

Chapter 15

Marketing of Tobacco Products in Australia: Dealing with the Emerging Regulations

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EXECUTIVE SUMMARY

Liberal western, democratic traditions provide ‘freedom of choice’ to consumers. This doctrine is also extended to commercial organisations in developing their marketing and promotional strategies. Some products, tobacco in particular, have continued to attract a high level of social and legislative scrutiny in the industrialised countries. There is an argument that tobacco products are excessively harmful to the society—particularly the vulnerable and disadvantaged. As a result governments have a bigger responsibility and a significant role to play in regulating such goods and services. The Australian Federal Government has recently introduced a bill into Parliament. It aims to lay down very stringent guidelines and restrict the promotional options for tobacco product marketing in Australia. This real and evolving case study looks into the challenges faced by the marketers.

BACKGROUND

Tobacco is one of the most widely used addictive substances in the world. On April 6, 2011 Federal Health Minister of Australia Ms Nicola Roxon released the Government’s draft legislation which would require tobacco companies to sell cigarettes in plain packaging (Jerga 2011). This has caused considerable anxiety within the tobacco industry.

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The initial assessment of the proposed legislation suggests that it will be an enormous threat to the tobacco industry which is still dealing with the stringent rules introduced by the previous governments. In brief, the proposed rules will not permit any company logos on cigarette packaging. Furthermore new rules also require all cigarette packages to prominently display large graphic photos of the physical damage caused by smoking. All cigarette packing irrespective of the manufacturer will be in 'olive green' colour. Research available to Federal Government has shown 'olive green' to be the least attractive colour for smokers. The warnings on cigarette packaging would cover more than 90 percent of space on the front of the packs, and 75 percent of the back.

TOBACCO INDUSTRY-A QUICK SNAPSHOT

The tobacco industry has had an interesting and often controversial history both globally and in Australia. Tobacco growing commenced during Australia's early years of settlement. By the 1820s tobacco was cultivated by farmers in the Hunter Valley region of New South Wales. In recent years the volume of commercial tobacco farming has declined quite considerably in Australia (Tobacco Industry In Australia).

Despite the predictions of 'doom and gloom' often reported in the western press, tobacco industry globally expects an expansion of the tobacco demand in the next few years. The increases in overall consumption are expected to emerge largely from the developing nations, while consumption in the industrialised countries will be static or in decline.

In all the countries surveyed, the biggest growth is expected to be in Zimbabwe, followed by Côte d'Ivoire, Brazil, Morocco, Venezuela, Pakistan, United Republic of Tanzania, and Bangladesh. The greatest decline is expected in New Zealand, followed by the UK, South Africa, Hong Kong, Australia, Singapore, and Finland (WHO, 2002).

On the supply side China, India, Brazil, and the US are the top four tobacco producers in the world. By global standards Australia was never a major tobacco producer by volume. The size of its consumer market in absolute terms also has been small. However it is important to note that per-capita consumption of tobacco in Australia has been consistently quite high. Despite the much publicised health risks associated with tobacco consumption, albeit mostly in the western countries, it is estimated that a billion adults worldwide make the choice to smoke.

Five firms dominate the global tobacco industry (apart from the state owned Chinese organization operating in China), Philip Morris International, British American Tobacco, Japan Tobacco, Altria, and Imperial Tobacco. In most coun-

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