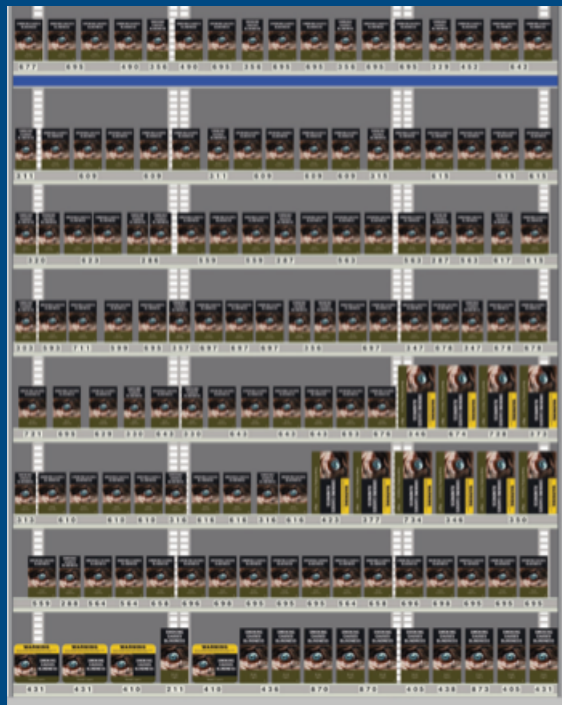


Standardised (plain) packaging for tobacco products:

What to expect when products look the same

by removing the many advantages of branding



Effect on consumption - unknown

Reducing branding is a significant, unproven market intervention risking widespread consequences.

- Policy risk:**
- No cut in consumption
 - Damaging impact in other areas

- Lessons from Australia:
- Rise in young people smoking¹
 - Decline in smoking not accelerating²

Greater focus on price

With products looking the same, people over time may consider them to be the same.

- Policy risk:**
- Choices driven by price may well lead to more consumption

- Lessons from Australia:
- Rise in sales of low price products³
 - Roll-your-own more popular

Rise in illegal imports

If branded packs are preferred, imports of such packs from Europe can be expected to rise.

- Policy risk:**
- Reduced policy effect with loss of duty revenue
 - Age controls less effective

- Lessons from Australia:
- A significant rise in illegal tobacco⁴

Rise in counterfeit products

A greater focus on price, easier-to-fake packs and fakes harder to spot by the public help counterfeiters.

- Policy risk:**
- More people consuming low quality, dangerous products
 - Age controls less effective

- Lessons from Australia:
- A significant rise in illegal tobacco⁴

Innovation only on price

Quality, reputation or new product benefits cannot be communicated, leaving price as focus for competition.

- Policy risk:**
- People deprived of safer, better products

- Lessons from Australia:
- No evidence yet as this would be a long-term effect

Rise in illicit products

If branded packs are preferred, 'illicit whites'⁵ are likely to become more popular and prevalent

- Policy risk:**
- Reduced policy effect with loss of duty revenue
 - Age controls less effective

- Lessons from Australia:
- A significant rise in illegal tobacco⁴



Reducing branding so significantly carries high risks and the effects are unknown.

We urge policy to be based on reliable evidence and focused on policy goals.



Standardised (plain)
packaging for
tobacco products:

What is to be learned from Australia?



Footnote 1 - Rise in young people smoking

Youth smoking rates increased by 36% between 2010 and 2013, despite the introduction of standardised packaging in December 2012.

Source: Australian Institute for Health and Welfare

Footnote 2 - Standardised packaging has not reduced the smoking rate

1. Research shows monthly figures for adult (18+) smoking rate in long-standing decline trend that has not accelerated since the introduction of standardised packaging. In fact, the trend for the year 2013 shows a 1.8% annual increase.

Source: Ray Morgan Research

2. Sales data demonstrates that legal volumes of tobacco increased by the equivalent of 59 million sticks in the first 12 months following the implementation of plain packaging. This reversed a multi-year trend of volume decline: between 2004 and 2012 the volume of factory-made cigarettes and roll-your-own/loose tobacco sold in Australia declined at an average rate of 3.0% per year. Data from 2014 indicates that, after an excise increase in late 2013, volumes have recently reverted to this trend.

Source: InfoView Technologies Pty

Footnote 3 - Trading down in tobacco sales

Between 2012 and 2014 the market share of premium and mid-price tobacco products declined from 68.4% to 55.5%. Meanwhile the share of deep discount and low price products rose from 31.7% to 44.5%

Source: InfoView Technologies Pty

Footnote 4 - The rise in illegal tobacco

Volumes of illegal tobacco have increased significantly since the introduction of standardised packaging. From 2012 to 2014, the annual consumption of illegal tobacco increased by 500,000 kilograms.

In 2012, illegal tobacco stood at 11.5% of total tobacco consumption. By mid-2014 it represented 14.3% of the market, which is an increase of nearly 25%.

(Illegal tobacco includes illegal imports, illicit whites and counterfeits)

Source: KPMG Report: Illicit tobacco in Australia, 2014

Footnote 5 - Illicit whites

'Illicit whites', a feature of the Australian market, are products not legally available in the local market, though possibly legal at the point of manufacture. They may look like a type of branded product but are often made exclusively for smuggling.

About this report

The Anti-Counterfeiting Group campaigns for recognition of the economic and social cost of counterfeiting. It has 140 members of which 4 are tobacco companies.

The British Brands Group champions brands in the UK. It has 38 members of which 3 are tobacco companies. Published March 2015.



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