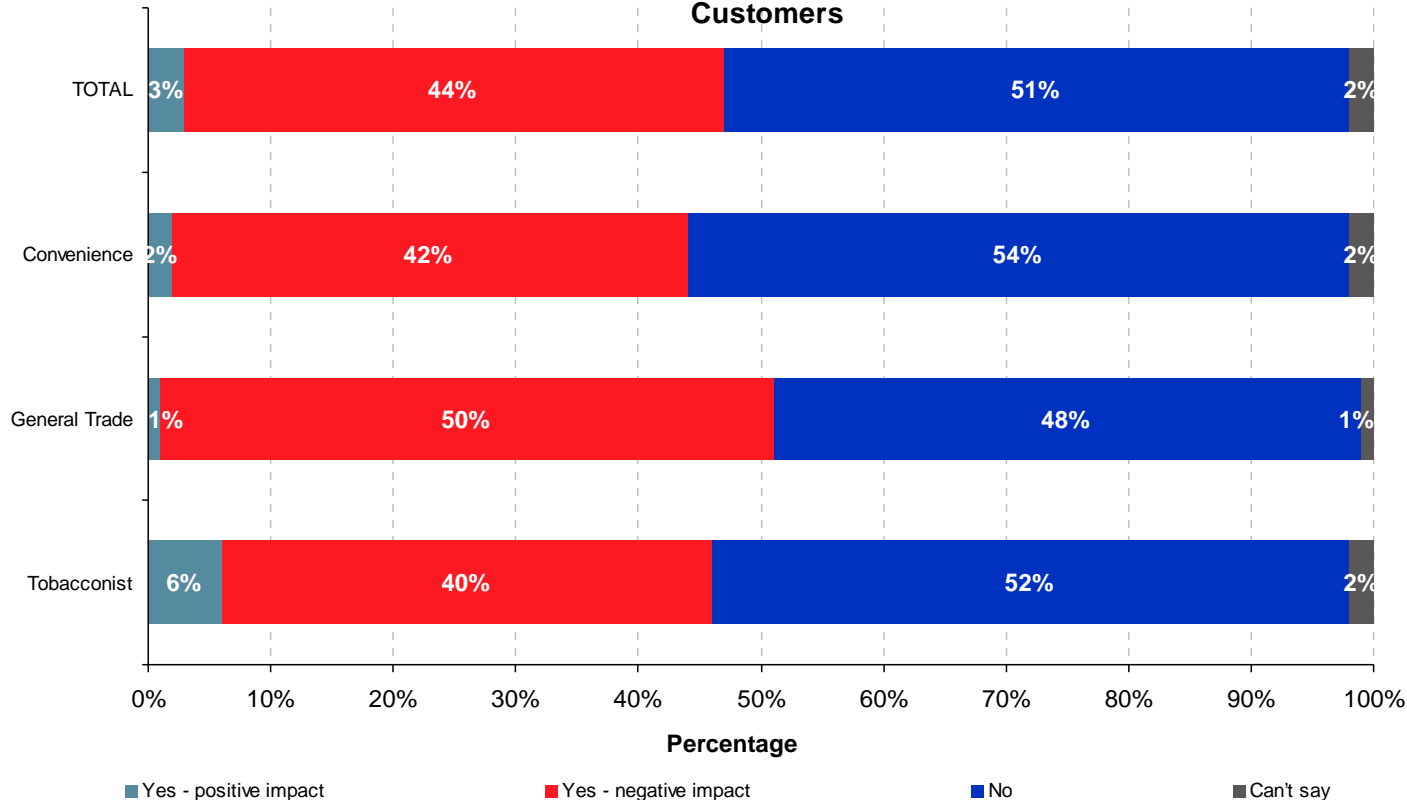
Q14. Thinking of questions and comments from adult smoker customers and interactions with them... Has there been any change in the amount of time staff spend communicating with adult smokers about tobacco products? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Impact on Level of Service to Non-Tobacco Customers

- The sample was split relatively equally in terms of whether the introduction of plain packaging has impacted on the level of service able to be provided to non-tobacco customers.
- The proportion of retailers reporting that plain packaging has had a negative impact on the level of service to non-tobacco customers ranged from around two in five convenience and tobacconists (42% and 40% respectively) to half of general trade retailers (50%).
- Very few (3% of the total sample) reported a positive impact on non-tobacco service levels.

Impact of Plain Packaging on Level of Service able to provide to Non-Tobacco Customers



Q15. Has there been any impact on the level of service you are able to provide to non-tobacco customers in the store due to the introduction of plain packaging? IF YES: And has it been a POSITIVE impact or a NEGATIVE impact on the level of service to non-tobacco customers? (s)

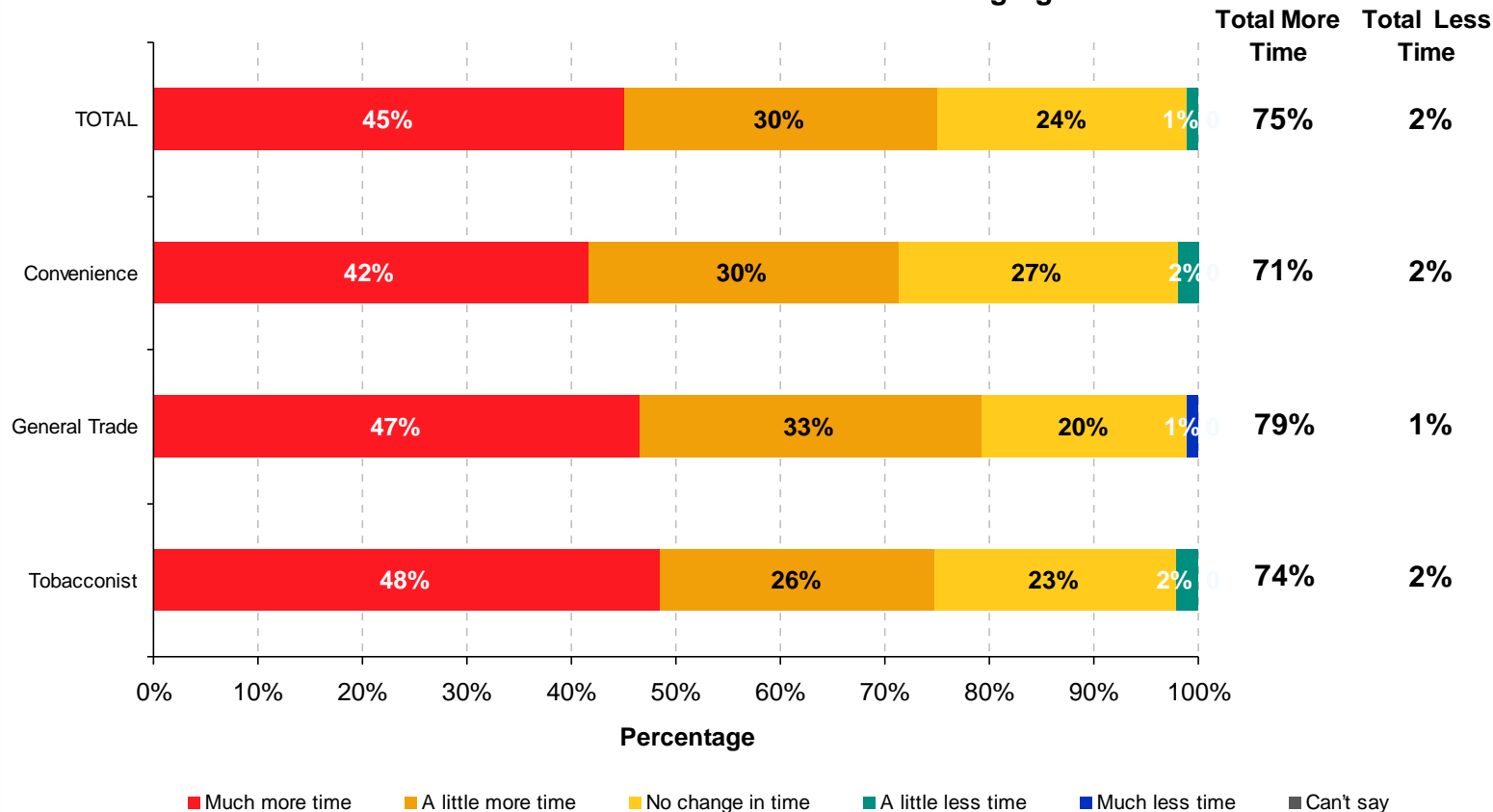
Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Impact of Plain Packaging on Stock & Inventory Management

Time Taken to Order Stock

- The majority of retailers surveyed indicated that it now takes more time to order stock since the introduction of plain packaging (75%), including nearly half who reported that it now takes much more time (45%).
- Slightly higher proportions of general traders reported an overall increase in the time taken to order stock (79%).

Time Taken to Order Stock Since Plain Packaging

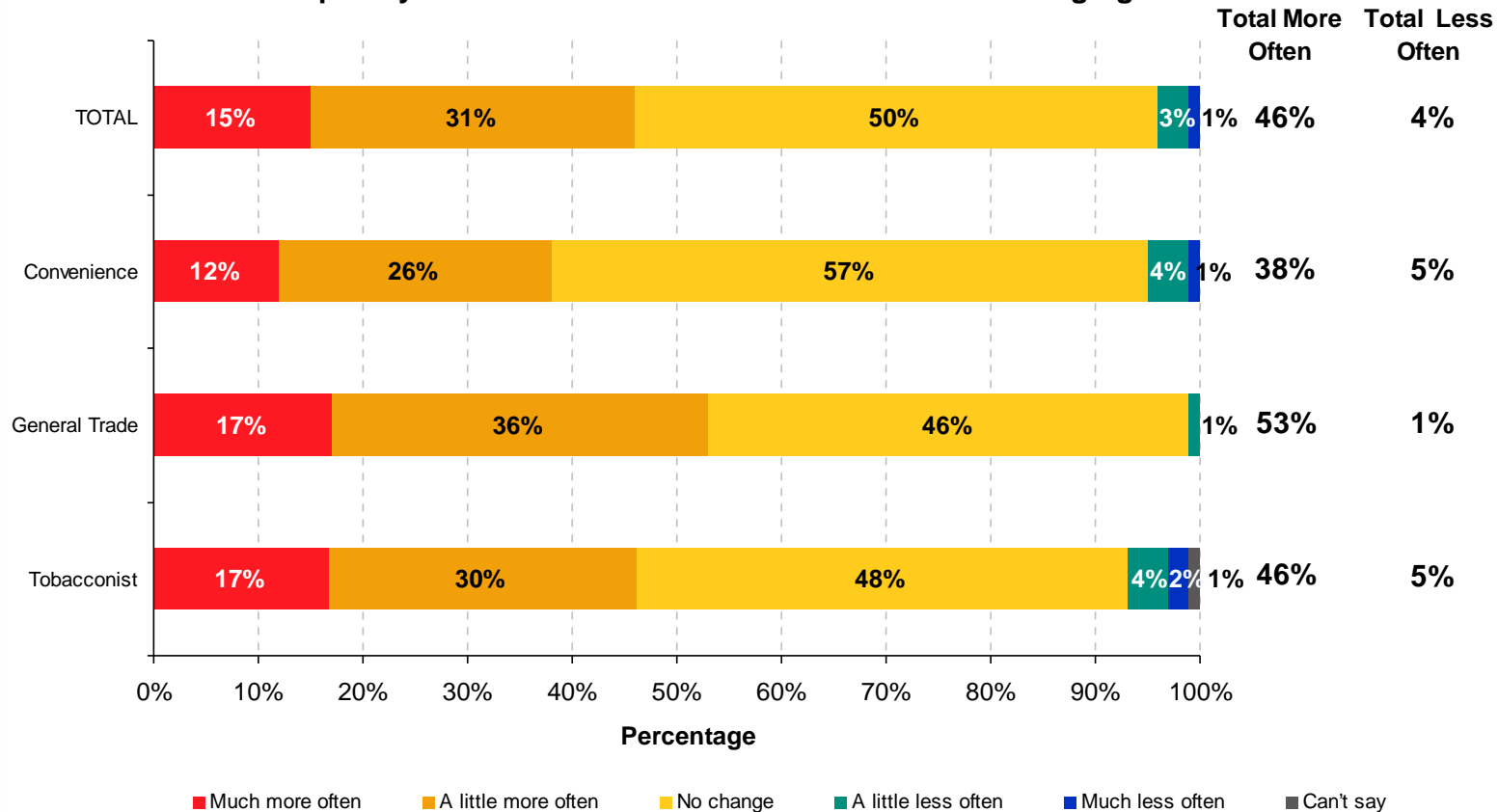


Q16. Has the time taken to order stock (including inventory checking and ordering) changed? (s)
Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Frequency of Incorrect Orders Placed

- Almost half of retailers indicated that incorrect orders are placed more often now than prior to plain packaging (46%).
- Convenience stores were less likely to have experienced an increase in the frequency of incorrect orders being placed (38%), while general traders were most likely (53%).

Frequency of Incorrect Orders Placed Since Plain Packaging



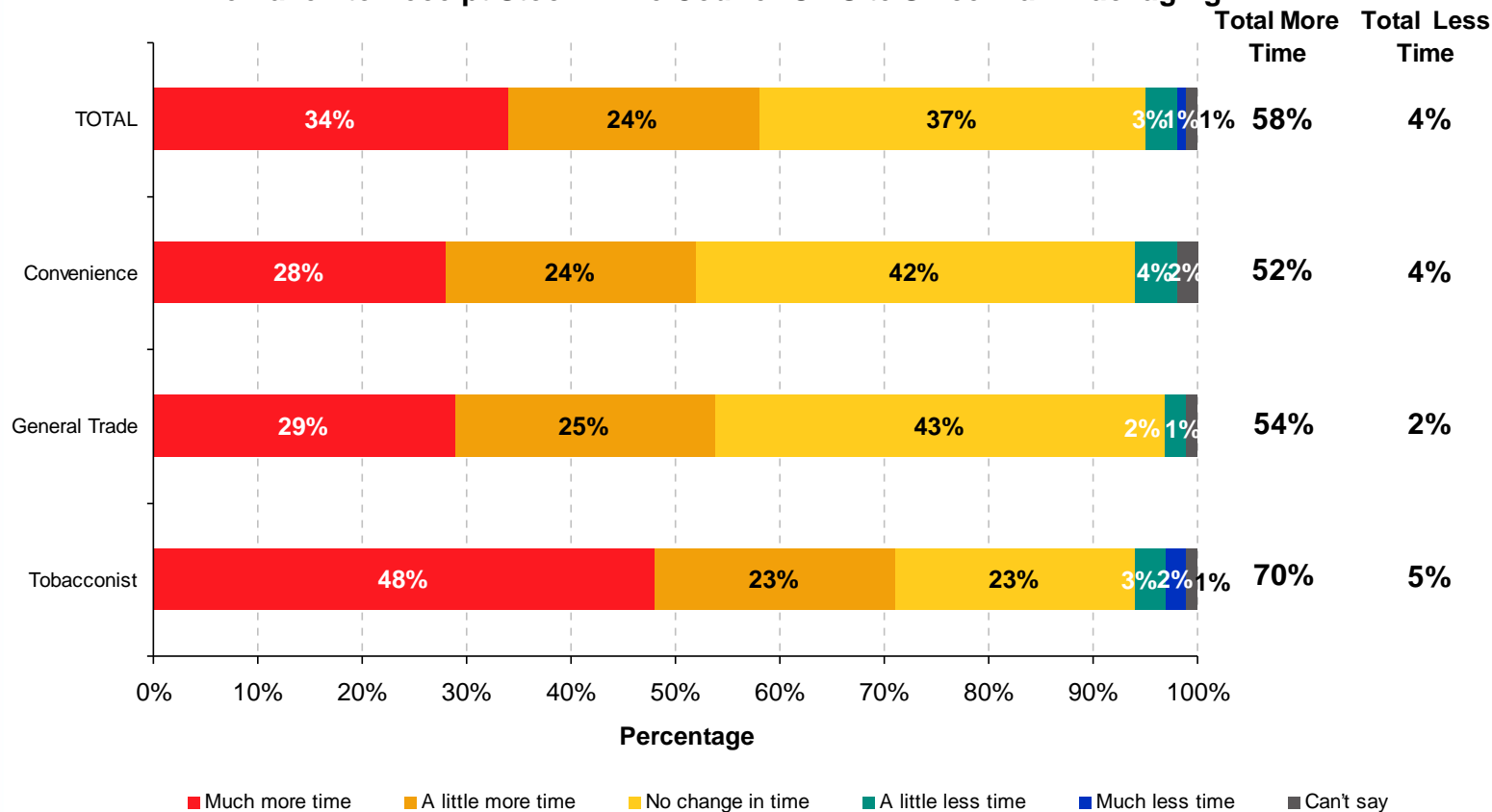
Q17. Has there been any change in the frequency of incorrect orders being placed? This could include the wrong products ordered, as well as ordering too much or not enough of particular products. (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Time to Receipt Stock while Courier is On Site

- Around three in five retailers interviewed reported an increase in time taken to receipt stock while couriers are still on site (58%), including approximately a third who indicated it now takes much more time (34%).
- This differed by retail channel, from around half of convenience and general trade (52% and 54% respectively) to 70% of tobacconists.

Time Taken to Receipt Stock While Courier On Site Since Plain Packaging



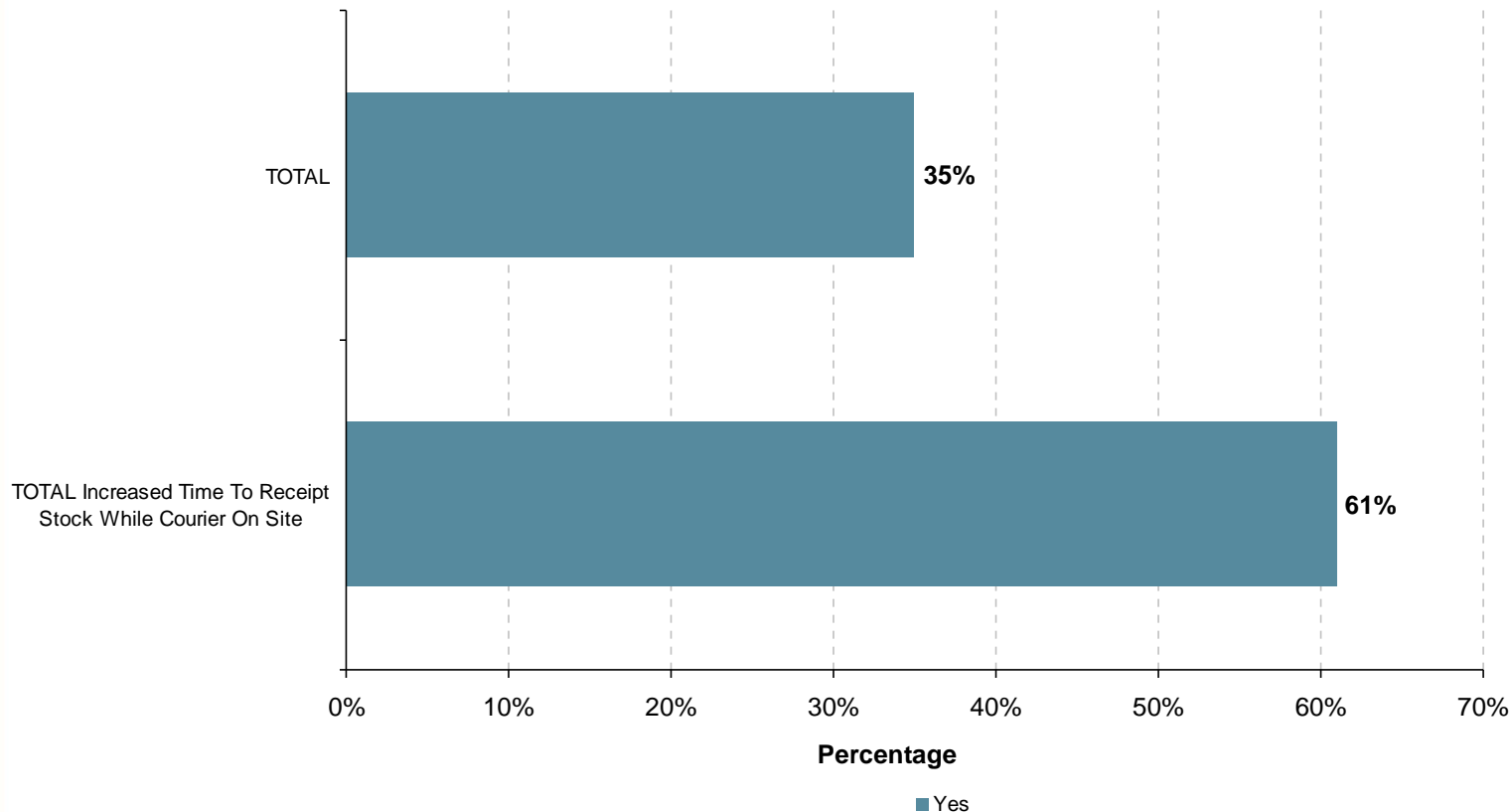
Q19. Thinking about the process of receiving new stock, from the time the courier arrives with the delivery to the time they depart... Has the time it takes to receipt stock WHILE THE COURIER IS ON SITE changed? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Whether Couriers are Becoming Frustrated by Increased Time Taken to Check Deliveries

- Amongst those who reported an increase in the time required to receipt stock while the courier is on site, three in five reported that couriers/delivery drivers are becoming frustrated by the time taken to check deliveries (61%).
 - *This equates to around a third of total retailers having couriers become frustrated by the increased time to check deliveries since plain packaging (35%).*

Couriers Becoming Frustrated by Time Taken to Check Deliveries Since Plain Packaging



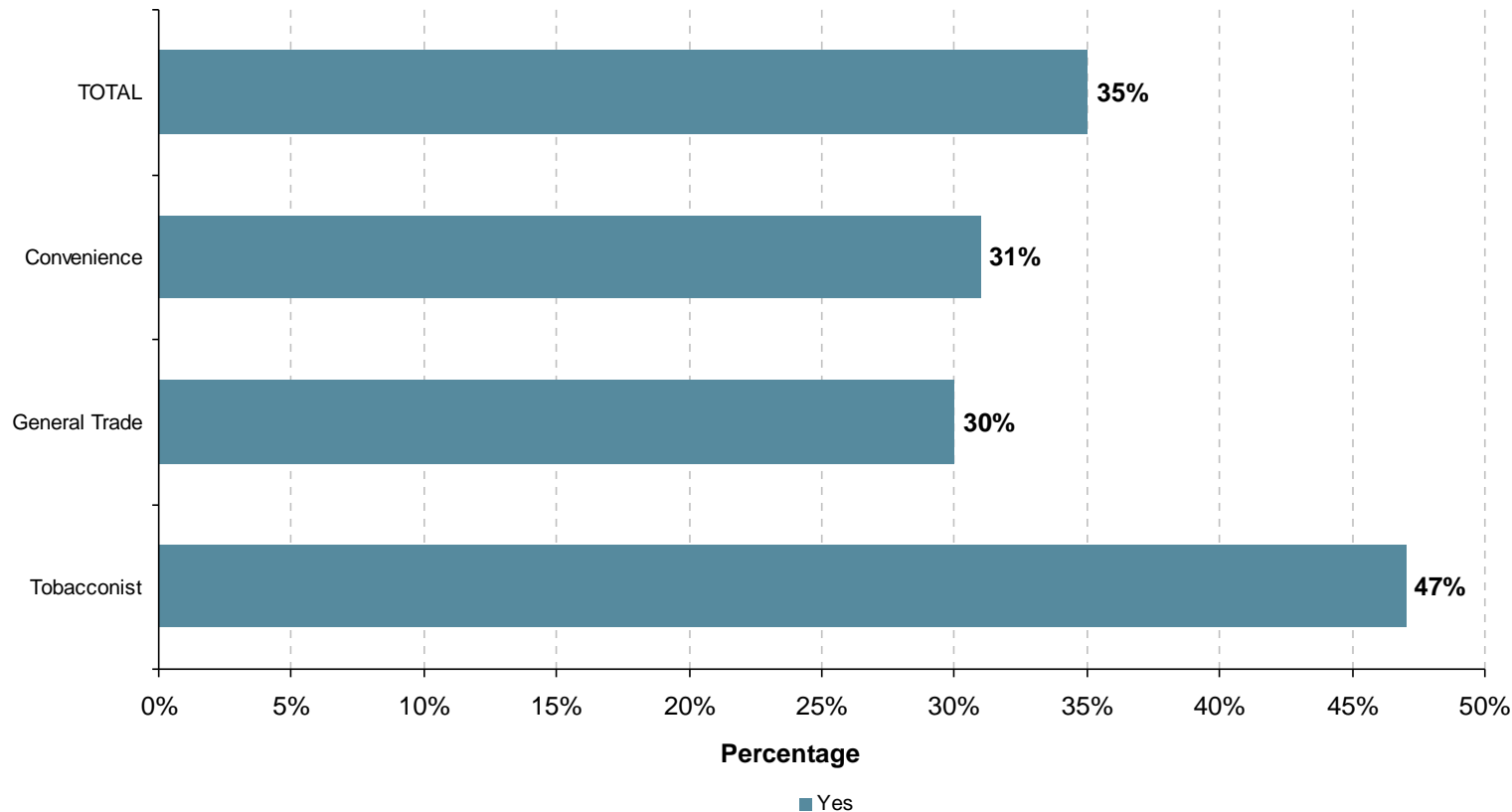
Q20. Are couriers or delivery drivers becoming frustrated by the length of time taken to check the delivery? (s)

Base: All respondents (n=450); total increased time to receipt stock while courier on site (n=262).

Whether Couriers are Becoming Frustrated by Increased Time Taken to Check Deliveries

- Around a third of convenience and general trade retailers reported couriers becoming frustrated by the increased time to check deliveries since plain packaging (31% and 30% respectively), compared to nearly half of tobacconists (47%).

Couriers Becoming Frustrated by Time Taken to Check Deliveries Since Plain Packaging



Q20. Are couriers or delivery drivers becoming frustrated by the length of time taken to check the delivery? (s)

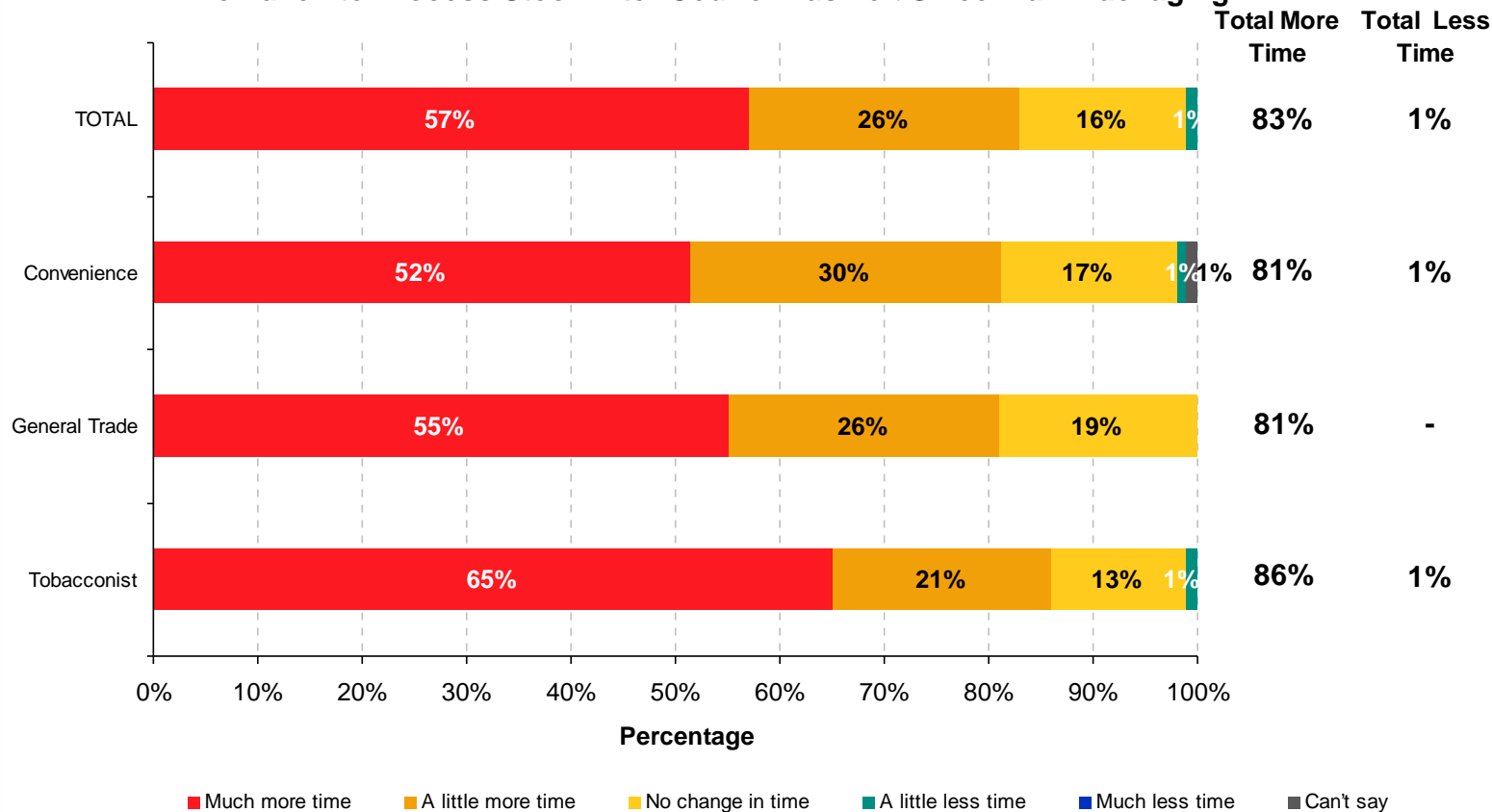
Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

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Time Taken to Process Stock After Courier Has Left

- The large majority of retailers reported an increase in the time taken to process stock after the courier has left (83%), including 57% who indicated it now takes much more time.
- The impact of plain packaging on stock processing times after the courier has left was slightly higher amongst tobacconists (86%, including 65% 'much more time').

Time Taken to Process Stock After Courier Has Left Since Plain Packaging

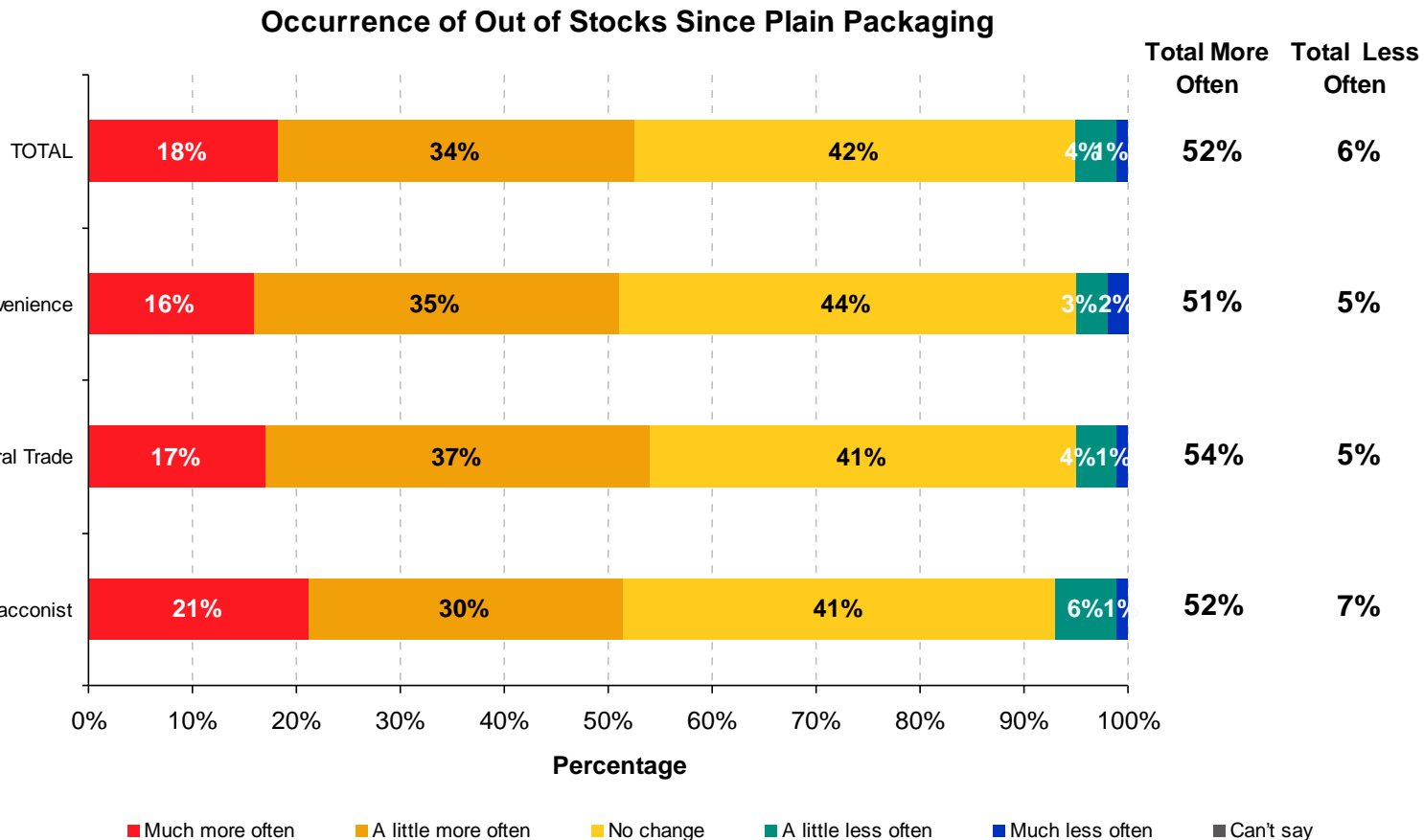


Q21. Now thinking about the process of unpacking and processing new stock, has the time it takes to process stock AFTER THE COURIER HAS LEFT changed? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Occurrence of Out of Stocks

- Around half of small retailers reported experiencing an increase in the occurrence of out of stocks since the introduction of plain packaging (52%).
- The occurrence of out of stocks was generally similar across the three retail channels.



Q28. The occurrence of out of stocks since the introduction of plain packaging products in your store? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

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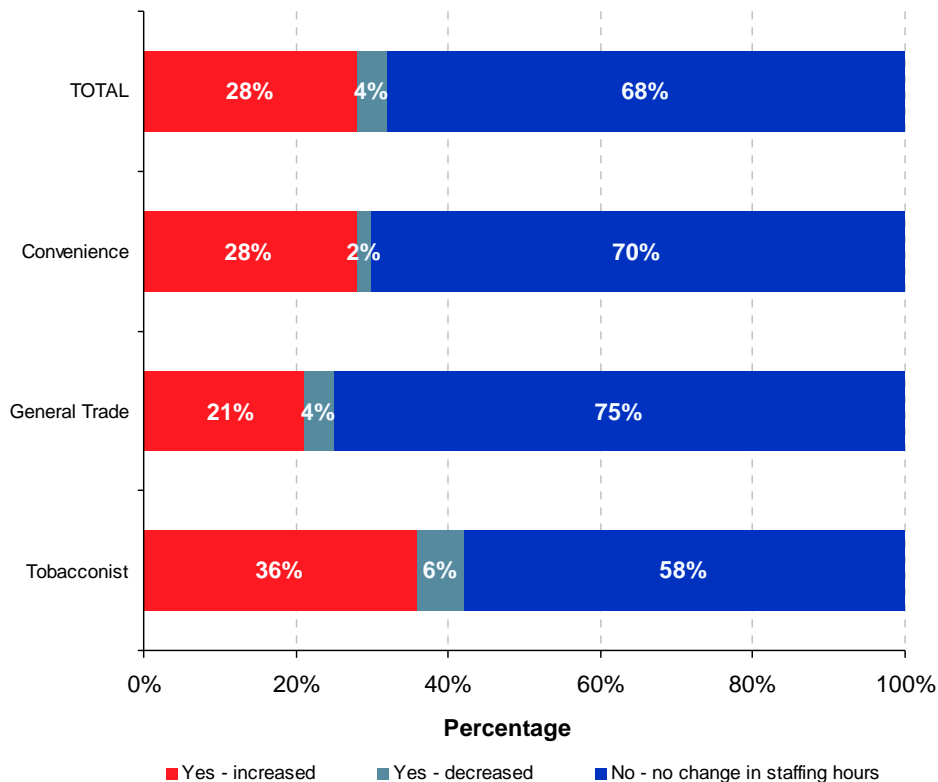
Impact of Plain Packaging on Staffing

Discover your edge

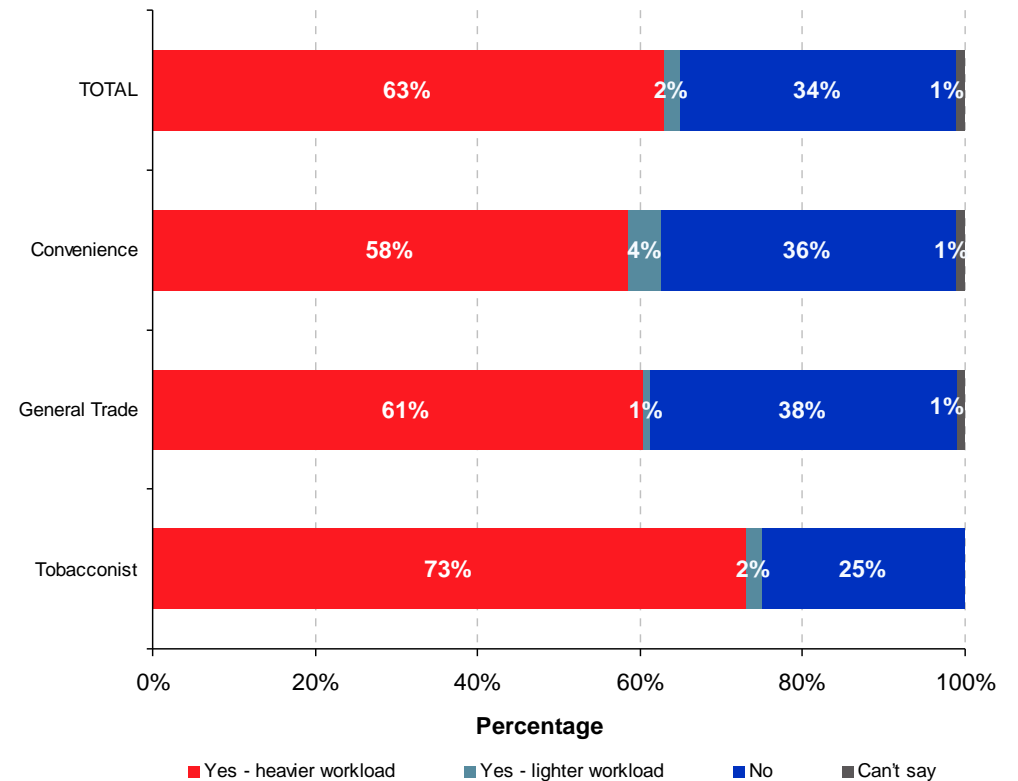
Changes to Staffing Hours and Staff Workload

- Around a quarter of retailers reported increasing the number of staffing hours as a result of plain packaging.
 - This varied by retail channel, from one in five general trade (21%) to 28% of convenience retailers and more than a third of tobacconists surveyed (36%).
- The majority of retailers indicated that their staff now have a heavier workload since the introduction of plain packaging (63%).
 - This ranged from three in five convenience stores and general trade (58% and 61% respectively) to three-quarters of tobacconists surveyed (73%).

Impact of Plain Packaging on Number of Staffing Hours



Impact of Plain Packaging on Staff Workload

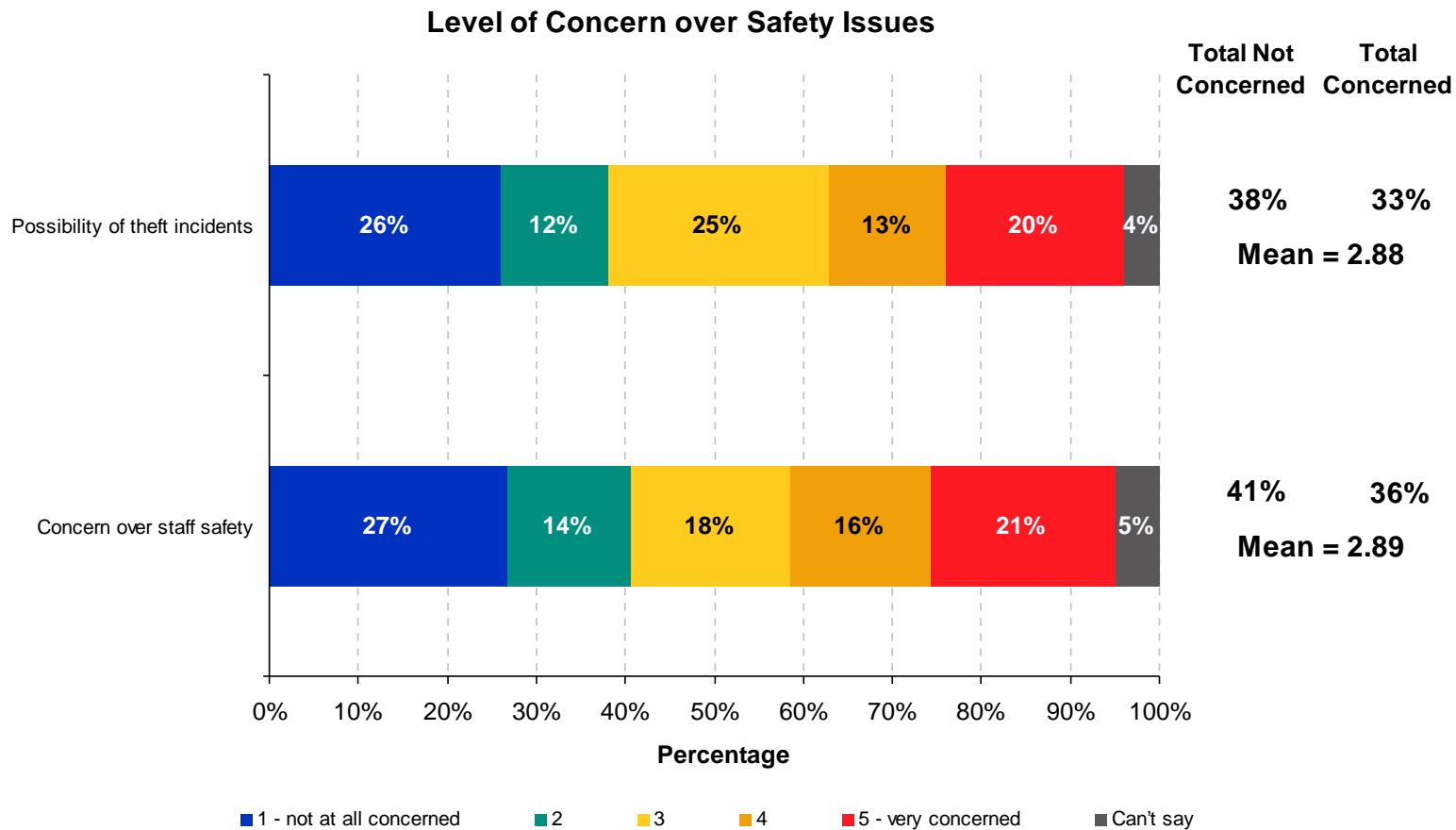


Discover your edge

Q29. Has the changeover to plain packaging impacted on the number of staffing hours in your store? IF YES: And did you increase or decrease the number of staffing hours? (s);
Q30. Has the changeover to plain packaging impacted on the workload of your staff members? IF YES: And overall has the workload become heavier or lighter for your staff ? (s)
Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Level of Concern over Safety Issues

- Around a third of retailers surveyed indicated being concerned over the possibility of theft incidents (33%) and staff safety (36%).

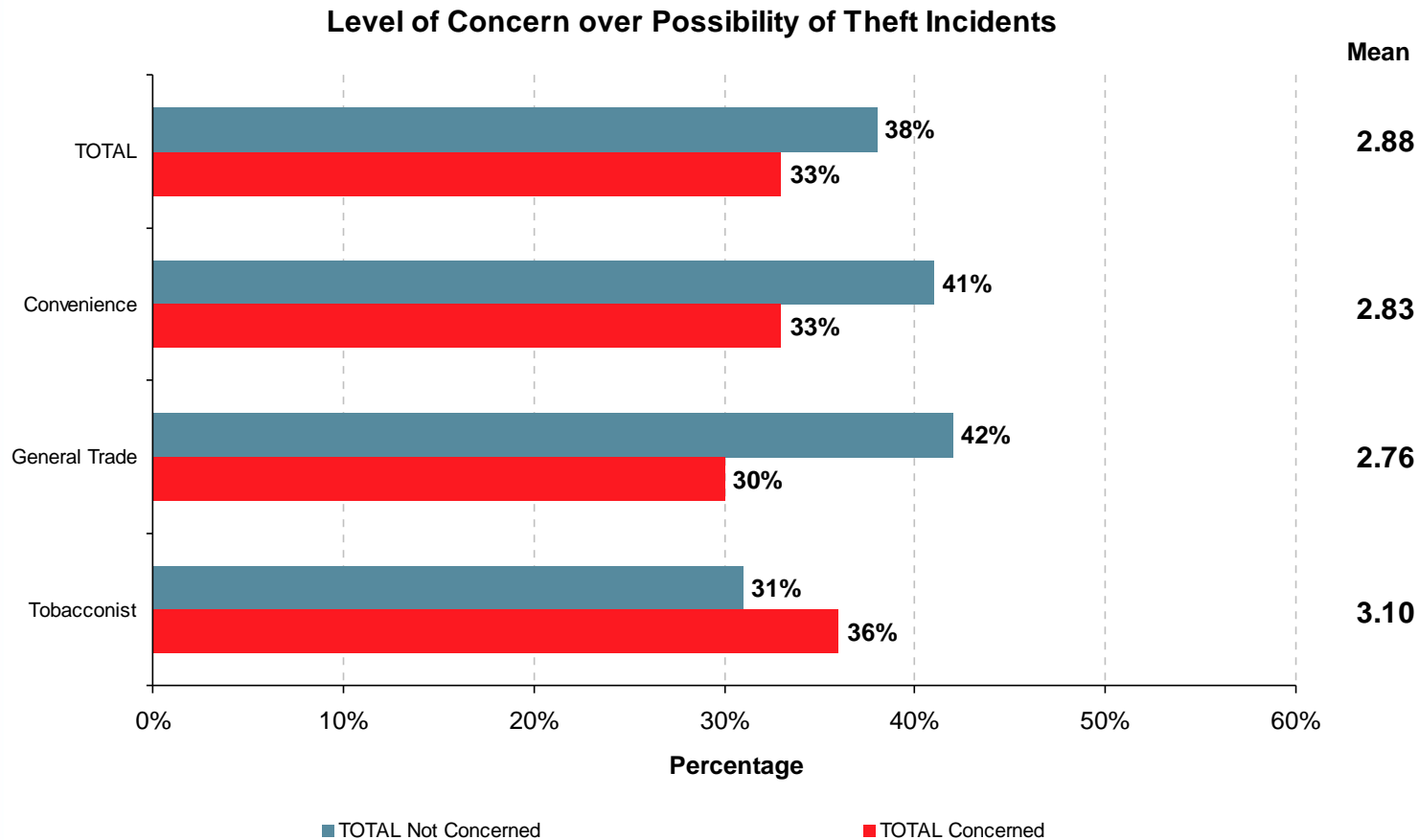


Overall, on a scale of 1 to 5 where 1 is not at all concerned and 5 is very concerned, how CONCERNED are you about the following? **Q31.** The possibility of theft incidents due to staff facing the store front less while dealing with or accepting delivery of plain packaging stock? (s); **Q32.** The safety of staff members or possibility of becoming increased crime targets due to less time facing the store front while dealing with or accepting delivery of plain packaging stock? (s)

Base: All respondents (n=450).

Level of Concern over Possibility of Theft Incidents

- Tobacconists tended to be slightly more concerned than other small retailers over the possibility of theft incidents due to staff facing the store front less while dealing with or accepting delivery of plain packaging stock.

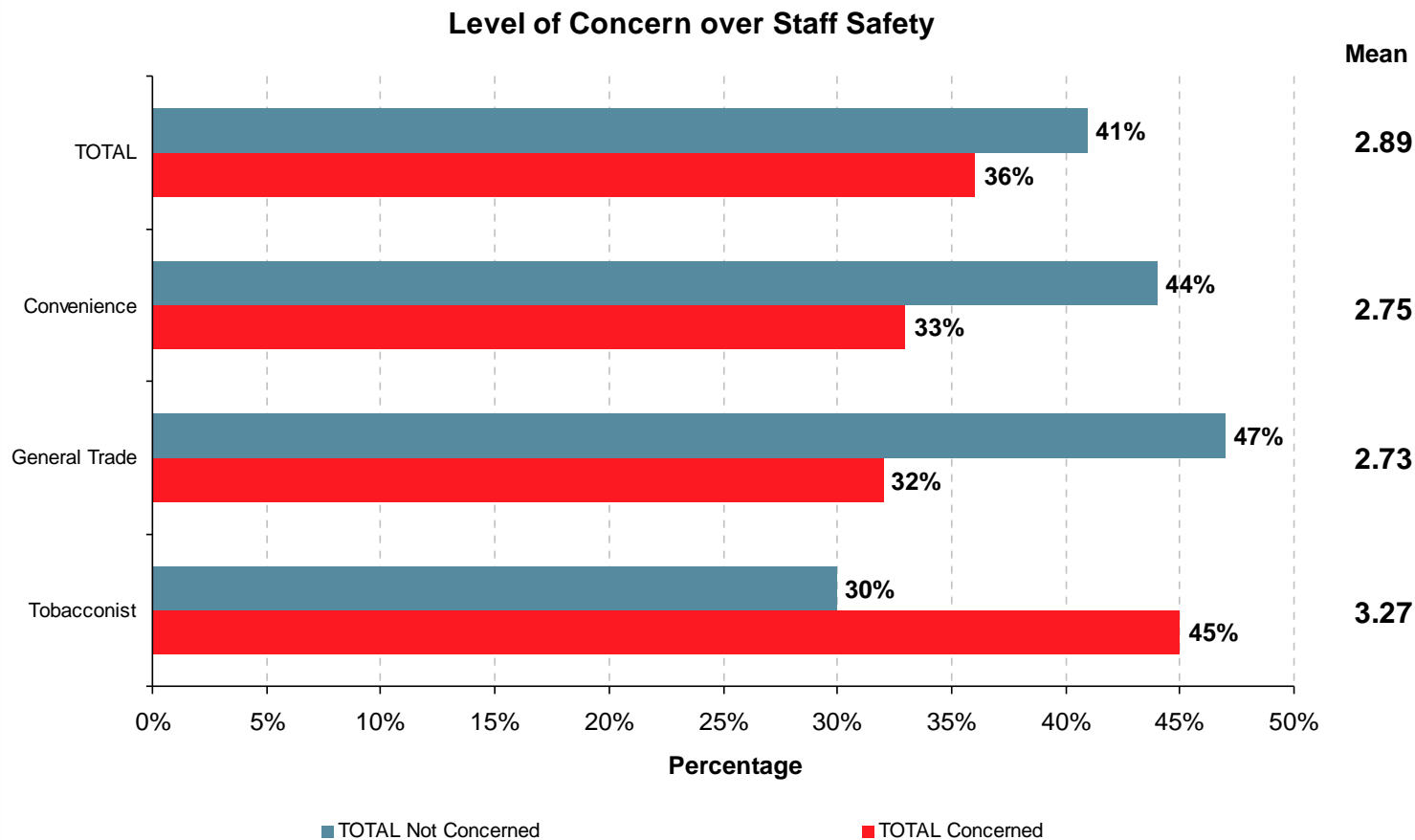


Q31. The possibility of theft incidents due to staff facing the store front less while dealing with or accepting delivery of plain packaging stock? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Level of Concern over Staff Safety

- Higher proportions of tobacconists indicated being concerned over the safety of staff members or possibility of becoming increased crime targets due to less time facing the store front while dealing with or accepting delivery of plain packaging stock (45% concerned).



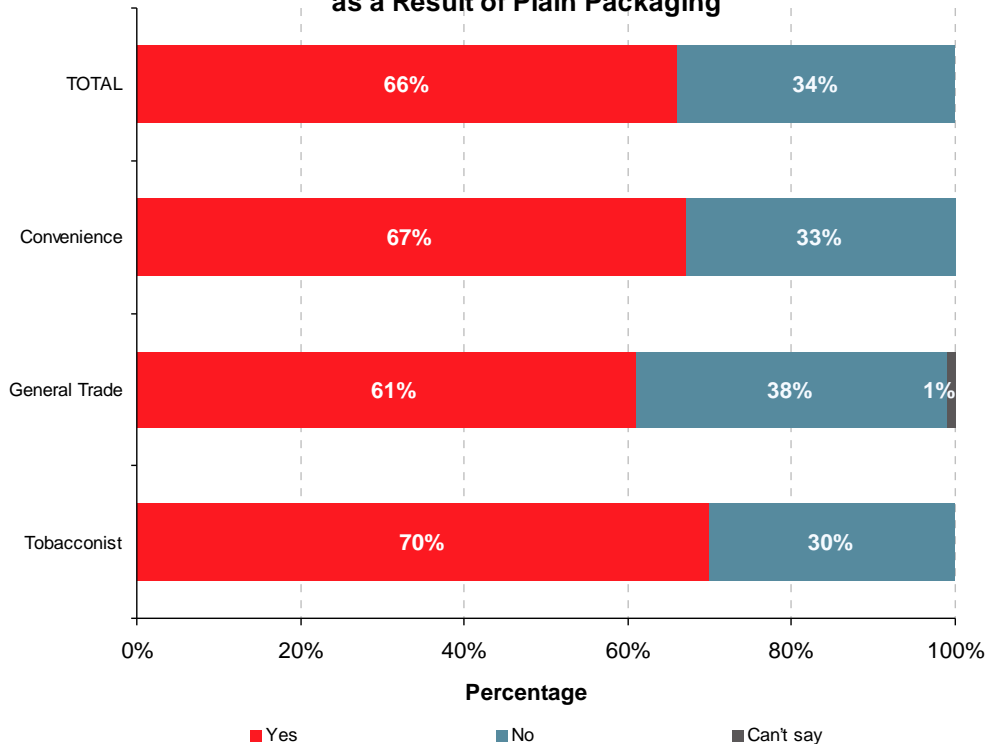
Q32. The safety of staff members or possibility of becoming increased crime targets due to less time facing the store front while dealing with or accepting delivery of plain packaging stock? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

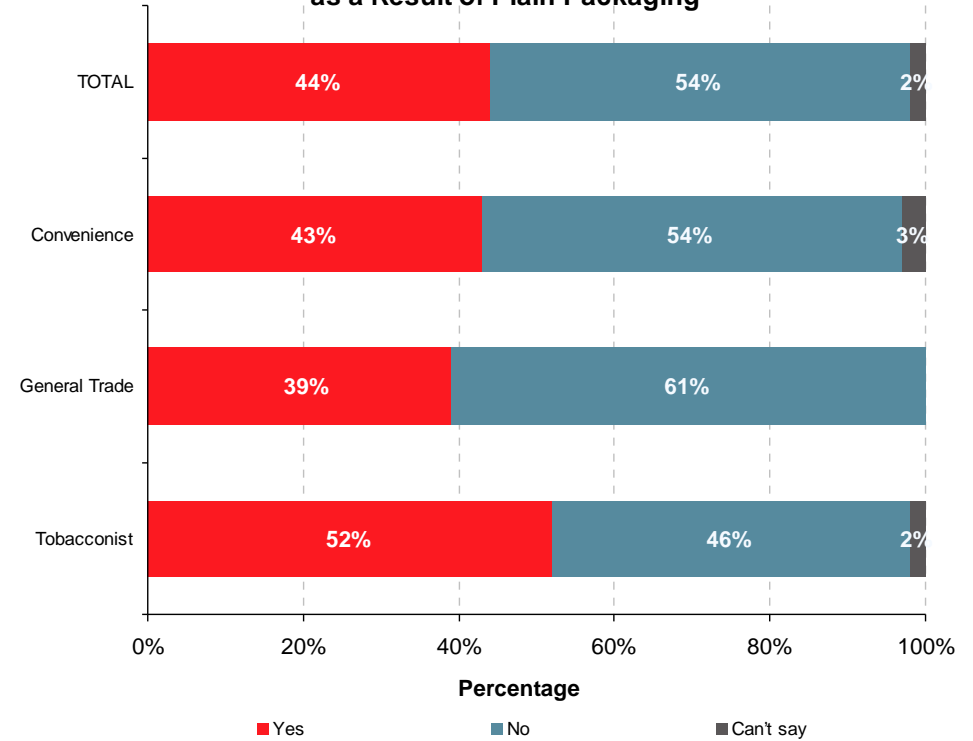
Time and Cost of Staff Training as Result of Plain Packaging

- Around two-thirds of retailers interviewed reported spending additional time training part-time, casual or transient staff as a result of the changeover to plain packaging (66%).
 - *This was broadly similar across channels.*
- Two in five retailers indicated that there had been additional cost from training staff as a result of the changeover (44%).
 - *Tobacconists were more likely to have incurred additional training costs (52%).*

Whether Spent Additional Time Training Part Time/Casual/Transient Staff as a Result of Plain Packaging



Whether Any Additional Cost From Training Staff as a Result of Plain Packaging



Q33. Have you spent additional TIME in training part time, casual or transient staff as a result of the changeover to plain packaging? (s); **Q34.** And has there been any additional COST to the business from training staff as a result of plain packaging changes? (s)

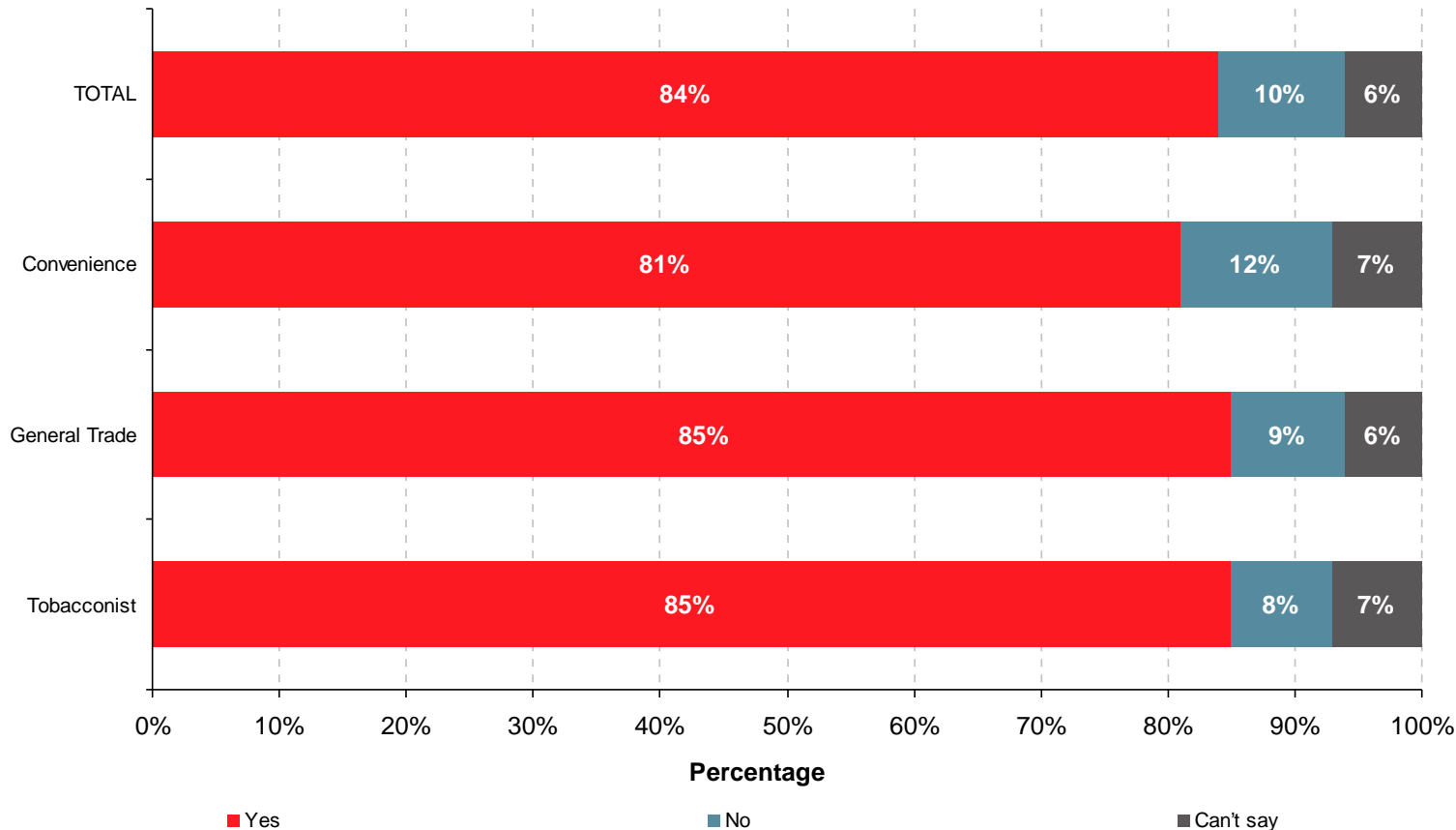
Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Government Perceptions

Whether Expect to See More Government Involvement in Tobacco Regulation in the Future

- The large majority of retailers surveyed reported that they expect to see more government involvement in tobacco regulation in the future (84%), with this proportion similar across the three retail channels.

Whether Expect to See More Government Involvement in Tobacco Regulation



Q37. Do you expect to see more government involvement in tobacco regulation in the future? (s)

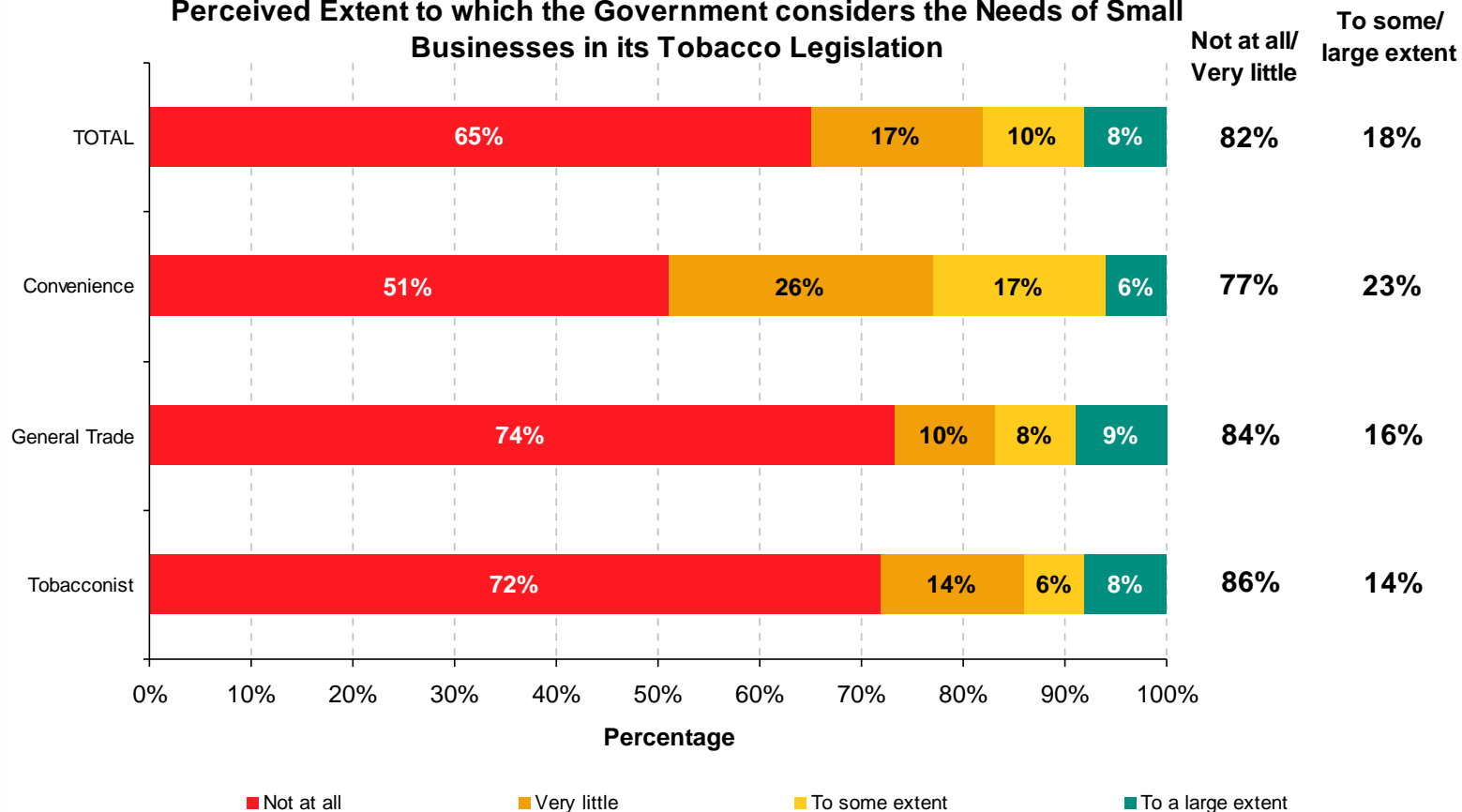
Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

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Perceived Extent to which the Government considers Small Businesses' Needs in Tobacco Legislation

- The majority of retailers surveyed did not perceive that the government considers the needs of small businesses in its tobacco legislation at all (65%), with a further 17% reporting 'very little'.
 - Higher proportions of general trade and tobacconists rated the government as not considering small businesses' needs at all (74% and 72% respectively) compared with convenience stores (51%).

Perceived Extent to which the Government considers the Needs of Small Businesses in its Tobacco Legislation



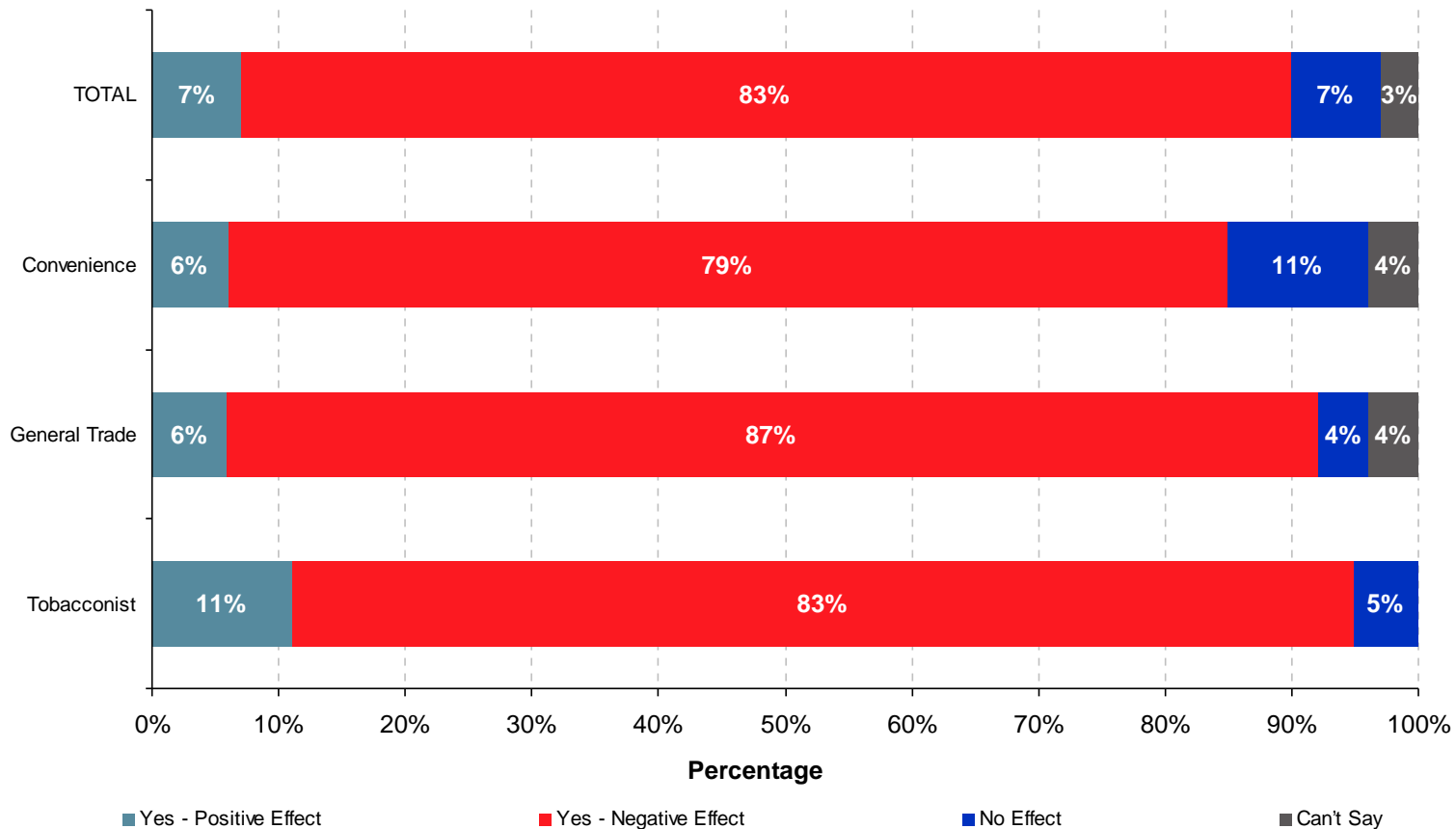
Q38. To what extent do you believe the government considers the needs of small business in its tobacco legislation? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Government's Effect on Ability of Small Retailers to Compete with Larger Chains

- The large majority of surveyed retailers reported that the government has negatively affected the ability of small retailers to compete with the larger chains (83%).
- Less than one in ten considered the government to have positively affected the competitive landscape for small businesses (7%) or had no effect (7%).

Government's Impact on Ability of Small Retailers to Compete with Larger Chains



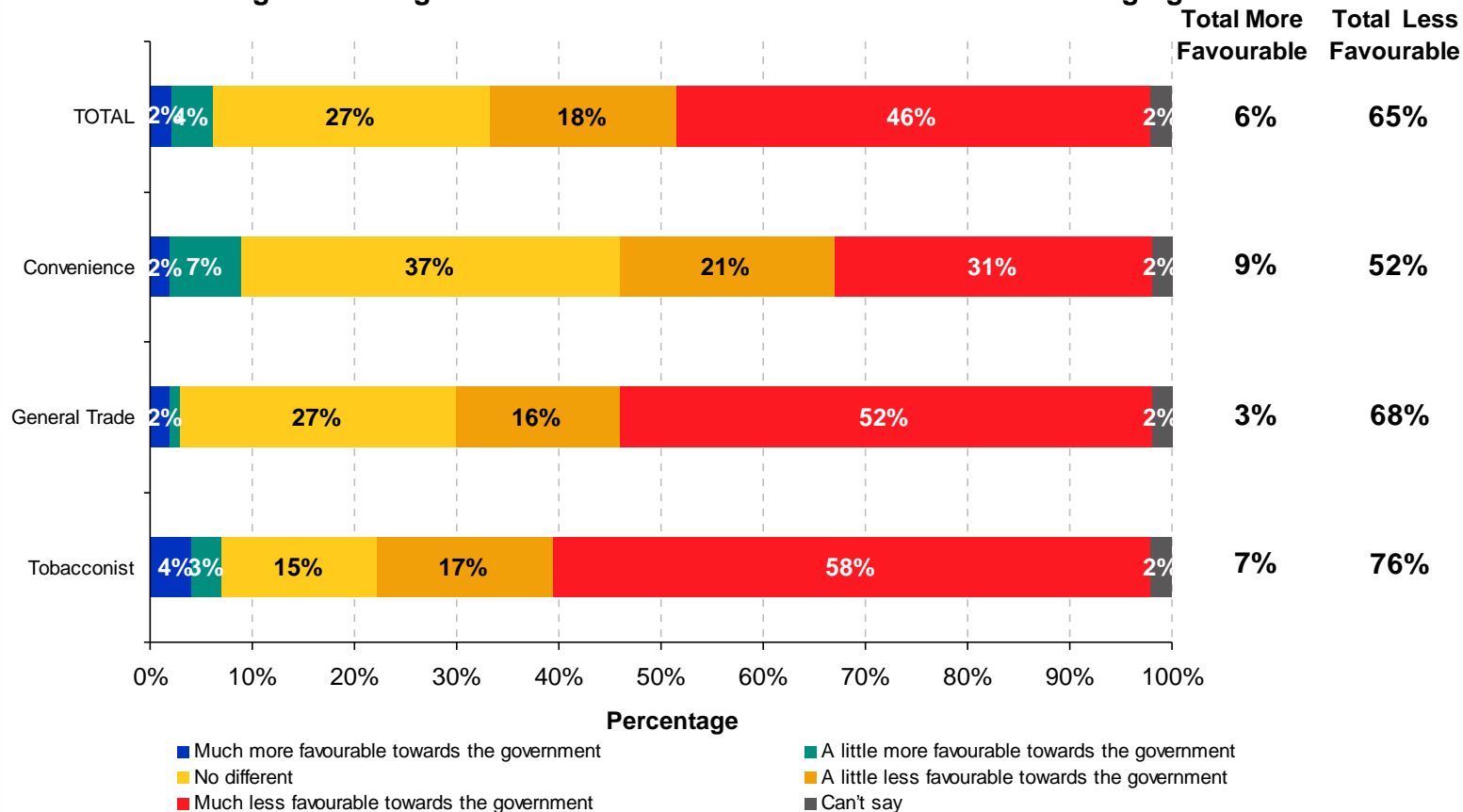
QN6. Has the government positively or negatively affected the ability of small retailers to compete with larger chains? IF YES: And would that be a POSITIVE or a NEGATIVE effect? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Change in Feelings towards Government as a Result of Plain Packaging

- Two-thirds of the total sample reported that they now feel less favourable towards the government as a result of the plain packaging legislation (65%). This includes almost half who reported feeling much less favourable (46%).
 - Change in feelings towards the government varied by retail channel, from 52% of convenience to 68% of general trade and three-quarters of tobacconists (76%) now feeling less favourable towards the government.
 - Across all three channels, less than one in ten retailers reported feeling more favourable.

Change in Feelings towards Government as a Result of Plain Packaging



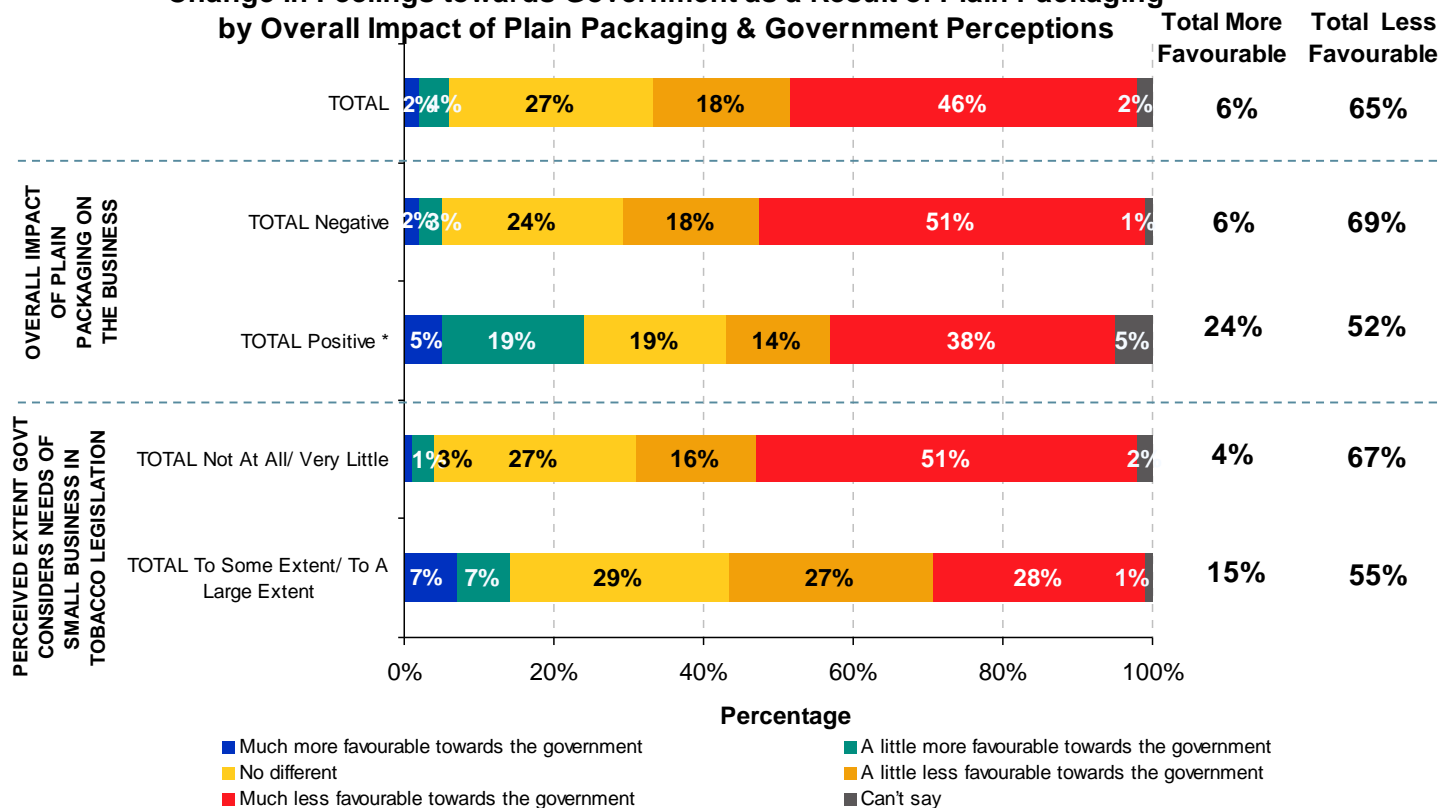
Q39. Have your feelings towards the government changed as a result of plain packaging? Would you say you now feel...? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Change in Feelings towards Government as a Result of Plain Packaging

- The impact of the plain packaging legislation on retailers' feelings towards the government varied depending on the perceived extent to which the government considers the needs of small businesses. Two-thirds of those who perceived the government to consider small businesses' needs not at all or very little indicated that they now feel less favourable towards the government (67%), compared with just over half of those who rated the government as considering the needs of small businesses to some or a large extent (55%).

**Change in Feelings towards Government as a Result of Plain Packaging
by Overall Impact of Plain Packaging & Government Perceptions**



Q39. Have your feelings towards the government changed as a result of plain packaging? Would you say you now feel...? (s)

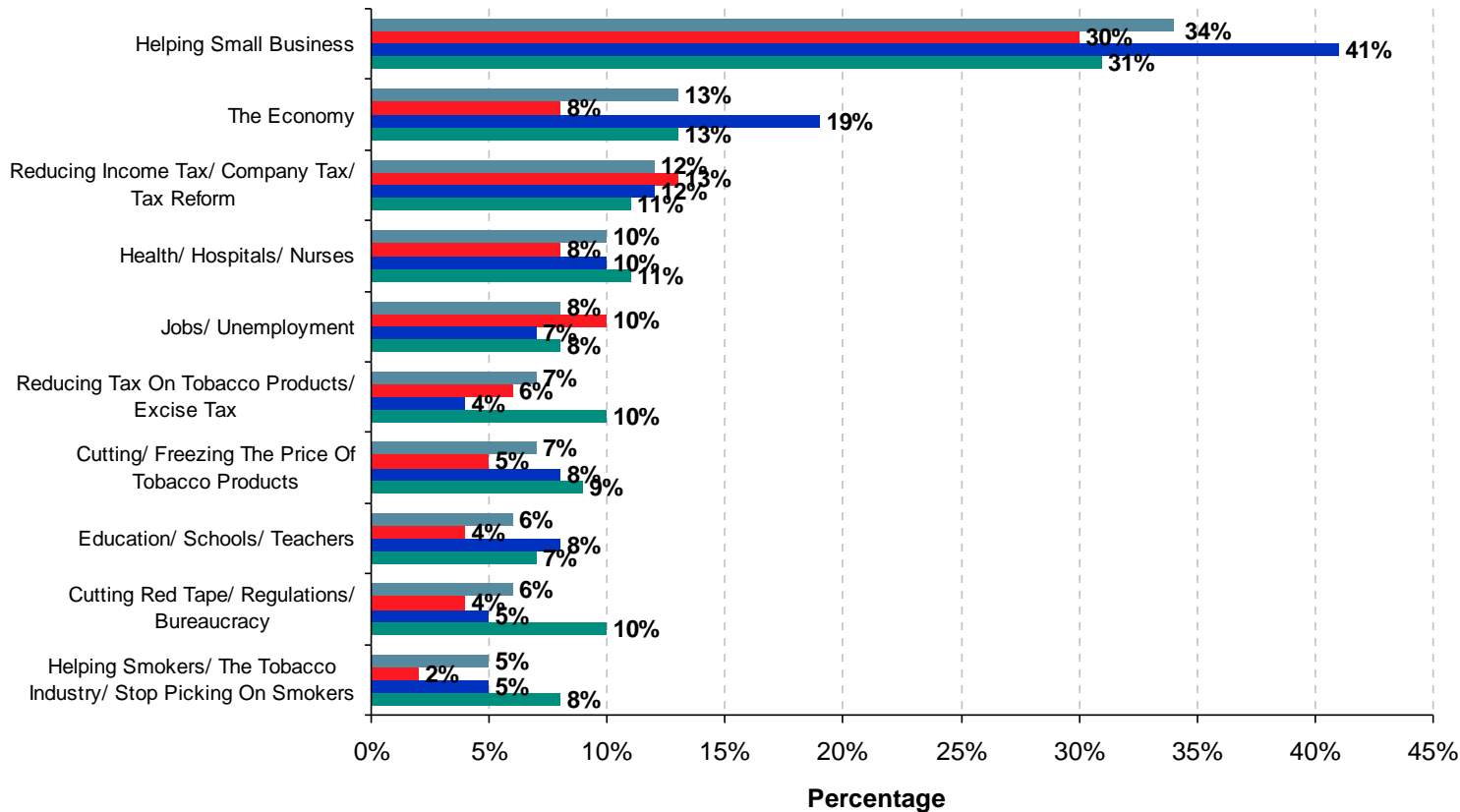
Base: All respondents (n=450); total negatively affected by plain packaging (n=309); total positively affected by plain packaging (n=21)*; total perceive government considers needs of small businesses not at all/very little (n=368); total perceive government considers needs of small businesses to some/large extent (n=82).

* Caution small sample size.

Most Important Issues Next Government should focus on

- When asked to identify the most important issues from a business perspective that the next Government should focus on, helping small business (34%) was foremost amongst the wide range of issues cited by retailers.
- Tobacco-specific issues identified included reducing the excise tax (7%), cutting or freezing the price of tobacco products (7%), and helping smokers/the tobacco industry/ stop picking on smokers (5%).

Top 10 Issues Next Government Should Focus on



■ TOTAL ■ Convenience ■ General Trade ■ Tobacconist

QN3. Regardless of who you intend to vote for, from a business person's perspective, what are the most important issues you believe the next Government should be focused on? (m)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Most Important Issues Next Government should focus on – Example Verbatim Responses

“Looking after small business regarding red tape, industrial relations compliance, workplace health and safety compliance, plain packaging compliance, gambling compliance, superannuation guarantee.”

“They shouldn’t keep increasing prices on cigarettes because they are too high. The huge difference between prices, the government is pocketing more money in their budget through the excise tax instead of helping people.”

“Helping small business, more jobs, keeping cost of living prices down. And not hitting the cigarettes when they need a tax grab.”

“Look after the small businesses better - the taxes putting on us, GST, the prices of wages and everything gone up. All the little things add up to be big things.”

“They should do more for the people than trying to rob those smokers, making cigarettes more expensive. Focus on the economy and stop spending, throwing money around.”

Regardless of who you intend to vote for, from a business person’s perspective, what are the most important issues you believe the next Government should be focused on?

“Improve the employment for us because unemployment is increasing. To look out for small business as much as possible by cutting the taxes and enabling people to find work.”

“Getting the economy back on track so that it encourages people to actually spend. At the moment there’s so much uncertainty that people are holding on to their money and not spending it in shops.”

“Well I think they should be focusing on us little businesses as we do sell a legal product, we’ve been treated as if we have been selling an illegal product.”

“Obviously increasing competition in most sectors of the economy – reducing market power of over dominant companies such as Coles and Woolworths in the retail sector. Reducing business costs, such as administration, taxes, energy costs, gas, electricity and whatnot.”

“They should be focused on other things – health, education, and helping small business to grow.”

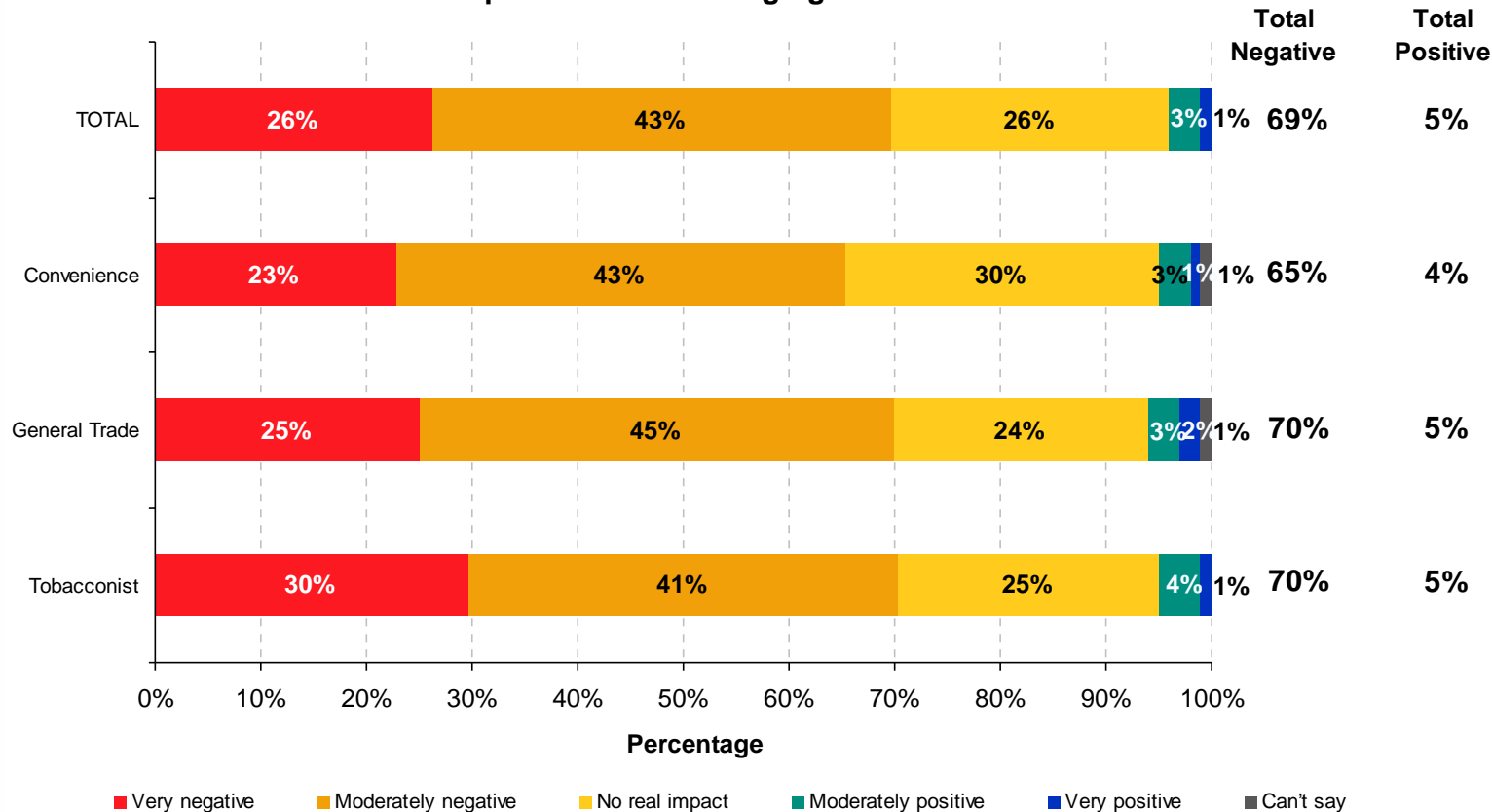
Human Reaction to Plain Packaging

Discover your edge

Overall Impact of Plain Packaging on the Business

- Overall, around two-thirds of small retailers rated plain packaging as having had a negative impact on their business (69%) .
- Proportions were relatively similar across the three channels, and very few (5%) considered plain packaging to have had a positive impact on the business.

Overall Impact of Plain Packaging on the Business



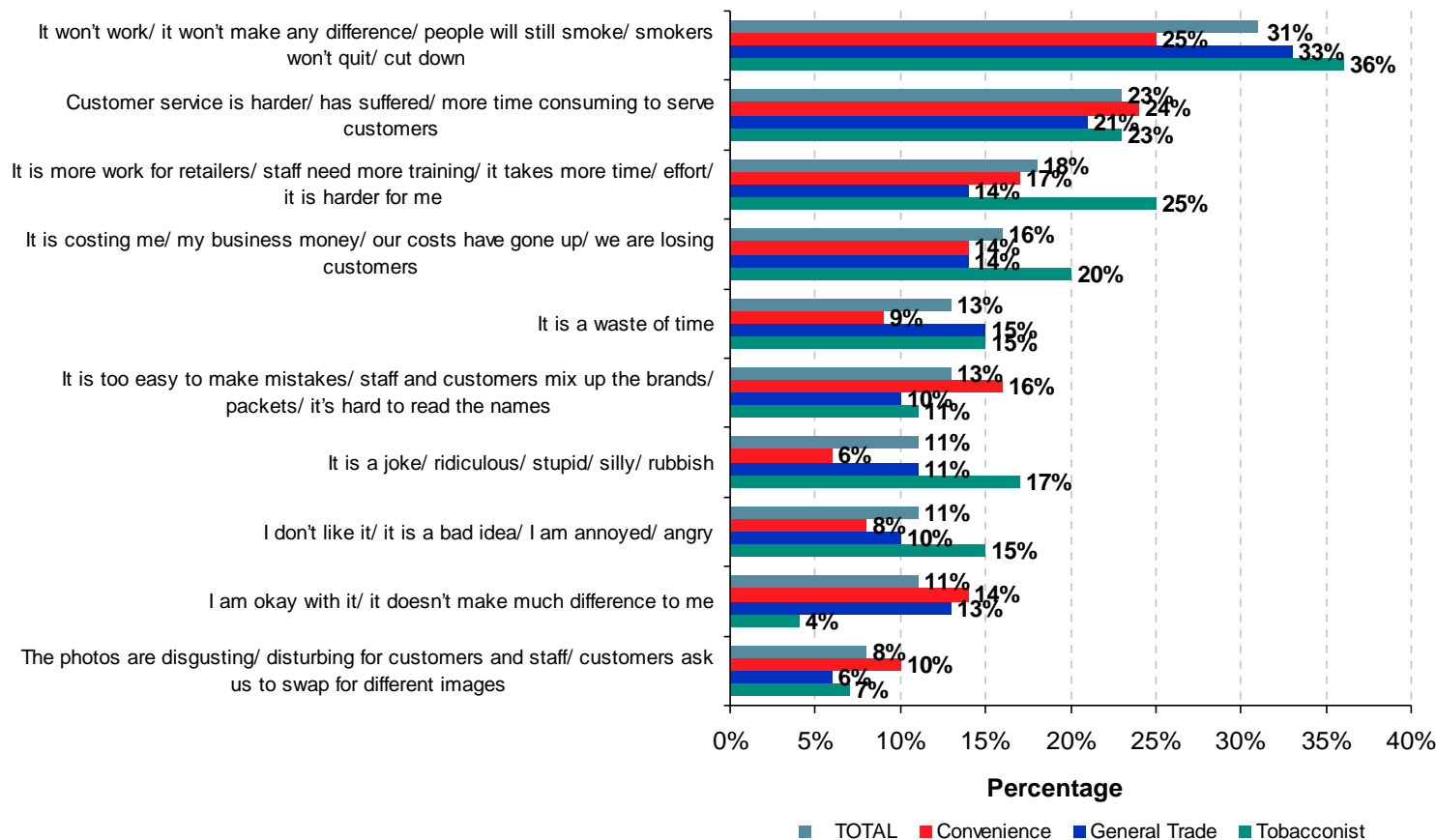
Q35. Overall, taking into account everything we have discussed so far, what sort of impact has plain packaging had on your business? Would you say it has been...? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

How Retailers Feel About Plain Packaging Legislation

- When asked to describe in their own words how they feel about the plain packaging legislation, the main themes that emerged from small retailers related to the notion that it won't work or make any difference to smoking habits (31%) and the increased time/difficulty in customer service (23%).

How Retailers Feel About Plain Packaging Legislation (Top 10 Themes)



Discover your edge

Q36. Taking into account the impacts on your business, in your own words could you tell me how you feel about the plain packaging legislation on your business? (m)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

How Retailers Feel About Plain Packaging Legislation – Example Verbatim Responses

“It’s really hard to do all the orders, i.e., to receive and sell. When you have a box of cigarettes which are all the same, it takes more time. When the plain packaging was introduced, we thought we’d serve less, but we serve more now.”

“I just think it’s ridiculous, supposed to be a free country, freedom of choice. It’s legal, the government gone too far. It costs more for training staff and a bit slower to serve customer.”

“It’s very annoying. It wastes our time because it wastes the retailer’s time and it makes no difference on smokers because whoever wants to smoke will still do it. The customers will ask for a product with a less disgusting picture and that’s definitely taking more time for us. About one in three customers will ask to change the picture of the packet to a less disgusting photo. But the product sales figures haven’t changed, which means it hasn’t had an impact on smoking habits.”

Taking into account the impacts on your business, in your own words could you tell me how you feel about the plain packaging legislation on your business?

“I don’t feel that it’s achieved what the Federal Government set out for it to achieve. All it’s done is made it harder for us to sell a legal product. And it’s especially harder for the elderly to recognise what they got, and it’s more time consuming for us to deal with the product.”

“I don’t think it’s right because our sales haven’t gone down, the only thing that has increased is my wages because if I put someone else on new, we have to give them more training, and my staff get more abuse from customers if they’re in a rush and can’t find the cigarettes.”

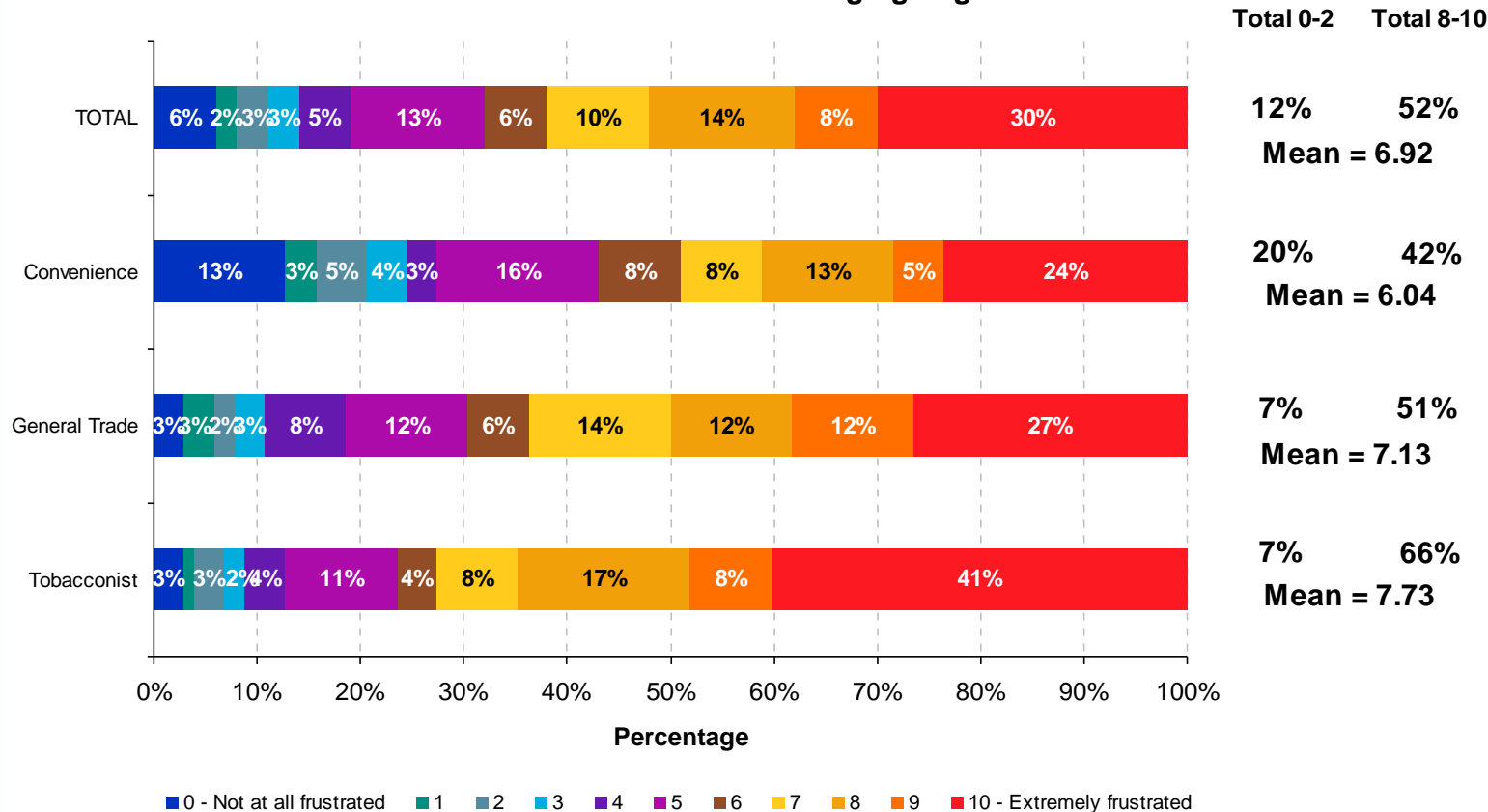
“Frustrated and confused. I don’t see the benefit of it, which makes me frustrated because it’s affecting my sales and ordering system and there is no benefit to anybody.”

“It’s a negative effect on the business as such. What they’re trying to do is reduce customer smoking, which has had no effect. They haven’t achieved what they’re aiming to achieve. Considering the costs involved and the costs we’re incurring now, there has been no positive results, nor have they achieved what they’re looking for.”

Level of Frustration with Plain Packaging Legislation

- The majority of retailers interviewed rated their level of frustration with the plain packaging legislation relatively highly, with around half (52%) in the top three categories (8-10 on a scale of 0-10) and an average frustration rating of 6.92 out of 10.
 - Convenience store retailers rated themselves less frustrated (42% 8-10 ratings; mean = 6.04) than general trade (51% 8-10; mean = 7.13) and particularly tobacconists (66% 8-10; mean = 7.73).
 - Two-fifths of tobacconists gave a rating of 10 (the scale endpoint, “extremely frustrated”) (41%).

Level of Frustration with Plain Packaging Legislation



Q40. On a scale of 0 to 10 where 0 is not at all frustrated and 10 is extremely frustrated, how FRUSTRATED are you by the plain packaging legislation? (s)

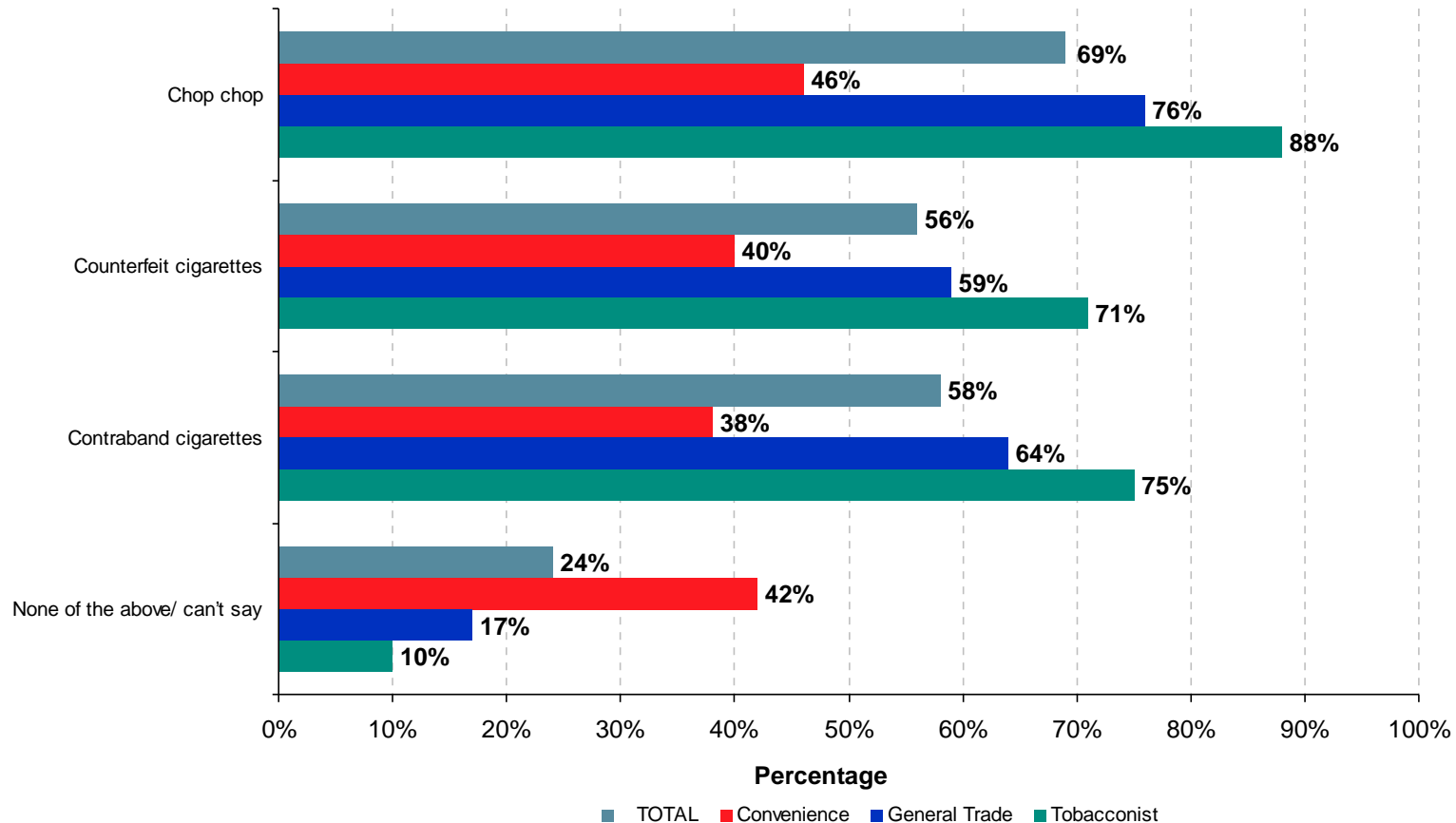
Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Illicit Trade

Awareness of Illicit Trade in Australia

- The majority of small retailers surveyed indicated that they had seen, read or heard about at least one of the illicit tobacco products, with chop chop being most common (69%).
- Not surprisingly, tobacconists had the highest rate of having seen, read or heard about the three types of illicit tobacco. They were followed by general trade for all three types, while less than half of convenience retailers had heard of each type.

Whether Seen, Read or Heard about Illicit Tobacco Products in Australia



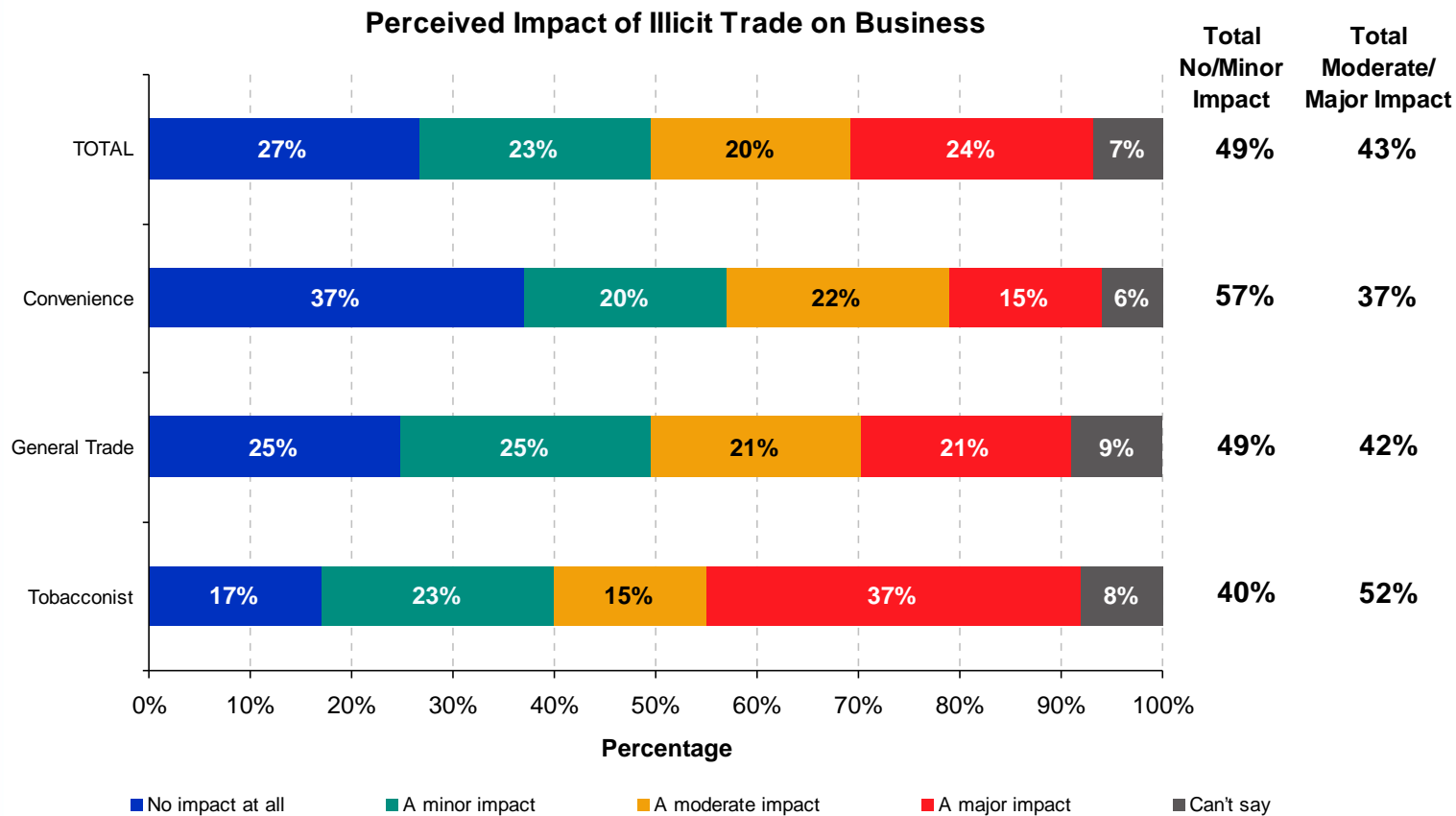
Q41. Have you seen, read or heard about any of the following types of illicit tobacco products here in Australia? (m)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

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Perceived Impact of Illicit Trade on Business

- Just over four in ten retailers surveyed indicated that they perceived illicit trade to have a moderate impact or a major impact on their business (43%).
- Perceived impact varied by channel, being lowest for convenience and highest for tobacconists.



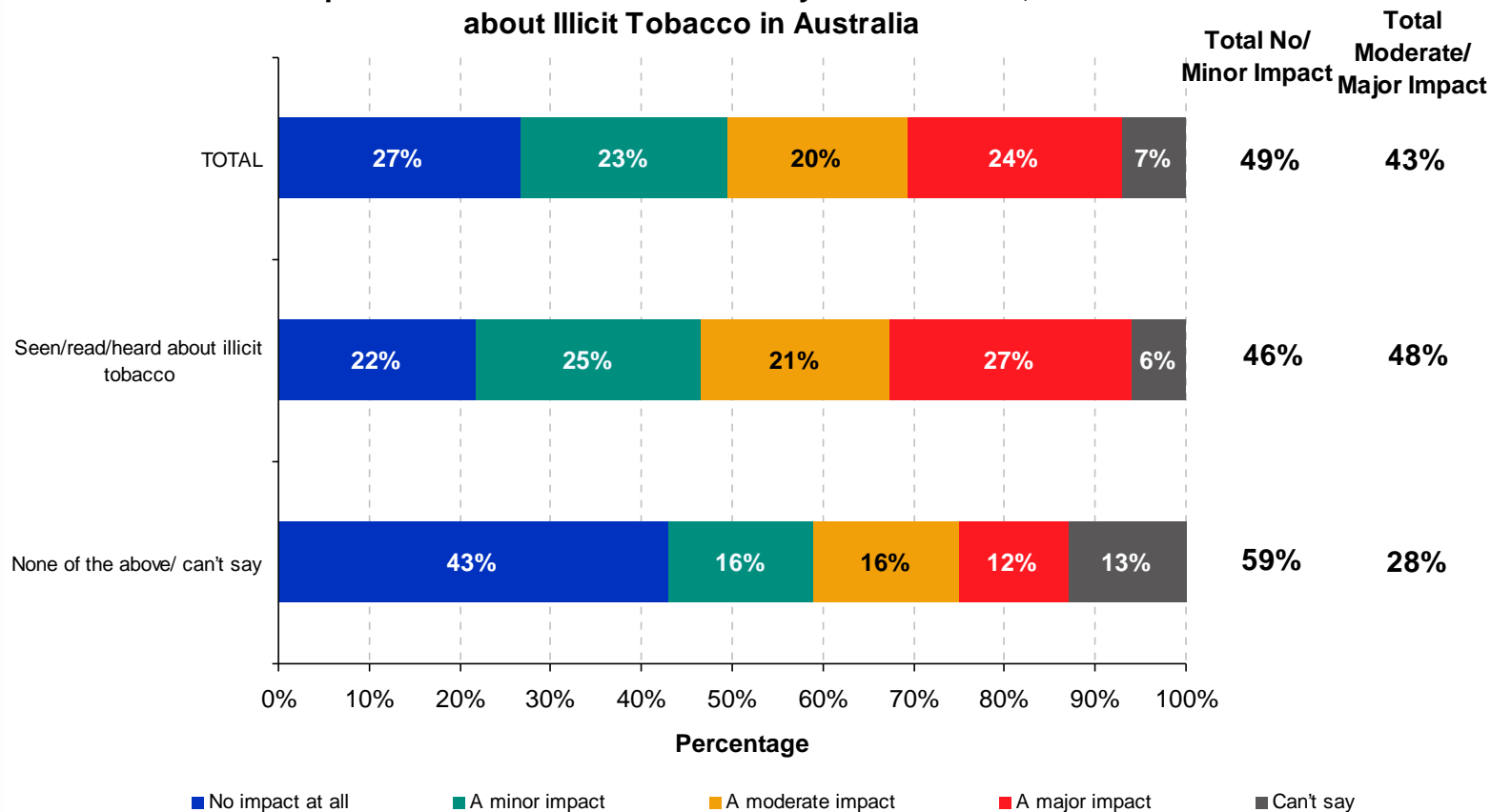
Q42. And, regardless of whether you have seen, read or heard anything recently, in your opinion, how much of an impact do you believe illicit trade has on your business? Would that be...? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Perceived Impact of Illicit Trade on Business

- Not surprisingly, those who had seen, read or heard about one or more illicit tobacco products in Australia were more likely to perceive illicit trade as having a moderate or major impact (48%) compared with those who had not (28%).

Perceived Impact of Illicit Trade on Business by Whether Seen, Read or Heard about Illicit Tobacco in Australia



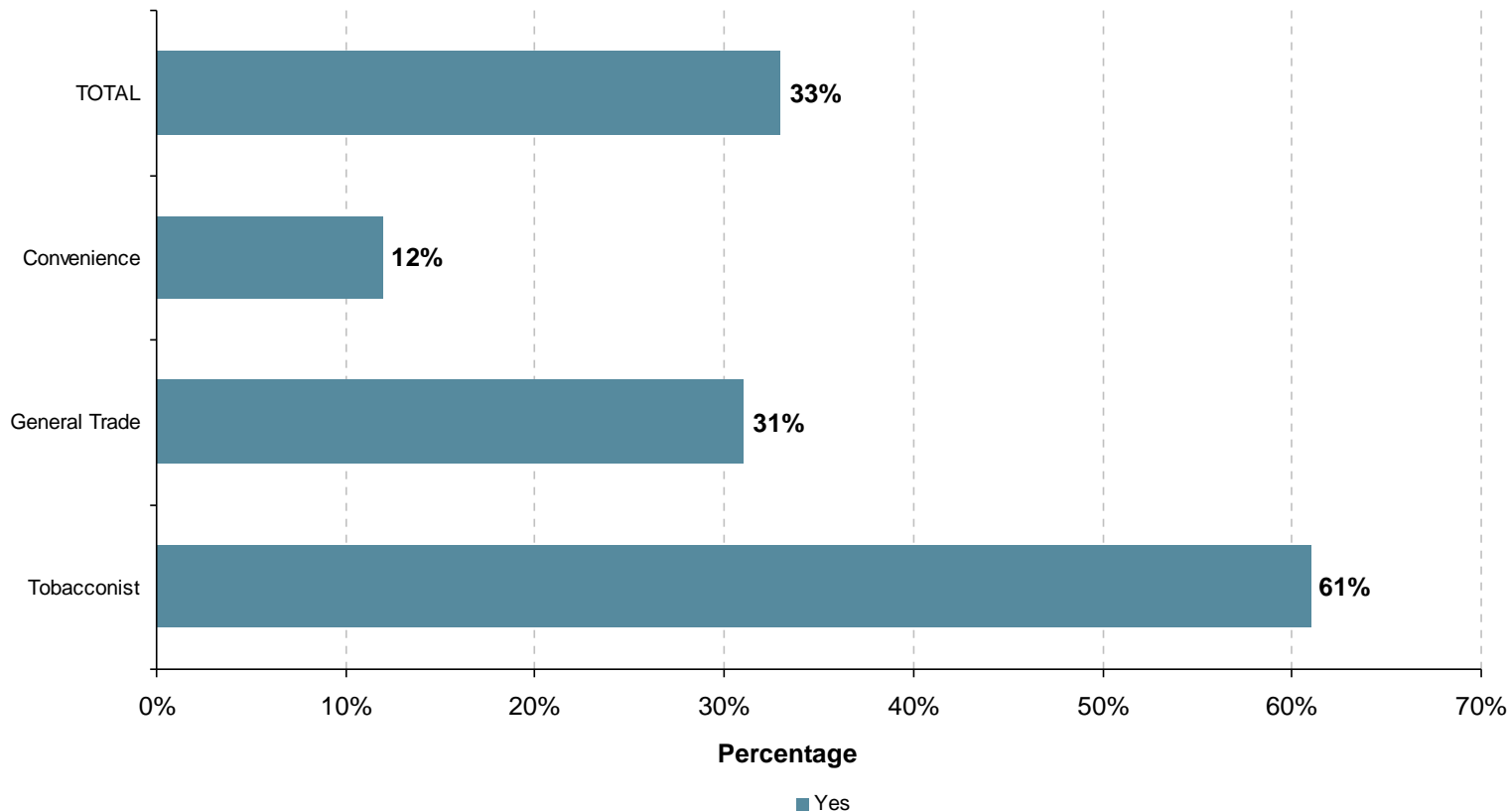
Q42. And, regardless of whether you have seen, read or heard anything recently, in your opinion, how much of an impact do you believe illicit trade has on your business? Would that be...? (s)

Base: All respondents (n=450); total seen, read or heard about one or more illicit tobacco products in Australia (n=343); not seen, read or heard about illicit tobacco products (n=107).

Whether Customers have enquired about Purchasing Illicit Tobacco since Plain Packaging

- Overall, a third of retailers surveyed reported that customers had enquired about purchasing illicit tobacco (contraband, counterfeit, or chop chop) since the introduction of plain packaging (33%).
- This varied widely by channel, from 12% of convenience to 61% of tobacconists.

Customer Enquiries about Purchasing Illicit Tobacco since Plain Packaging



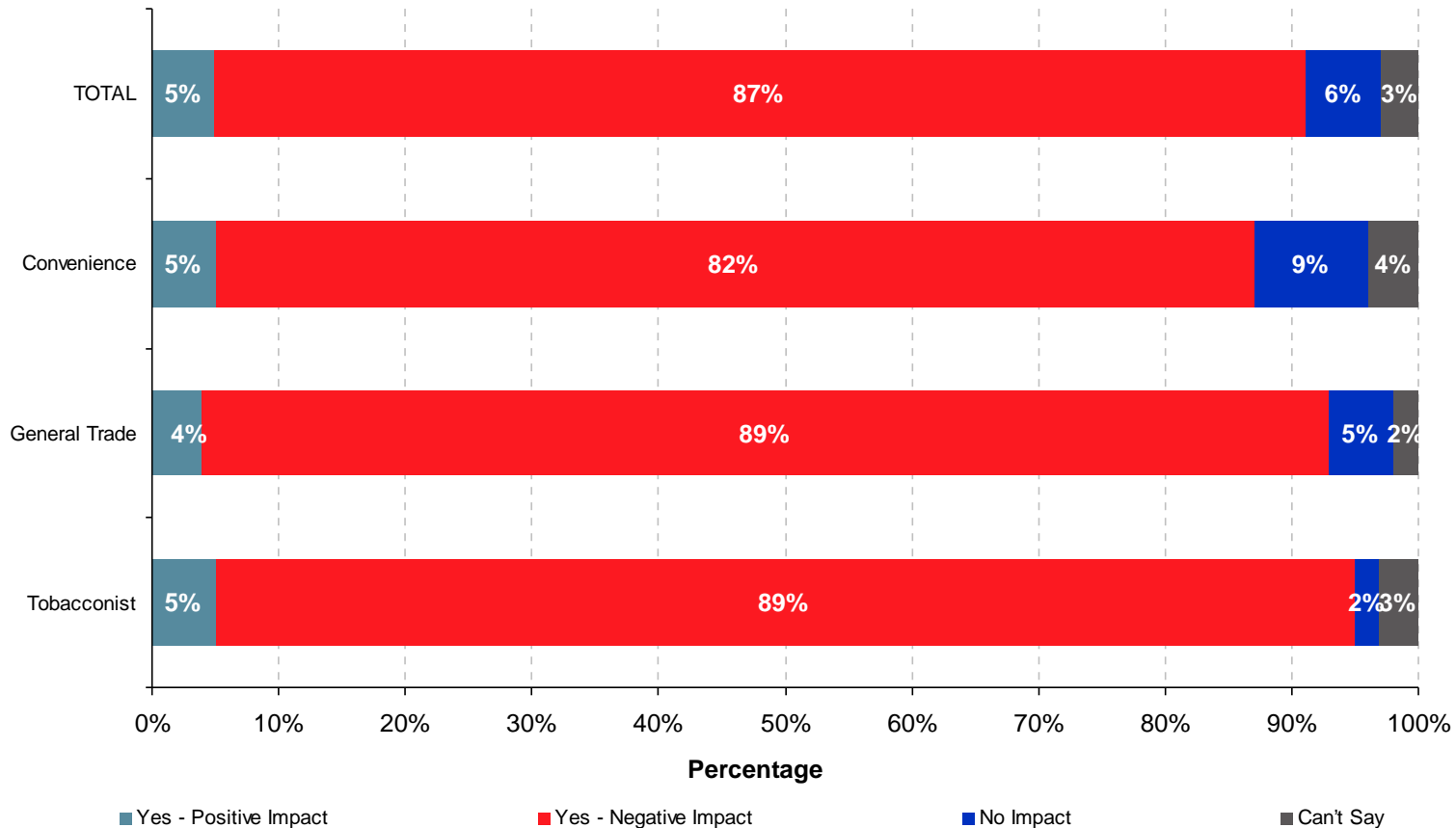
QN7. And, since plain packaging was implemented, have you had any customers enquire about purchasing contraband, counterfeit, or unbranded loose leaf tobacco – also referred to as “chop chop”? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

Upcoming 12.5% Excise Tax Increase contributing to Impact of Illicit Trade on Business

- The vast majority of small retailers expect the upcoming 12.5% excise tax increase each year for the next four years will contribute to a negative impact of illicit trade on their business (87%). A small number anticipate a positive impact (5%), and 6% do not expect any impact.

Anticipated Contribution of Excise Tax to Illicit Trade's Impact on Business



QN4. Do you believe that this 12.5% excise tax increase on tobacco every year for four years will contribute to illicit trade impacting your business? IF YES: And would that be a POSITIVE or a NEGATIVE impact? (s)

Base: All respondents (n=450); convenience (n=159); general trade (n=159); tobacconist (n=132).

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