RESEARCH PAPER

Tobacco point-of-purchase promotion: examining tobacco industry documents

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In the face of increasing media restrictions around the world, point-of-purchase promotion (also called point-of-sale merchandising, and frequently abbreviated as POP or POS) is now one of the most important tools that tobacco companies have for promoting tobacco products. Using tobacco industry documents, this paper demonstrates that tobacco companies have used point-of-purchase promotion in response to real or anticipated advertising restrictions. Their goal was to secure dominance in the retail setting, and this was achieved through well-trained sales representatives who offered contracts for promotional incentive programmes to retailers, which included the use of point-of-sale displays and merchandising fixtures. Audit programmes played an important role in ensuring contract enforcement and compliance with a variety of tobacco company incentive programmes. Tobacco companies celebrated their merchandising successes, in recognition of the stiff competition that existed among tobacco companies for valuable retail display space.

Point-of-purchase promotion (also called merchandising, retail promotion, or point-of-sale promotion; frequently abbreviated as POP or POS) is one of the most important tools that tobacco companies have for promoting tobacco products.[1] Increasingly stringent regulations regarding media advertising in many countries have limited the advertising and promotional methods available to the tobacco industry, increasing the importance of retail promotion and incentives.[2] In the United States, tobacco company executives have testified that retail placement has become essential now that the tobacco industry is curtailing advertising in response to the Master Settlement Agreement.[3] In countries such as Australia and New Zealand, increasing tobacco advertising restrictions have focused more attention on the retail setting, with the result that new attention-getting types of cigarette displays have emerged.[4,5]

Tobacco companies pay financial incentives to encourage retailer cooperation in three major areas: posting point-of-sale advertising and signage; providing point-of-sale product displays; and providing pricing and promotional incentives to consumers.[6] According to the Federal Trade Commission's *Cigarette Report for 2003*, tobacco companies in the United States had a total combined advertising and promotional budget in excess of $15 billion in 2003, and the largest proportion of this spending was allocated to the retail setting.[7] Tobacco companies allocated 1.1% ($165 million) to point-of-sale advertising and 8.1% ($1.2 billion) to promotional allowances for retailers (that is, to encourage retailers to carry specific brands as part of their product inventory and to encourage point-of-sale product displays of these brands). A whopping 71.4% ($10.8 billion) was allocated to retail price discounts. A further 4.5% ($677 million) was allocated to providing bonus cigarettes as part of retail-value-added promotions, and 0.1% ($20 million) was allocated to non-cigarette bonuses as part of retail-value-added promotions. In total, this means that 85.2% of all advertising and promotional spending in 2003 was allocated to various types of incentives at the retail level (compared to only 65.6% of the $5.6 billion expenditure in 1997).

In order to secure prime display space for a product, it is a relatively common marketing practice among all types of manufacturers to pay slotting allowances or slotting fees to retailers.[8] Tobacco companies engage heavily in this practice and commonly pay slotting allowances or slotting fees in order to obtain preferred point-of-sale display space in retail stores, more enticing displays, and more competitive retail prices.[6,9] A 1999 California study found that tobacco incentives totalled an average of $2472 per retailer.[10] Furthermore, 62.4% of retailers reported receiving slotting/display allowances for tobacco, a higher percentage than for any other product category.

Slotting fees are usually negotiated between the manufacturer and retailer, and details of these contracts are generally not publicly disclosed.[8] A 2002 study in Boston interviewed 25 store managers, and found that managers were generally reluctant to discuss slotting allowances or promotional allowances; however, based on the few interviews with managers who would discuss the issue, approximately $1280 would be required by the average store manager in order to give up tobacco promotional allowances, and $1354 would be required in order to give up slotting allowances and product discounts.[11] The total of these two figures ($2634 in 2002) comes very close to the average tobacco incentives of $2472 per retailer found in the 1999 California study when inflation is factored in.[10]

Several studies have examined the use of tobacco point-of-sale ads and displays at the retail level in the United States, and have found both advertising and product displays to be highly prevalent. In a 1991 study of 61 stores in Buffalo, New York, the average number of product displays varied from 4.3 per store for privately owned grocery stores to 7.8 per store for chain convenience stores selling gasoline.[12] A state-wide study of 590 stores in California in 2001 found that 85% of all product displays were within 4 feet of the checkout counter and 11% of all stores had exterior signs that exceeded the size limit specified under the Master Settlement Agreement (MSA).[13] A Massachusetts study found a shift toward signage on retail exteriors after the MSA.[14] A study of 3462 stores across the United States found significant increases in the use of tobacco advertising both inside and outside of retail stores in 1999, when compared to the situation before the MSA implementation of the billboard tobacco advertising ban, indicating that point-of-sale advertising had grown in importance.[15] Tobacco companies also shifted toward more spending on retail and point-of-sale strategies after the MSA.[16] There also appears to be a greater likelihood of point-of-purchase tobacco promotions and advertising in states that have more comprehensive tobacco control programmes.[17]

Given the large number of people that have intentions to quit, retail outlets may provide a means for tobacco companies to provide timely product purchase cues to would-be quitters. Consequently, the retail setting may present relapse challenges for quitters.[13] This suggests that the point-of-sale environment may be important to tobacco companies as a means of reaching would-be quitters with a tempting reminder.

Several studies have found that cigarette point-of-sale advertising and marketing materials are more prevalent in stores where adolescents shop frequently.[18 19] Youth who are "experimenters" with tobacco are more likely than other youth to report exposure to tobacco marketing in stores.[20] The use of self-service tobacco displays appears to increase youth access to tobacco, both through shoplifting and through illegal sales to youth.[21–23] The type of cigarette advertising found at the point-of-sale has the potential to influence adolescents to view users of particular cigarette brands in a more favourable light.[24] This suggests that the point-of-sale environment presents a place where youth are exposed to tobacco marketing to a significant and influential degree.

The majority of studies conducted to date have examined the physical evidence of tobacco point-of-purchase marketing, by counting signs and displays or by talking to store managers. This paper presents an attempt to examine point-of-purchase promotion through the historical perspective of tobacco industry documents, in order to understand the role of this important tool from the point of view of tobacco companies. Discussing the importance of point-of-purchase promotion in the industry's own words provides first-hand evidence of the tobacco industry's objectives and intentions with regard to the retail environment.

METHOD

All collections within the Tobacco Documents Online website http://tobaccodocuments.org/ were searched simultaneously using a specific set of search terms ("point of purchase" OR "point of sale" OR "POP" OR "POS" OR "retail" OR "retailer" OR "merchandising" OR "fixtures"), resulting in a list of over 21 000 documents. Individual document titles and descriptions were reviewed over a period of three weeks, in order to establish which ones were most relevant to the topic. Further searches were then conducted on the names of some specific merchandising programmes that were discovered (for example, "Retail Masters," "Retail Partners", etc), using a snowball sample approach. To focus in on only highly relevant documents (that is, with a primary focus on point-of-purchase), those documents which briefly mentioned one of the search terms but whose focus was largely elsewhere were discarded. Only documents whose primary focus was on point-of-purchase promotion were retained. This resulted in a greatly reduced list of approximately 260 documents. Relevant text excerpts were drawn from the 260 documents, and a qualitative analysis was conducted on these excerpts using a sorting methodology. This process of sorting text excerpts into evolving categories provided insight into the major themes contained within the documents. Specific quotations useful for the purposes of this paper were then extracted from the documents, in order to illustrate the key themes inherent in point-of-purchase marketing in the tobacco industry.

It should be noted that as this is a review using historical industry documents, no attempt was made to limit the search to more recent documents. The result is a rich description of tobacco industry practices with respect to point-of-purchase marketing from the early 1970s through to the mid-1990s.

RESULTS

During the qualitative analysis of tobacco industry documents, several key themes emerged. These key themes included: (1) the use of point-of-purchase promotion in response to advertising restrictions; (2) securing dominance in the retail setting; (3) training for sales representatives; (4) incentive programmes offered to retailers; (5) point-of-sale displays and merchandising fixtures; (6) contract enforcement; and (7) celebrating merchandising successes. These key themes are discussed in the following sections.

Point-of-purchase promotion in response to advertising restrictions

Over the past several decades, the tobacco industry has focused increasing attention on the retail point-of-purchase environment.[6] A speech made by an RJ Reynolds executive in 1975 noted that, "should the government initiate increased restrictions on advertising media, we will be ready at the point of sale with our brands dominantly displayed and advertised."[25] In 1975, Brown & Williamson had also suggested that point-of-sale promotion could be improved with newly designed items as a means of dealing with reduced media advertising opportunities. They noted that:

> "As media advertising diminishes in impact due to increasing restrictions and cluttered environment, new in-store advertising items designed to create and reinforce brand awareness at the point-of-sale become increasingly important and should receive priority consideration."[26]

Based on this concern about reduced future advertising opportunities, visibility at the point-of-purchase has been a major goal for tobacco companies over the past 30 years.

Brand visibility at the point-of-sale served as a sales reminder technique, as outlined in this 1985 RJ Reynolds document:

> "Presence and creativity at point-of-sale are crucial to maintain consumer awareness since POS materials are the last exposure to advertising before product purchase."[27]

To increase brand visibility, RJ Reynolds advocated placing "high priority on developing and implementing those merchandising and display programmes that increase RJR's space at retail and provide 'in-store dominance'."[28] RJR also noted that point-of-purchase promotions can represent an important opportunity for the introduction of new products, because buying decisions are made at point-of-sale:

> "Simply stated, the point-of-purchase is where the action is—it's the retail environment. It's a specific location in a store, it's product display, and it's in-store advertising. Importantly, and perhaps not so obviously, the point-of-purchase is also in the mind of the prospective consumer."[29]

Consumer purchasing decisions made at the point-of-sale naturally included brand decisions; however, for occasional smokers, the point-of-sale also represents the place where decisions may be made regarding whether or not to purchase cigarettes.

Securing dominance in a retail setting

Attaining dominance at the retail point-of-sale represented a method for tobacco companies to demonstrate their market leadership to customers.[4] The brand with the most display space was usually presumed by consumers to be the most popular brand. There was often a correlation between brand popularity and display space, since the most popular brands had the largest sales and could more easily afford to pay for the best and largest display space.[30] Retailers commonly charged manufacturers for display space, particularly prime display space at eye-level, in end-aisle displays, or using counter-top display units.

Securing retail space at the point-of-sale was a major goal for Philip Morris, as stated in their ''Five Year Plan 86–90'': ''PM-USA's current goal is to capture as many rows as necessary to accommodate both existing brands (with primary emphasis on Marlboro) and future product introductions.''[31] Philip Morris developed a strategy to enhance the role of retailers by emphasising merchandising of cigarettes:

> ''PM-USA's strategy to improve retail availability is to change retailers' emphasis from carrying cigarettes as an accommodation to merchandising cigarettes as a profitable contributor to operations.''[27]

This emphasis on merchandising implied that extra point-of-sale promotional efforts would bring extra sales and profits to the retailer. This suggests that having cigarettes well-displayed contributed to increased sales. Some of this increase in sales likely came at the expense of other retailers or other brands, while some of the increase likely came from occasional smokers who purchased as a reaction to the retail point-of-sale reminder.[6]

RJ Reynolds also made retail merchandising a goal for the company, as it attempted to ''initiate steps to insure that RJR dominates the point-of-purchase and commands the dominant merchandising position in every major outlet''.[30] As well, RJ Reynolds recognised that it was important to dominate those retail outlets that had the highest sales volumes in order to maximise sales. Their goal was to:

> ''Improve the exposure and availability of R. J. Reynolds brands in all types of accounts with special emphasis placed in high volume carton and high volume package accounts. Gain and maintain a merchandising advantage over competitive tobacco companies.''[32]

In order to gain and maintain space on store shelves and on counter-tops, tobacco companies developed merchandising contracts that they entered into with retailers. According to these contracts, the tobacco company paid the retailer a specific amount of money to carry and stock their brands of cigarettes in optimal positions. As stated in a Philip Morris sales manual, ''we pay the retailer for performance on our behalf''.[33]

In a 1975 document entitled ''Merchandising'', RJ Reynolds discussed their goal to dominate retail outlets through retail contracts:

> ''Develop and evaluate a comprehensive merchandising program for each type outlet whereby RJR [RJ Reynolds], through a single contractual arrangement, would dominate the point-of-sale in merchandising space, product distribution, brand display and in-store advertising.''[34]

The outcome of this merchandising programme was that RJ Reynolds signed contracts with retailers, which involved paying retailers for their display space and services. The major competitors in the tobacco industry ultimately developed similar programmes. The result was a highly competitive environment, as evidenced by remarks from an RJ Reynolds manager:

> ''Philip Morris has put tremendous pressure on our in-store merchandising in 1990. They have publicly stated that they were going to replace RJR as the leading merchandiser. PM has thrown a lot of money at trying to topple us.''[35]

Some of these programmes, such as the Philip Morris ''Retail Masters'' programme, demanded that participating retailers exclusively display Philip Morris products. Discussion of a contract between the ARCO Gas retail chain and Philip Morris explained the prohibition against all competitor displays: ''ARCO recently entered into an exclusive agreement with Philip Morris prohibiting all permanent competitive PCDs [permanent counter displays] and limiting temporary competitive displays strictly to 30 days.''[36] This new programme provided Philip Morris with a competitive advantage in the retail market:

> ''The net effect of Masters restrictions is a reduction in the size and/or number of competitive counter displays. Retailers that feature Philip Morris promotions exclusively for three weeks per quarter are compensated with graduating bonus payments.''[37]

This type of exclusivity was beneficial for tobacco companies that had sufficient clout with retailers to be able to negotiate such an arrangement.

Training for sales reps

The increasing focus on point-of-sale marketing has resulted in the work of sales representatives becoming a key focus in marketing efforts. For many companies in the tobacco industry, sales representatives were among the most important members of their organisation, and as a result, a great deal of time and effort was invested in training sales representatives. A Philip Morris sales manual gave the following description of the sales representative in a section entitled, ''The Vital Role of Sales Representatives'': ''On behalf of our company you will sell our products to gain distribution and negotiate and implement merchandising contracts to ensure brand availability and visibility.''[38] This underlined the sales representative's role in obtaining space at the point-of-sale, and in ensuring that brands are highly visible in the retail setting. In fact, the most important aspect of the sales representative's job was merchandising:

> ''One of the more important parts of your job is merchandising PM's [Philip Morris'] brands effectively to gain optimal product exposure and effective in-store advertising visibility. The more visible our products are to consumers, the more sales we make. Effective merchandising helps the retailers, attracts new consumers to our brands and makes you successful in performing your sales mission.''[38]

Sales representatives had several roles. They were responsible for gaining display space at retail, as well as the placement of merchandising fixtures (that is, display units) in order to provide the company's brands with the visibility and availability needed to increase sales. This space and visibility was acquired through the negotiation of merchandising contracts. Tobacco companies educated their sales force regarding sales methods and the company's merchandising programmes. In a sales manual from Philip Morris, the importance of knowledge of the merchandising programmes was discussed:

> "It is important that you have thorough knowledge of the provisions of each plan. Carefully study each offer to become knowledgeable about the requirements and the terms of each. You will then be in a better position to determine how each plan will be best presented to your accounts to the mutual advantage of the retailer and ourselves."[33]

Sales representatives were also responsible for following up on retail contracts to ensure that retailers are complying with the contract terms and conditions.

Incentive programmes offered to retailers

Tobacco companies tailored their merchandising programmes to suit the characteristics of different types of retailers. For example, a pack merchandising programme was tailored to retailers that sell mainly by the pack, while a carton merchandising programme was tailored to retailers that sell mainly by the carton. RJ Reynolds contracts detailed the criteria for eligibility in various types of merchandising programmes, as illustrated in this excerpt from their Retail Partners programme:

> "R.J. Reynolds Tobacco Company (RJR) is pleased to announce the following Retail Partners program effective April 1, 1995, for retail accounts that meet the following criteria:
> • 51% or more total industry volume sold by the pack
> • 100+ cartons industry brands and minimum of 17 cartons of RJR brands sold per week.
> • Distribution of RJR brands in all price-tiers as required."[39]

Some contracts offered by tobacco companies pay retailers on a sliding scale, depending on their sales volume. In a 1975 Philip Morris USA contract, retailers were placed into three categories of weekly sales (100+ cartons, 50–99 cartons, and under 50 cartons), for which they were paid a monthly fee of $7.50 per display, $4.50 per display, and $1.50 per display respectively.[33]

Some contracts specified that the retailer must agree to use a merchandising fixture (that is, a display unit) supplied by the tobacco company, as seen in this excerpt from a Philip Morris contract:

> "This agreement is between Philip Morris U.S.A. and the Retailer whose name appears on the reverse side. Philip Morris U.S.A. will pay Retailer for displaying cartons of Philip Morris U.S.A. cigarette brands on self-service floor merchandising fixtures provided by Philip Morris U.S.A. ("approved fixtures"), in accordance with the terms of this agreement."[40]

A similar type of contract was offered by Brown & Williamson regarding their "FlexMaster 2010" merchandising fixture:

> "B&W will obtain for you and provide you with the FlexMaster 2010 fixtures contemplated in this Addendum and will make monthly payments to you under the Program totaling $145.00 in consideration of and reliance on your commitments under this Addendum."[41]

For a tobacco company with small market share or a limited promotional budget, it may not have been feasible to supply a retailer with a merchandising fixture or display unit. For example, in 1961, Brown & Williamson felt they could not justify the expense of providing merchandising fixtures. Instead, Brown & Williamson decided to purchase space on competitors' racks:

> "Top management decided to make a "family" of B. & W. [Brown & Williamson] brands and to display them together on a single preferred shelf on the competitor's rack… top management decided that it would be in the company's best interest to pay substantial sums of money for the privilege of reserving this amount of shelf space for the exclusive display of our products."[42]

Some companies required that the percentage of their products on display in the store reflect the market share that the company held, as in this RJ Reynolds contract:

> "– In operating areas where RJR share of market is 30% or more, RJR's minimum space is the top two (2) shelves exclusively.
> – In operating areas where RJR share of market is less than 30%, RJR's minimum percentage of rows required is not less that RJR's share of market for the operating areas. In no instance will RJR's rows be less than 25% of the total rows available."[43]

Not only did these programmes vary in their requirements, there were also many different methods of payment. The usual payment was a fixed rate paid monthly, with the amount of the payment contingent on the number of displays the retailer would accept. This was the case for a programme offered by The American Tobacco Company, where payments were based on the number of rows the retailer made available:

> "Payments per month to each participating retail outlet are available as follows: $3.00 per row up to a maximum of 25 rows."[44]

Some tobacco companies also deducted a specified sum from the cost of the product, or gave discounts on orders placed at certain times of the year. During a promotion for the Kool Milds 100's brand, Brown & Williamson offered the following to retailers as an introductory offer for stocking quantities of the product: "$12.00 per 12M case, on allocated quantities – deducted from invoices on all orders of Kool Milds 100's dated on or before October 19, 1979."[45]

Once the competition for retail space heightened, tobacco companies were finding that their point-of-purchase payments per month were increasing, but with no corresponding increase in sales. Tobacco companies tried to outspend each other at retail, and retailers were reaping the benefits. In a document entitled *Marketing in a Restricted Environment*, Brown & Williamson discussed the effects of the increased competition in the retail merchandising market:

> "Merchandising contracts for carton, pack and vending have been revised, are becoming more expensive and ineffective as competition stiffens. The number of special displays and offers running at a given time has, as one might expect, increased rapidly. Sales estimates the number of displays placed per year has increased at least 25 percent since 1976. One finds as many as six to eight

displays at a single check-out counter. This figure will increase as our Sales Force and our competitors grow in size and gain the capability to support more than one sales merchandising program (SMP) simultaneously.''[46]

This heightened competition, and the resulting clutter at the retail level, forced tobacco companies to develop more efficient merchandising programmes. Brown & Williamson developed a programme that would reward a higher volume of sales:

> ''We decided to develop an innovative contract offer which would base payments on B&W sales volume. This would best reward the retailer (and B&W) in outlets which could provide a higher level of B&W sales.''[47]

Retailers were generally very receptive to these tobacco merchandising programmes, as most retailers viewed the contracts as easy money. A corporate grocery merchandising manager for a New Jersey-based supermarket chain stated, ''If anyone wants to come in and hand you money for doing your job, you take it. You have nothing to lose and everything to gain.''[48] However, occasionally there was some negative feedback about the proliferation of point-of-purchase materials in the retail setting, as pointed out in a 1985 Philip Morris *Business Planning & Analysis* document:

> ''Placement of POS materials is difficult because retailers are cautious about negative consumer feedback and RJR has become increasingly aggressive in strengthening their retail presence.''[27]

However, tobacco companies worked hard at positioning their point-of-purchase programmes as win-win situations for themselves and retailers. When describing merchandising programmes and the impact on retailers, a senior vice-president of sales for Philip Morris USA explained, ''What we've done is to compensate retailers for doing the right thing for their business which is also the right thing for our business.''[48]

Point-of-sale displays/merchandising fixtures

When tobacco companies entered into a contract with a retailer, a common requirement of the contract was that the retailer must use a merchandising fixture or display unit supplied by the tobacco company. Tobacco companies felt it was important to have their own fixtures in stores because it created more visibility for their brands and ensured that their brands would be placed in the optimal positions. In a 1975 sales manual, Philip Morris identified the need for merchandising fixtures at retail:

> ''Establishing a ''permanent home'' for our products in those outlets that merchandise cartons from a self-service fixture provides important benefits to our cigarette products. Among these are: product depth of inventory, added product exposure, ease of stocking, and brand display adjustments on special occasions.''[33]

In their 1972 marketing plans, Brown & Williamson discussed the advantages of the new merchandising fixture that was in development:

> ''This unit will offer many merchandising advantages including prime selling location for the Company's brands, share of space equivalent to share of market and permanent displays on the top of each fixture. The rack also features lock-up security during non-selling hours and loading characteristics which should reduce retailer labor costs substantially.''[49]

The use of self-service display units increased accessibility of cigarettes to the customer, but also increased the likelihood of theft in the retail store. Many retailers were losing money due to stolen merchandise and were considering removing self-serve displays, as described by Brown & Williamson:

> ''Further, the trend toward removing cigarettes from self-service selling locations due to robberies, pilferage and the installation of service counters is partially responsible for the projected loss of high volume contract locations shown in the schedule above. A carton merchandising fixture containing security features is under development and, if acceptable to retailers, may reverse this trend.''[49]

RJ Reynolds also worked at developing fixtures that would help their retailers continue using self-service merchandising:

> ''Lucky's, San Francisco (170 stores) has experienced extensive pilferage and, as a result, converted approximately 15 stores to non-self-service. Field Sales persuaded this chain to utilize RJR's one-carton access security kits, thus converting all 15 stores back to self-service.''[50]

These fixtures were intended to encourage stores to maintain self-serve displays, which may have contributed to the trial of new brands, as well as contributed to impulse purchases by occasional smokers or would-be quitters.

Contract enforcement

For all tobacco companies, it was important to gain retail space through merchandising contracts, but it was also important to monitor the contracts they had already negotiated. Tobacco companies did not want to pay retailers for non-performance, so most had developed audit programmes in which the sales representatives visited stores to ensure that the terms and conditions of contracts were being followed. For example, Brown & Williamson developed a *Sales Display Compliance Audit Report* for their Grand Slam merchandising programme:

> ''The overall audit objective was to determine if retail stores were complying with the terms and conditions of the carton, package and signage portions of the Field Sales Display program (Grand Slam), and if not, to estimate the effect of such noncompliance.''[51]

Philip Morris also developed audits where payments were taken away if certain conditions were broken:

> ''Tobacco manufacturers Sales Representatives will be auditing stores once per month for compliance with these requirements. If any of the following conditions are present, the store may not receive a merchandising payment for the particular month.
> • Philip Morris overhead or primary pack merchandiser is removed, or sign is obstructed.
> • Displays are not in the correct selling position, per plan-o-grams, or are removed, empty, blocked, taped, or obstructed by candy, gum, flowers etc.

• Discount brands are displayed and/or share of pack facings is less than specified by plan-o-grams
• Philip Morris signage is removed or obstructed.
• Signage, other than from Philip Morris, is present in the store…
• Refusal to accept promotions or misuse of Philip Morris promotions and RJR, LORR.
• Non-acceptance of new brands.
• Counter display contains competitive tobacco company merchandise.''[52]

Audits provided tobacco companies with an overview of their merchandising programme performance in terms of compliance percentages among store types. Brown & Williamson's Grand Slam Audit Program described the audit procedures:

''We recommend that consistent standards, requirements, and procedures be developed and followed by each of the six sales areas. These should include:
• Establishing minimum guidelines for the number of stores to test and division coverage.
• Establishing minimum acceptable compliance percentages and procedures for additional testing if acceptable compliance is not observed.''[51]

These audits helped tobacco companies find out which retailers were not fulfilling their contracts. When a retailer failed an audit, they usually received several opportunities to redeem themselves before the tobacco company cancelled the contract. For example, RJ Reynolds issued notices or statements to retailers that did not comply with the contract. The statement fined the retailer the month's payment and provided a written warning:

''This serves as notice that you have not complied with the terms and conditions of R.J. Reynolds Retail Partners Program. Your payment of $_______ will be deducted for the month of _______. The reason(s) for non-compliance and payment deduction are listed below.''[53]

Tobacco companies preferred to maintain existing contracts wherever possible, since it was more difficult to sign new contracts with retailers than it was to maintain existing ones. Therefore, Philip Morris encouraged their sales representatives to put their efforts into monitoring existing contracts and encouraging retailers to maintain the agreed-upon displays:

''As a result, your efforts should be directed toward selling the display contract, and most importantly, encouraging the retailer to maintain it, rather than attempting to ''punish'' violators by canceling contracts, or otherwise providing penalties.''[33]

Philip Morris sales representatives were advised, ''Don't take the easy route and cancel a contract without making a number of bona fide attempts to correct the situation.''[33] When dealing with retailers who violated their contracts, tobacco companies encouraged their sales reps to make every effort to correct the problem, rather than cancel the contracts. In a Philip Morris sales manual, the procedure for dealing with contract infringements was outlined:

''The first time you observe that the display is not being used, tactfully advise the retailer that you can't pay him the monthly payment, since he obviously hasn't earned it. At the same time reactivate the display and ask for his cooperation. It's a good idea to add: ''I hope I won't have to do this again,'' subtly implying the consequences. On the second violation, give a stronger warning and basically follow the same procedure in attempting to secure proper performance. If it happens a third time, terminate the arrangement''[33]

This procedure demonstrated that tobacco companies were interested in working with retailers to secure display space, but also highlighted the fact that continued contract infringements would not be tolerated.

Celebrating merchandising successes

In such a highly competitive market, tobacco companies were very pleased when they signed a merchandising contract with a major retailer. It was especially rewarding when a retailer was persuaded to move from a competing company's incentive programme. For example, in a 1989 newsletter sent to employees, RJ Reynolds congratulated sales representatives for taking stores away from Philip Morris, and crowed over its own success:

''Bergman persevered with his presentations on RJR's merchandising programs, and he patiently waited for the account to recognize the superiority of RJR fixtures, products and service. Finally, his perseverance and patience were rewarded: Liquor Mart has replaced its PM fixtures with RJR Flex for carton sales and a Doral Savings Center.[54]

Retail chains were very important to tobacco companies, because one deal meant merchandising displays in multiple stores. Within the same 1989 newsletter, a report was made about a chain store signing contracts with RJ Reynolds:

Persistence can be rewarding, especially when the result is a major presence in a high-volume, big-city retail chain. That was the payoff recently for Queens, N.Y. Division Manager Kevin O'Hare…Pathmark has approved a new cigarette merchandising program that includes a four-foot exclusive carton display of RJR brands and eight feet of RJR spring-load package units, replacing store shelving, in all locations.''[54]

Tobacco companies achieved their greatest success when they convinced anti-cigarette retailers to merchandise their products, as reported in this RJ Reynolds 1989 newsletter item:

''Never say never, especially when faced with a chain that ''never'' accepts cigarette merchandising and ''never allows self-service cigarette sales… After numerous presentations, Majer has begun to reverse some of this chain's ''nevers,'' starting with approval of self service sales of all styles of Doral…at all locations.''[54]

DISCUSSION

This paper reviewed tobacco industry documents available at http://tobaccodocuments.org to gain insight into tobacco industry practices in the area of point-of-sale promotion. The key themes that emerged from this qualitative analysis were: (1) the use of point-of-purchase promotion as a response to advertising restrictions; (2) the need to secure dominance in the retail setting; (3) the role of training for tobacco company sales representatives; (4) the type of promotional incentive programmes offered to retailers; (5) the use of point-of-sale displays and merchandising fixtures; (6) the importance of contract enforcement; and (7) ways in which tobacco companies celebrated their merchandising successes.

One limitation of this paper is its historical focus. Given the nature of tobacco industry documents that are publicly available, the majority of the documents used in developing this paper were focused on the period from the early 1970s to the mid-1990s. This necessarily limited insight into very current marketing practices in the area of point-of-purchase promotion. However, based on other research, it seems clear that many of the practices mentioned in these historical tobacco company documents continue to exist today.[6 15]

The tobacco industry documents quoted in this paper effectively demonstrate that in an increasingly restricted media environment, tobacco companies have aggressively pursued point-of-purchase advertising and merchandising opportunities in retail settings. Tobacco control programmes such as Operation Storefront have also documented this wide usage of point-of-purchase materials.[11] The cut-throat competition for retail space has led tobacco companies to devise strategies to provide them with dominance in the retail setting. The result is a proliferation of point-of-purchase advertising and displays in many retail venues, including those frequented by underage youth.

Such techniques are not limited to the United States.[55] Multinational tobacco companies share their marketing strategies and techniques with their worldwide network of corporate affiliates through a variety of well-organised seminars, conferences, memos, reports, and sales training manuals. As a result, strategies and techniques of subsidiary tobacco companies in other countries are very likely to mirror those developed and practised in the United States, as described in tobacco industry documents.[56] For this reason, a concentrated focus on the point-of-purchase environment may unfold as a worldwide phenomenon.

It should be noted that a proliferation of tobacco point-of-purchase promotional materials and displays creates a "friendly familiarity" for tobacco in the retail context.[57] Article 13 of the Framework Convention on Tobacco Control (FCTC) recommends a comprehensive ban on tobacco advertising and promotional materials, which would include a ban on point-of-sale promotional materials.[58] This is a commendable regulatory measure for eliminating point-of-sale promotion, and a number of countries have already undertaken such regulation in their efforts to comply with the FCTC.

Several jurisdictions, such as Iceland, Ireland, and several Canadian provinces, have already taken steps to not only eliminate tobacco promotional displays, but also completely eliminate tobacco *product* displays at the retail point-of-sale.[59] Recommended regulations should require that tobacco products be placed behind solid doors or inside drawers, eliminating them from public view. The result is a removal of tobacco product displays, which helps to reduce temptation for underage youth and would-be quitters. Regulations eliminating tobacco promotional materials and tobacco products from view also represent an effective means of thwarting tobacco industry efforts to dominate retail settings.

What this paper adds

This study examines retail point-of-purchase promotion through an analysis of tobacco industry documents. Industry documents reveal that the tobacco industry's use of point-of-purchase promotion has increased as a response to industry fears about the potential for restrictions on traditional advertising and promotional channels. A central focus of tobacco companies for the past three decades has been to gain retailer loyalty and monopolise retail display space, in order to build brand identity. Intense competition has emerged as tobacco companies attempt to gain market leadership in the point-of-purchase environment. The proliferation of point-of-purchase materials creates a friendly familiarity for tobacco in the retail context. Reducing or eliminating point-of-sale promotion and cigarette displays would help to remove temptation from underage youth and would-be quitters.

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