

## **Maintaining Brand Vitality in a Highly Regulated Tobacco Market**

Steven J. Greenland, Swinburne University of Technology, sgreenland@swin.edu.au

### **Abstract**

Australia has some of the world's toughest restrictions on tobacco marketing. The Plain Packaging Bill was announced in 2010 and finally implemented in 2012. Packaging was widely regarded as the key remaining medium for promoting cigarette brands and so a logical assumption was that plain packaging would have a detrimental impact upon cigarette brand portfolios. This research examines changes in Australian cigarette brand portfolios between March 2010 and March 2012. The findings show that despite increasing regulation the big three tobacco companies have maintained the vitality of their brand portfolios and introduced new brands and brand line extensions during this period. The expanding brand portfolios raise concerns about the impact of regulations on branding capabilities, as well as questions as to how manufacturers are still able to introduce new products into a market with some of the strictest tobacco marketing controls.

*Keywords: cigarette branding, plain packaging, tobacco marketing regulation*

*Track: Brands and Brand Management*

## **Maintaining Brand Vitality in a Highly Regulated Tobacco Market**

### **Abstract**

Australia has some of the world's toughest restrictions on tobacco marketing. The Plain Packaging Bill was announced in 2010 and finally implemented in 2012. Packaging was widely regarded as the key remaining medium for promoting cigarette brands and so a logical assumption was that plain packaging would have a detrimental impact upon cigarette brand portfolios. This research examines changes in Australian cigarette brand portfolios between March 2010 and March 2012. The findings show that despite increasing regulation the big three tobacco companies have maintained the vitality of their brand portfolios and introduced new brands and brand line extensions during this period. The expanding brand portfolios raise concerns about the impact of regulations on branding capabilities, as well as questions as to how manufacturers are still able to introduce new products into a market with some of the strictest tobacco marketing controls.

*Keywords: cigarette branding, plain packaging, tobacco control*

*Track: Brands and Brand Management*

## 1.0 Introduction

British American Tobacco Australia Ltd (BATA), Philip Morris Australia (PM) and Imperial Tobacco Australia (ITA) generate over 98% of Australian tobacco sales (Euromonitor International 2012). Tobacco companies have invested massively in sizeable brand and variant (sub-brand) ranges that provide an effective platform for differentiated marketing and market segmentation. In Australia 12 brands from the big three manufacturers account for 89.3% of cigarette sales: Winfield BATA 23.6%, Longbeach PM 16.9%, Peter Jackson PM (12.5%), Horizon ITA 11.7%, Benson & Hedges BATA 10.0%, Holiday BATA 4.3%, Marlboro PM 3.8%, Dunhill BATA 3.7%, Peter Stuyvesant ITA 1.1%, Pall Mall BATA 0.8%, Choice PM 0.6% and John Player Special (JPS) ITA 0.6% (Euromonitor 2012, p12).

Despite growing research into tobacco plain packaging, the topic remains under explored (Freeman *et al.* 2008) and there are numerous avenues for further research. One area where there is a dearth of studies relates to the brand portfolios that packaging promotes. This research investigates changes that occurred to the cigarette brand portfolios of the big three manufacturers during 2011 and 2012; a period of increasingly stricter tobacco regulation.

## 2.0 Background on tobacco control and plain packaging

Australia imposes some of the strictest controls on tobacco marketing, which combined with public education, has reduced the incidence of smoking. As illustration, Rowley (2011) reports year on year revenue decline for Australia's tobacco industry between 2006 and 2011. In 2010 despite value growth of 15% due to increased tax, volume sales in Australia fell by 8% (Euromonitor 2012, p1).

The significance of packaging to the marketing of tobacco products has long been recognised, particularly in relation to brand appeal and promotion (Cunningham 1996; Goldberg *et al.* 1995). The Australian Government initially announced the Plain Packaging Bill in April 2010. Bans on tobacco retail displays were already in place in some states and the legislation proposed outlawing the use of colours, company logos and brand images, other than the brand name in a standard font on tobacco product packaging. The Plain Packaging Act was passed in December 2011 and was initially set for implementation by July 2012. However, after a legal challenge by big tobacco was upheld in August 2012, it eventually became operative from 1 December 2012 (Australian Government 2012).

There is a growing volume of literature based upon primary research investigating consumer perceptions of plain packaging, including several studies from Australia (e.g., Carter *et al.*, 2011; Freeman *et al.*, 2008; Freeman *et al.*, 2010; Germain *et al.*, 2010; Shanahan and Elliott, 2009; Wakefield *et al.*, 2008; Wakefield *et al.*, 2012). A majority of the published research appears in journals for healthcare professionals and others involved in tobacco control (e.g., Germaine *et al.* 2010; Hammond *et al.* 2009; Wakefield *et al.* 2008, Wakefield *et al.* 2012,). A smaller number appear in marketing and business related publications (e.g., Binesh, 2011; Hoek *et al.* 2010).

Opponents to tobacco regulation frequently berate a nanny state mentality and consider the imposed marketing controls as draconian and impinging upon freedom of choice and personal responsibility. Despite the increasing research that provides overwhelming

support for plain packaging, public opinion toward plain packaging is frequently only lukewarm (Moodie 2012). As illustration, a nationwide survey of 1304 Australians by Shanahan and Elliot (2009), found only 57% of respondents agreeing with the statement ‘I think that cigarettes should be sold in plain (generic) packs, specifying only brand name and Government information such as health warnings and information to assist smokers to quit’. The complex nature of the pack design-consumer behaviour relationship helps to explain the lack of consumer awareness of packaging’s influence. The tobacco industry built upon this ignorance in their ‘It just doesn’t make sense campaign’ against plain packaging prior to the implementation of the legislation. It is important for future research to monitor the impact of plain packaging upon cigarette marketing and its impact upon smoking, in order to avoid a potential situation where tobacco companies are able to reverse the plain packaging legislation.

### **3.0 Research objectives and methodology**

A key argument for plain packaging is that manufacturers lose their ability to market their brands. Plain packaging removes the key medium for promoting the values associated with different brands and brand variants, thereby reducing the appeal of smoking. This research investigates the changes in the leading cigarette brand variant ranges during the period surrounding the announcement, the passing and the proposed implementation of the plain packaging legislation.

Changes in the ranges of Australia’s cigarette brands and variants, or sub-brands, were identified by comparing the annual manufacturer ingredient reports for the two years during which the plain packaging legislation was announced, passed and subsequently implemented. This information is provided by the big three manufacturers, British American Tobacco Australia Limited, Philip Morris Limited and Imperial Tobacco Australia Limited, under the Voluntary Agreement for the Disclosure of the Ingredients of Cigarettes. In accordance with this each manufacturer provides an annual report detailing variants “manufactured by the Manufacturer or a related company and sold by the Manufacturer in Australia during that reporting period” (Australia Government 2000). While the information is presented to the Australian Government in May each year there is a delay before it is made publically available. As illustration, due to the complexity of the data, the 2012 details did not become publically available until 2013.

This research compares the cigarette brand portfolios as reported by the big three tobacco companies for the 2 March 2010 to 1 March 2011 reporting period, and those of the 2 March 2011 to 1 March 2012 reporting period.

### **4.0 Findings**

Table 1 presents a comparison of the cigarette brands and associated variant numbers for Australia’s three main tobacco companies identified in the 2011 and 2012 manufacturer ingredient reports. Changes in terms of main brand and variant number between 2011 and 2012 are underlined and highlighted in italics.

Table 1 reveals that the brands and associated variants for the big 3 tobacco manufacturers underwent several modifications between the annual ingredient reporting

periods that ended in March 2011 and March 2012. As illustration, while ITA removed the Superkings brand Philip Morris introduced the new brand Bond Street with 6 variants. The other manufacturers also added to their variant ranges of their main brands - BATA for Pall Mall and Winfield, and ITA for John Player Special (JPS).

Table 1: The big 3 tobacco manufacturers' brands and associated variants from the 2011 and 2012 annual ingredient reports for reporting periods ending 1 March 2011 and 1 March 2012.

Company	Ingredient reports 2010-2011			Ingredient reports 2011-2012		
	Brand & variant numbers	Brand total	Variant total	Brand & variant numbers	Brand total	Variant total
BATA	Benson & Hedges (6) Cambridge (2) Craven A (2) <i>Dunhill (13)</i> Holiday (9) Kent (6) Kool (1) <i>Pall Mall (10)</i> Rothmans (1) Stradbroke (8) Vogue (2) Wills (2) <i>Winfield (12)</i>	13	74	Benson & Hedges (6) Cambridge (2) Craven A (2) <i>Dunhill (10)</i> Holiday (9) Kent (6) Kool (1) <i>Pall Mall (12)</i> Rothmans (1) Stradbroke (8) Vogue (2) Wills (2) <i>Winfield (17)</i>	13	78
PM	Alpine (8) Choice (5) GT (3) L&M (1) Longbeach (11) Marlboro (10) Peter Jackson (13)	7	51	Alpine (8) <i>Bond Street (6)</i> Choice (5) GT (3) L&M (1) Longbeach (11) Marlboro (10) Peter Jackson (13)	8	57
ITA	Brandon (5) Classic (1) Davidoff (5) <i>Escort (9)</i> Horizon (8) <i>JPS (9)</i> Peter Stuyvesant (3) Red Fortune (1) <i>Superkings (4)</i>	9	45	Brandon (5) Classic (1) Davidoff (5) <i>Escort (7)</i> Horizon (8) <i>JPS (11)</i> Peter Stuyvesant (3) Red Fortune (1)	8	41
Total	-	29	170	-	29	176

Source: Manufacturer ingredient reports - British American Tobacco Australia Limited 2011; 2012, Imperial Tobacco Australia Limited, 2011; 2012, Philip Morris Limited 2011; 2012.

Table 2 provides a comparison of Australia's 12 leading brands' variant ranges in 2011 and 2012. Again changes, this time in terms of variant names, are underlined and highlighted in italics. Numbers of variant deleted or introduced overall in 2012 are provided in the last two rows of the table.

Table 2: The leading 12 Australian cigarette brand variants from the 2011 and 2012 annual ingredient reports for the reporting periods ending 1 March 2011 and 1 March 2012.

Company	Brand	Variant names & total 2010-2011		Variant names & total 2011-2012				
BATA	Winfield	Blue	Optimum Night	12	Blue	<u>Optimum Crush Night</u>	17	
		Cool Menthol	Optimum Sky		Cool Menthol	<u>Optimum Crush Sky</u>		
		Gold	Red		<u>Easy Flow Silver</u>	Optimum Night		
		Menthol	Silver		<u>Easy Flow Sky Blue</u>	Optimum Sky		
		Optimum Charged	Sky Blue		<u>Easy Flow Ultimate</u>	Red		
		Optimum Clear	Ultimate		Gold	Silver		
					Menthol	Sky Blue		
					Optimum Charged	Ultimate		
					Optimum Clear			
Benson & Hedges	Classic	Smooth		6	Classic	Smooth	6	
		Subtle			Fine	Subtle		
		Ultimate			Rich	Ultimate		
Holiday	Bright Blue	Rich Red		9	Bright Blue	Rich Red	9	
		Sea Green			Cool Blast	Sea Green		
		Sun Gold			Cool Chill	Sun Gold		
		Warm Purple			Cool Frost	Warm Purple		
					Dawn Grey			
Dunhill	Chilled	<u>International Blue</u>		13	<u>Blonde</u>	Fine Cut White	10	
		<u>International Menthol</u>			Chilled	Frosted		
		<u>International Red</u>			Distinct	Infinite		
		Premier			Fine Cut Burgundy	Premier		
		Refined			Fine Cut Navy	Refined		
		<u>Top Leaf</u>						
Pall Mall	Amber	Slims Blue		10	Amber	Slims Amber	12	
		Slims Green			Blue	Slims Blue		
		Slims Purple			Green	Slims Green		
		Slims Red			<u>Krystal Blast</u>	Slims Purple		
		Slims Silver			<u>Krystal Storm</u>	Slims Red		
				Red	Slims Silver			
PM	Longbeach	Menthol		11	Deep Blue	Menthol	11	
		Original Flavour			Filter	Original Flavour		
		Rich Flavour			Fine Flavour	Rich Flavour		
		Select			Fine Silver	Select		
		Smooth Flavour			Finesse	Smooth Flavour		
					Fresh Menthol			
Peter Jackson	Blue	Select Blend Full Flavour		13	Blue	Original	13	
		<u>Select Blend Smooth Flavour</u>			Fine	Rich		
		Silver			Finesse	Select Blend Full Flavour		
		Smooth Blue			Gold	Silver		
		Supreme			<u>Hybrid Rich Dual Flavour</u>	Smooth Blue		
		Virginia			Menthol	Supreme		
Marlboro	Blue pack	Ice Blast		10	Ice Chill	Ice Chill	10	
		Ice Chill			Fresh Chill	Menthol		
		<u>Gold pack</u>			Gold Advance	Red pack		
		Red pack			Gold Original	Silver pack		
		Silver pack			Ice Blast	<u>Silver Fine Scent</u>		
Choice	Fine Flavour	Rich Flavour		5	Fine Flavour	Rich Flavour	5	
		Menthol			Full Flavour	Menthol		
					Original Flavour			
ITA	Horizon	Purple		8	Blue	Purple	8	
		Red			Menthol Blue	Red		
		White			Menthol Yellow	White		
		Yellow			Orange	Yellow		
	Peter Stuyvesant	Classic	Fine		3	Filter	Fine	3
John Player Special	Blue	Superkings Blue		9	Blue	<u>Superkings Gold</u>	11	
		Superkings Menthol			Gold	Superkings Menthol		
		Superkings Red			Menthol	<u>Superkings Silver</u>		
		Superkings Sky Blue			Red	Superkings Red		
					Silver	Superkings Sky Blue		
					Superkings Blue			
Total				109			115	
Deleted since 2011							6	
New since 2011							12	

Source: Manufacturer ingredient reports - British American Tobacco Australia Limited 2011; 2012, Imperial Tobacco Australia Limited, 2011; 2012, Philip Morris Limited 2011; 2012.

Table 2 shows that 12 out of a total of 115 variants amongst the leading 12 cigarette brands were new in the 2011-2012 reporting period. Furthermore 6 variants that were present in the 2010-2011 ranges were deleted from the 2011-2012 brand variant ranges.

## 5.0 Discussion and conclusions

The findings reveal that the leading tobacco companies are not only able to introduce new variants to Australia, but also new brands. Overall, the variant ranges for the leading cigarette brands are actually expanding. Introducing new brands and in particular the introduction of new variants helps to maintain a degree of novelty and vibrancy associated with the main cigarette brands. This is important for tobacco companies in terms of new product development and in order to maintain interest in the category.

The brand portfolio changes identified in this research occurred during a time when increasingly severe tobacco marketing regulations were being imposed in Australia. The research should therefore stimulate discussion on how new variants and brands continue to be marketed in an environment with increasing marketing restrictions.

## References

- Australia Government, (2000). *Voluntary Agreement for The Disclosure of the Ingredients of Cigarettes, December 2000*  
[http://www.health.gov.au/internet/main/publishing.nsf/Content/417E95914EBD1E5DCA25774D000FF086/\\$File/agreement.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/417E95914EBD1E5DCA25774D000FF086/$File/agreement.pdf)
- Australia Government (2012). *World leading plain packaging laws given a clean bill of health*, media release, 15 August,  
<http://www.health.gov.au/internet/ministers/publishing.nsf/Content/mr-yr12-tp-tp070.htm>
- Binesh, F., (2011). The importance of cigarette pack as brand image. *International Business Management*, 5(2), 85-90.
- British American Tobacco Australia Limited (2011). *Australia ingredients report 1 March 2010 – 1 March 2011*,  
[http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/\\$File/BATA%2011.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/$File/BATA%2011.pdf) (accessed 3 June 2013).
- British American Tobacco Australia Limited (2012). *Australia Ingredients Report, 1 March 2011–1 March 2012*.  
[http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/\\$File/pmorris12.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/$File/pmorris12.pdf) (accessed 3 June 2013).
- Carter, O.B.J., Mills, B.W., Phan, T., & Bremner, J.R. (2011). Measuring the effect of cigarette plain packaging on transaction times and selection errors and in a simulation experiment. *Tobacco Control*. Sep 26.
- Cunningham, R. (1996). *Smoke & Mirrors: The Canadian Tobacco War*. International Development Research Centre. [http://www.idrc.ca/en/ev-28826-201-1-DO\\_TOPIC.html](http://www.idrc.ca/en/ev-28826-201-1-DO_TOPIC.html).
- Euromonitor International (2012). *Country report, Cigarettes in Australia*, Available from:  
<http://www.euromonitor.com/tobacco>
- Freeman, B., Chapman, S., & Rimmer, M. (2008). The case for the plain packaging of tobacco products. *Addiction*;103(4):580–90.

- Freeman, B., Gartner, C., Hall, W., & Chapman, S. (2010). Forecasting future tobacco control policy: where to next? *Australian and New Zealand Journal of Public Health*, 34(5): 447-450.
- Germain, D., Wakefield, M. A., & Durkin, S. J., (2010). Adolescents' perceptions of cigarette brand image: Does plain packaging make a difference? *Journal of Adolescent Health*, 46(4), April, 385-392.
- Goldberg, G.E., Liefeld, J., Kindra, G., Madill-Marshall, J., Lefebvre, J., Martohardjono, N., & Vredenburg, H. (1995). *When Packages Can't Speak: Possible Impacts of Plain and Generic Packaging of Tobacco Products*. Expert panel report prepared at the request of Health Canada. March.
- Hammond, D., Arnott, D., Dockrell, M., Lee, A., & McNeill, A., (2009). Cigarette pack design and perceptions of risk among UK adult and youth. *European Journal of Public Health*, 19(6), 631-637.
- Hoek, J., Wong, C., Gendall, P., Louviere, J., & Cong, K., (2010). When Less Is More: Branding, Plain Packaging and Young Adult Smokers, *ANZMAC 2010 conference proceedings*, Australia and New Zealand Marketing Academy Conference, Christchurch, New Zealand, 29 November – 1 December, (accessed 13 July 2011)
- Imperial Tobacco Australia Limited (2011). *Australia ingredient report by brand variant ingredients list, For Reporting Period 2nd March 2010 to 1st March 2011*. [http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/\\$File/Imperial%2011.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/$File/Imperial%2011.pdf) (accessed 3 June 2013).
- Imperial Tobacco Australia Limited (2012). *Australia Ingredients Report, By Brand Variant Ingredients List, For Reporting Period 2nd March 2011 to 1st March 2012*. [http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/\\$File/Imperial12.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/$File/Imperial12.pdf) (accessed 3 June 2013).
- Moodie, C., Stead, M. Bauld, L., McNeill, A., Angus, K., Hinds, K., Kwan, I., Thomas, J., Hastings, G., & O'Mara-Eves, A. (2012) *Plain Tobacco Packaging: A Systematic Review*, Public Health Research Consortium, published by the Open University [http://phrc.lshtm.ac.uk/papers/PHRC\\_006\\_Final\\_Report.pdf](http://phrc.lshtm.ac.uk/papers/PHRC_006_Final_Report.pdf)
- Philip Morris Limited (2011). *Australia Ingredients Report by Brand Variant Ingredients List, For Reporting Period (March 1, 2010 to March 1, 2011)* [http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/\\$File/pmorris%2011.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/$File/pmorris%2011.pdf) (accessed 3 June 2013).
- Philip Morris Limited (2012). *Australia Ingredients Report, by Brand Variant Ingredients List, For Reporting Period (March 1, 2011 to March 1, 2012)*. [http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/\\$File/pmorris12.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/$File/pmorris12.pdf) (accessed 3 June 2013).
- Rowley, S. (2011). *Tobacco Product Manufacturing in Australia*, IBISWorld Industry Report C2190.
- Shanahan, P., & Elliott, D., (2009). *Evaluation of the Effectiveness of the Graphic Health Warnings on Tobacco Product Packaging 2008*, Australian Government Department of Health and Ageing, Canberra. [http://www.health.gov.au/internet/main/publishing.nsf/content/F22B9115FD392DA5CA257588007DA955/\\$File/hw-eval-full-report.pdf](http://www.health.gov.au/internet/main/publishing.nsf/content/F22B9115FD392DA5CA257588007DA955/$File/hw-eval-full-report.pdf) (accessed 3 June 2013).
- Wakefield, M., Germain, D., & Durkin, S. J., (2008). How does increasingly plainer cigarette packaging influence adult smokers' perceptions about brand image? An experimental study *Tobacco Control*, 17, 416–421.
- Wakefield, M., Germain, D., Durkin, S., Hammond, D., Goldberg, M. and Borland, R. (2012), Do larger pictorial health warnings diminish the need for plain packaging of cigarettes? *Addiction*, 107, 1159–1167.