

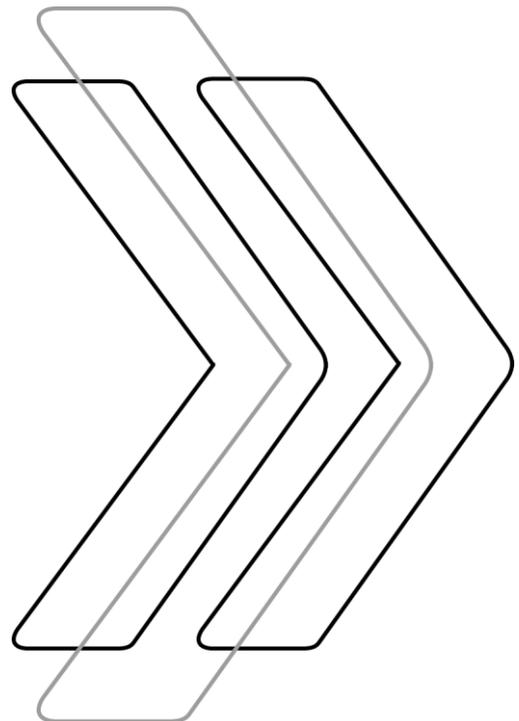
# **Understanding the impact of display ban regulations on small businesses: qualitative research**

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This independent report was commissioned by the Department of Health. The views in the report are those of the author and all conclusions are the author's own.

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## Introduction

Between 2010 and 2015 the Coalition government introduced legislation banning display of tobacco products in small shops and specialist tobacconists, display of tobacco prices and a ban on sale of nicotine inhaling products (such as vapes or e-cigarettes) to anyone aged under 18 years.

The Tobacco Advertising and Promotion (Display) (England) Regulations 2010

<http://www.legislation.gov.uk/uksi/2010/445/made>

The Tobacco Advertising and Promotion (Specialist Tobacconists) (England) Regulations 2010

<http://www.legislation.gov.uk/uksi/2010/446/made>

The Nicotine Inhaling Products (Age of Sale and Proxy Purchasing) Regulations 2015

<http://www.legislation.gov.uk/uksi/2015/895/made>

When the government introduces legislation which affects businesses, the Department for Health and Social care is required to conduct a review to assess the impact. To support this review, The King's Fund was commissioned to carry out qualitative research to understand how the restrictions on displaying packaging and pricing of tobacco products have affected small businesses.

## Methods

We carried out 18 structured telephone interviews with owners, managers and those working at point of sale in independent newsagents, convenience stores and petrol stations, and one specialist tobacconist. 7 were from urban areas, 8 from suburban areas and 3 from coastal and rural areas across England and Wales. We were not able to select further based on other criteria such as deprivation. Interviewees were recruited by a specialist agency, Criteria Qualitative Fieldwork, using local recruiters who used a screening tool to ensure a mix of types of business and location. The interviews were carried out by staff from The King's Fund. With one exception all interviewees had been selling tobacco for more than ten years. The interview questions covered economic losses or gains to the business; demand for alternative products including e-cigarettes; competition between different types of tobacco retailers and the perceived impacts on sales of tobacco to young people.

Specifically we asked questions relating to:

- Practical impacts on serving customers, stock management and staff training
- One-off costs to make alterations
- Changes to sales of tobacco including competition, buying habits and attempted purchasing by under 18s
- Impacts on wholesalers
- Changes in sales of alternative products
- Availability of counterfeit or illicit tobacco

Despite the structured nature of the interviews, most interviewees made additional observations about the impact of regulations. We have detailed these in a separate section of our report. The interviews were audio recorded and then transcribed and we have used verbatim quotes throughout this report.

We analysed transcripts using a framework drawn from the structured questions in the topic guide. We carried out a rapid thematic analysis for each of the questions and used quotes to illustrate the themes. We planned to analyse by location but noticed that interviewees gave different accounts of the deprivation in their area than the initial screening tool would suggest. As we had not sampled specifically for deprivation, and because our numbers were small, we were unable to perform a sub group analysis. We did not find differences between interviewees England and Wales nor between northern and southern England. However, the very specific context of the business did appear to affect responses (for example, where a business was next door to a pub) and we have noted that where it occurred.

## Findings

### Impact on the running of the business

#### *Practical changes*

Interviewees mainly used cabinets in their premises, though five had changed to using under-the-counter drawers:

*We initially had the cabinet at the back which was just an open cabinet with the prices, the brands and advertising on there and then we had the shuttered cabinets. Then most*

*recently we've changed it to drawers in the actual counter which you can't see.*

*We've got a gantry provided by Imperial Tobacco, so it's got sliding shutter doors. The gantry itself is all laid out according to how Imperial want us to have it laid out. And we keep any excess stock in the safe in the back.*

The stock was usually accessed frequently through the day, though the busiest time of day depended on location for example businesses next door to a pub had more sales in the evening, and businesses on a commuter route had more sales in the morning.

*30 times we actually sell cigarettes out of the 200 transactions.*

*I'd probably use it every 15 minutes, 20 minutes.*

*Throughout the day, all day every day.*

*So many times, nearly about, say about 70 times a day.*

### ***Impact on serving customers***

Interviewees generally felt it was slightly more difficult to serve customers, particularly for new staff, but overall the introduction of plain packaging was highlighted as more consequential than the display ban regulations.:

*It takes a little bit longer time to serve the customer because all cigarette packet looks similar, so you have to read the name.*

*For the kind of part-timers or casual staff, it becomes more difficult for them because they don't always know where things are on the shelves, and obviously everything looks identical. So sometimes it actually requires assistance from the customer to point out where it is on the stand.*

An exception was an independent petrol station, who felt the impact on time more acutely:

*I would say the doors have maybe an effect on the time it takes to serve the customers and time is of the essence on the*

*forecourt filling station, we do get queues constantly. So it does make a difference with the doors when they're asking us for a specialist brand, we need to open the door and look for this brand, it does take time.*

Almost all interviewees reported that customers asked about price more often, but mainly because of increases in price rather than the display ban alone:

*Always because people are always like, oh my God, they're so expensive, they've gone up again, especially when the prices go up. People are quite shocked that, oh, the cigarette prices have gone up again. They're ranging between eight and ten, some of them were £11 a packet and customers do find that hard to deal with.*

*Before they used to be priced and people could see what they're buying and obviously now they can't see what they're buying and some may not have bought cigarettes for a while and they're like a bit shocked when you tell them the new price.*

*Probably more because they can't see the prices.*

One interviewee in a more affluent area reported less price sensitivity:

*Not really. I think because we're in quite an affluent area, a lot of my customers still stick with the premium brands, so they're not too bothered about price. I think we've probably bucked the trend that a lot of places have, but we've got a lot of premium smokers.*

### ***Impact on stock management***

Interviewees reported some impact on the way they managed, audited and replaced stock, though some relied on computerised stock control:

*It probably takes a bit longer now. We tend to rely on our till data to work out how much we need to replenish because it's quite difficult now when you can't absolutely visualise brands on the shelf and everything looks the same.*

*We tend to rely more on back office computer data than actually looking at the stand and trying to determine what we need.*

*It takes longer now because obviously before they were open and now you've got to...even in the drawers you've got to pull out each one and check what you've got and, yeah, it's a bit more time consuming actually.*

*That hasn't altered very much because it's basically computerised now.*

*No, you just got on with it, and at first it was difficult, I agree, but now it's just like anything else and you just get used to it, so you're unaware what happened last time and you've just moved on with the times.*

### ***Impact on staff training***

Interviewees acknowledged that they had to train staff to use the display cabinets or drawers:

*It's not made any difference to the training, we train as normal.*

but only one reported significant impact:

*That's been more time-consuming because they all look exactly the same now so you just have to train them up a bit more, just make sure they're aware of what sizes and which brands a customer requires.*

### ***One-off costs to make alterations***

The majority of interviewees reported no one-off costs because the display cabinets and shutters were provided by the tobacco companies:

*The tobacco companies put them in.*

*[Imperial] did any adaptations of the cabinets, so they did all that themselves.*

*The display case is provided by the tobacco company.*

Where the retailers had decided to use drawers instead of a cabinet, they had self-funded the changes but did not report significant expense:

*No, we got supplied with the cabinet with the shutters. We did make some changes to the drawers so that was a bit of a cost but not vastly different. We'd have had the drawers put in for a different use, I think, even if it wouldn't have been for the tobacco.*

## Changes to sales of tobacco

We asked interviewees if they had observed any changes in tobacco sales since the display regulations were implemented. Most interviewees reported a decrease in tobacco sales though generally felt that price and pack size restrictions were a more significant factor for customers than the display ban regulations.

*I reckon they have gone down, probably about 25 per cent maybe in the last five years.*

*About 40% decline in tobacco – I see the same people are smoking but they're buying somewhere else.*

*It has reduced a bit, but obviously it's because they're all the same packaging and everything, but it's not made a massive difference but it has been reduced from what it was before the changes took place.*

*Biggest difference was not the display ban but the government stopping us selling 10 packs and smaller packs of rolling tobacco. I sell half what I used to. We're in a very deprived area and people have no money.*

*It used to be tobacco was you could buy eight grams, ten grams and 12 grams, and now the minimum you buy is 30 grams, so obviously that's not everybody could afford, it's about £13/14 a pack, so I think it's reduced a bit here.*

Though for three interviewees sales and margins had increased:

*The tobacco companies sold price-marked cigarettes, which limited our margin...So we can now, as retailers, raise the retail [because it's] not marked on the pack, that was one of the worst things...*

*It's actually suited us more so probably than the customer, but we've been able to increase our profit margins on them because now we don't display price, so neither do the supermarkets display price, so there's not really a competitive edge on them...we charge what we want now.*

*Yes, that has slightly increased because there are no more tens and people are buying 20s. They were buying ten a day, now I feel like if they've got 20, they'll probably smoke 12, 13 a day so I feel like they're consuming more.*

### *Reduced competition between brands, more competition on price*

Some interviewees reported a perceived change in competition between brands, as price competition became more important than brand loyalty for customers:

*I have noticed a change in the way people ask for cigarettes It's like if you haven't got one brand, they're not bothered and they'll have something else,*

*the customers, a lot of them, they don't even want brands anymore, they just come in for the cheapest cigarettes you sell.*

This was not the case in more affluent areas or for the specialist tobacconist who felt their customers were not changing their purchasing habits.

Several interviewees reported an increase in rolling tobacco as a proportion of overall sales and suggested this was due to price:

*Tobacco sales has declined and people are changing habits- turning to rolling tobacco and cheap brands.*

*People are smoking less. People are buying much more rolling tobacco so they roll their own because of the price*

*We have seen a bit of sales go down on the tobacco side, but I think that's more to do with the pricing than the actual closed cabinet.*

*Maybe we've sold more tobacco rather than cigarettes, because obviously people are going on to*

*hand rolling tobacco rather than cigarettes, but that's the only thing that I've noticed changing.*

### *Changing buying habits*

Some interviewees reported less impulse buying but most reported little change:

*Yeah, we seem to have less casual sales perhaps nowadays.*

*The times I work, no, there's no impulse buying at all because it's a regular clientele, you know, what they have and they are not going to change that now.*

*I mean I think the majority of the time when people come in for cigarettes, and this is pretty much across the board, people come in specifically for that item. I mean why we stock cigarettes at all is because we were hoping that people would buy the item and then buy something else on top of it.*

*To be honest, sales-wise, we haven't seen much of a difference with regards after the doors were put on.*

Most reported no change in bulk buying but suggested this was mostly related to price rather than the display ban regulations:

*People used to [buy] their week's supply at once, but now it's all changed probably because of the price.*

*We've never had anyone really buying in bulk.*

### *Purchasing by under 18s*

Several interviewees we spoke to reported that they had good local knowledge of their regular customers or had gained a reputation for checking IDs. As a consequence, they reported limited attempts at purchasing by under 18s:

*I think because we're in a village location and we generally know all our customers and all their kids and everything,*

*we've never really had a problem with under age kids coming in really. And I can't really remember the last time we had it.*

*I don't have any problems with under 18s because they know I'm not going to serve them and I'm here and the majority of the time they don't.*

A few also suggested that price related to pack size was an important factor for under 18s:

*They can't afford to buy a 20 packet of cigarettes. Before, you could always manage to find... You know, splitting with your friends, you could get like a 10 packet and have three cigarettes each and share it, whereas now, to buy a 20 packet, it's harder for them to hide the fact that they're smoking to the parents or whatever. It's hard for an adult to pay for a 20-pack let alone a child.*

Partly as a consequence, interviewees did not report a major change in how many times they asked for age verification:

*I honestly can say I cannot remember the last time I checked an age because it's all generally just older customers round here that buy them.*

*It was definite more before, but it's less now, because they're not on display.*

Only one interviewee felt they were more likely to ask because of the cabinet:

*We're more likely to ask age because of the cabinet. Gives us some thinking time because we have to open the cabinet.*

## Change in market

### *Impacts on wholesalers*

There were mixed reports of impacts on wholesalers. Some interviewees reported no particular impact on wholesalers:

*Not particularly. I guess as the stock has changed over, we've had perhaps supply issues occasionally, which might have*

*impacted on wholesalers, but I can't really see how they would be affected.*

*I've not seen much change in the wholesalers.*

Others reported it took longer to shop at the wholesaler:

*You go into the wholesaler and you're in there a lot longer than you would be before all the changes to the packaging.*

*Well, before we used to purchase from Palmer and Harvey and nothing really changed because they were still supplying us when the display ban came in, and then we had to start getting them from the cash and carry and the main change that I notice is carrying them from...they have to have a separate tobacco room and then they would have to put them in these massive big blue bags whether you had one packet or ten packets because you couldn't be seen walking from the tobacco room to the checkout. Bit of a nuisance.*

Some also reported changes in the brands available from the wholesaler:

*I think we've seen a lot of brands disappear, some of the more premium brands mainly.*

*[They] have withdrawn some premium brands – pushing economic brands*

*There is definitely more of the budget brand, as in within the same company. Like Benson & Hedges do a cheaper one now that's probably the biggest seller in the market. Lambert & Butler also, which is Imperial, they do a budget range, but they are not budget, budget as in own brand.*

### *Change in sales of alternative products*

There were mixed experiences with the sale of alternative products. Not all the interviewees we spoke to sold other products such as e-cigarettes, vapes or CBD but of those that did some had reported an increase:

*We had quite a decline in our core products which are alcohol and it was on the cards to close the store and then we decided*

*to stock the inhaling products, and quite frankly, it saved the day there because it's been a huge growth.*

*If it is a change, I think it's just for the sake of because the smoking ban's everywhere such as pubs and stuff like that it's easier to use a vape. I think it's a fashion thing now. It's just another thing to have.*

*We've been selling more e-cigarettes now. I think people are just because it's less harmful and people are, and the cost of the cigarettes have gone very high as well.*

Other interviewees, felt there had been less uptake in alternative products:

*We've got a display of NIP [nicotine inhaling products] provided by a supplier but there's been no up take – has done hardly any business in last 12 months.*

*We hardly sell any of that kind of product. We're in the village and again and it's a traditional kind of place and hardly anybody has converted to them.*

Several interviewees were aware of reported health concerns related to vaping and felt that was affecting business:

*I think there's recently this confusion about vaping. I think clearer government commitment in showing that it is safer and registering, or giving a kite mark or something like that, for vaping products would be really helpful for a lot more people to give up and be trusted. Because in America that had a huge impact here, I think. Because I'm giving up, I smoke, and I'm taking up vaping and I'm thinking, oh god, have I done the right thing?*

### ***Availability of counterfeit or illicit tobacco products***

We asked interviewees if they were aware of any increase in availability of counterfeit cigarettes or illicit trading of cigarettes since the display regulations were introduced. Comments were mixed and often people reported awareness in other areas but no direct knowledge:

*No, I'm not aware of it. I've not seen anybody obviously selling or buying anything around this area.*

*Not in the area that I'm in, but obviously I hear from other tobacco traders perhaps in a city area that say it's a massive problem for them.*

*Not in particularly my area, but say about four, five miles away I've heard something like that.*

A small number of interviewees reported an increase in the availability of illicit cigarettes which were available for a lower price:

*Another shop has opened up, an Eastern European one, which is selling cigarettes and tobacco much, much cheaper. One third of the price of cigarettes, and one quarter or less the price of tobacco. And that's made a significant difference to our sales, which we told trading standards and they did a, what do you call it, they went there with the HMRC and the police, got quite a lot of the tobacco, but two hours later, their door's open again.*

*People are buying black-market from other suppliers due to the cost element.*

*I can see my customers smoking and not buying from me – pubs are selling it.*

### ***Changes in competition between different types of tobacco retailers***

Few interviewees reported changes in competition related to the display ban – it was mainly price related:

*Not much competition in tobacco market. Most competition is alcohol with supermarkets.*

*The supermarkets are still selling it much cheaper, actually, so the bigger supermarkets are. I wouldn't mind minimum pricing like the alcohol, for tobacco. That would help bulk...they go to Tesco's and buy bulk buy*

*I've got Co-op and Tesco's not far from me, they seem to be more competitive than I am.*

## Additional observations

### *Increase in use of illegal drugs*

Two interviewees expressed a view that younger people were purchasing more illegal drugs because of the price of tobacco and alcohol:

*Well, we actually think that cigarettes and alcohol going up too much is encouraging youngsters to buy drugs, you know... People are going to have addictions, but that's just my opinion, you know. There's a lot more heroin and drugs, cannabis and everything being sold, and it's cheaper to have that buzz from that than coming and buying alcohol or tobacco now. So in that sense, we're successful in cutting down, but on the other hand I don't think in the long term, it's really good.*

*[There are] pretty nasty dope smells particularly coming from young people. As cigarettes have become more expensive, they're turning to cheap cannabis.*

### *Limited impact of these regulations*

Some interviewees commented specifically that they felt these regulations had limited impact on smoking:

*I think the idea behind it is a very good idea. I actually don't think it's going to have any effect on anything. I don't think it's going to stop kids smoking because they see it at home, and they then do it themselves.*

*Yes, I think it's a natural thing that people are smoking less and I think the display stuff helps but I don't think it's a massive input, really.*

*No, not really. I do think that obviously my personal view is that having it all behind closed doors, I don't think that makes a difference at all...I think if the person's going to smoke,*

*they're going to smoke. That's my personal opinion. I think if someone is going to smoke, they're going to smoke regardless of whether it's behind closed doors or not.*

*I see it as a pointless exercise, I don't see how it's going to deter anyone from buying tobacco, as I'm sure that was the aim, but I don't think it's... made any difference in my area.*

### ***Impact of graphic health warnings***

Two interviewees commented specifically on the impact of the graphic health warnings on packets as being a factor, but that customers would still purchase tobacco products after asking for a different pack:

*I did once have a customer who wouldn't have a particular packet if it had one of the, you know they have warnings about different health issues... I think there was one about throat cancer and she wouldn't have the one that had that picture on.*

*The graphic pictures people really hate, including the staff who have to handle them. There are some in particular where people ask for another pack.*

*We had a few comments of the, you know, the different health warnings on...when they started coming in on packets of cigarettes, you know, the horrible photographs.*

### **Specialist tobacconist**

We were only able to interview one specialist tobacconist for this project. The specialist tobacconist reported limited impact of the regulations because they had a regular clientele who they felt were unlikely to change their habits.

*As we've found I think most of the, what I would call our regular customers are an older generation that, obviously, are gradually dying off and you're not getting that many young smokers taking their place and a lot of the young smokers are taking up vaping as opposed to traditional tobacco smoking.*

*We specialise mainly in Havana cigars ... it's a real, sort of, niche that we have and so, the competition around us are just a few posh restaurants and hotels that stock a few Havana cigars but they're not really in competition to us.*

They did however report a change in the availability of products:

*I mean, we lost quite a lot of the old suppliers that we used to have, purely because they can't keep, well, I mean, I suppose, with all the new regulations they find it harder and harder to carry on and of course I'm assuming there's been quite a decrease in smokers these days.*

*For instance, Dunhill used to do a lovely range of tinned tobaccos, now they went under for one reason or another, and a few of those brands were taken over by Peterson tobaccos, which are still available. But it's a question of if one company goes under, some or part of it may be taken over by one of the other existing companies. So, it's a shrinking world basically, and the range of products is therefore shrinking as well.*

## **Nicotine Inhaling Products legislation**

Most interviewees reported limited or no impacts of these regulations:

*The changes have been very little, really, apart from the age thing but we never sold to anybody under the age of 18 anyway and it was never really an issue. That's just built up not as much as I thought it would do because I think people specifically go out and buy enough for the month. We've got display cabinets actually on the counter and we sell the liquids, small bottles of the liquids and we sell the odd, I think they're called like a filter thing and the odd machine, like the battery thing. So it's not a massive sales outlet for want of a better word but it is increasing, you know.*

No interviewee reported costs of implementation. Most were aware of the proxy purchasing regulations but none reported an impact on sales.

*I don't think it's probably had any impact really. I don't think it's a problem we've ever suffered really.*

*there weren't many youngsters buying vaping anyway, or anybody else buying vaping. It's such a small percentage of my sales.*

*No, because we don't get many trying to buy.*

## Overall summary

Our interviews explored how the restrictions on displaying packaging and pricing of tobacco products have affected small businesses. Interviewees reported some practical impacts of these specific regulations, but they were not extensive. Interviewees did report changes in consumption and buying habits, but price, plain packaging and pack size were generally felt to be of more consequence than the display ban regulations. Similarly, there had been some reported changes in the market with increasing moves to budget brands, and some increase in purchasing of alternatives and availability of counterfeit or illicit tobacco, but these were also generally felt to be related to price increases.

The interviewees perceived very little impact of the Nicotine Inhaling Products legislation on their businesses or on consumption.