Plainly Powerful Packaging – Marketing Objectives of Cigarette Pack Design

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Abstract

This paper examines the role of pack design in cigarette marketing. Rather than using primary research it relies upon historical, as well as contemporary, publicly available tobacco industry reports and data. These secondary sources allow the specific marketing objectives of cigarette packaging design from the tobacco industry perspective to be established. The findings debunk the myth that ‘plain packaging won’t work’ being promoted by tobacco companies in relation to Australia’s proposed 2012 plain packaging legislation and reveal their expertise in using pack design as the critical element of their marketing mix.

Introduction & Rationale

The paper discusses the marketing objectives of cigarette pack design in relation to proposed plain packaging legislation. As Freeman et al. (2008) indicate “Research on the effects of plain packaging is small … Plain packaging remains an important but under explored part of comprehensive tobacco control legislation.” The subject also warrants further investigation as consumers, particularly those in Australia, may be confused by mixed messages about the likely impact of plain packaging upon cigarette consumption (e.g., AAR, 2011; ASH, 2011). Academic research in this area is written predominantly with a health focus for health related journals (e.g., Germaine et al. 2010; Wakefield et al. 2008). A smaller number of studies investigate the topic specifically in terms of marketing (e.g., Binesh, 2011; Hoek et al. 2010). While contemporary tobacco market research reports remain largely confidential and companies do not intentionally reveal their marketing strategies or significant expenditure on pack design research, considerable insights can be gained by examining historical, publicly available industry related data.

After initially introducing tobacco legislation perspectives and the plain packaging debate, the research methodology and findings are presented.

Perspectives on Tobacco Industry Legislation

The tobacco industry boasts some of the world’s most recognisable brands. It is highly profitable and total value sales increased by 8% in 2010 (Euromonitor 2011). For the Asia Pacific (APAC) region growth has also been rapid, with British American Tobacco (BAT) recording a 24% increase in APAC profits 2008 to 2009 (BAT 2010). Tobacco generates significant government revenues, as well as employment for thousands of people around the globe (BAT 2011). However, given public health concerns many governments have longstanding restrictions on tobacco marketing. Such regulation tends to be much stricter in developed countries compared to emerging ones and internationally a broad spectrum of tobacco controls coexist. At one extreme are countries like Bhutan with a total ban on tobacco sales (Reuters 2011) and Iceland with its proposal for prescription only cigarettes (Pidd 2011). Compare these to Indonesia with its well publicized chain smoking two year old and minimal
regulation (Epstein 2011). As with the variety in legislation equally diverse perspectives and opinions regarding these controls can also be found. Key supporters of regulation come from government and non-government health groups (e.g., ASH 2011). Unsurprisingly major protestors come from the tobacco industry, as well as related stakeholders and businesses. Public opinion in Australia, and indeed globally, reportedly supports controls (e.g., Metherell, 2011). However, given the strong emotive themes invoked by tobacco related illnesses and mistrust of big business it may be difficult to accurately gauge levels of opposition. There may well be some reluctance for consumers, as well as marketing professional associations, to comment on this contentious topic. Some berate the nanny state mentality and view tobacco legislation as draconian, impinging upon freedom of choice and personal responsibility. This theme is also used in some industry protests (Moodie, 2011). Tobacco legislation is clearly a relevant topic for debate amongst marketers and related professional associations, particularly in relation to the potential for restrictive practices being passed onto other categories: Should similar legislation against other global brands with public health concerns such as Coca Cola, McDonalds, Nokia, Budweiser and Shell to name but a few, also be anticipated?

Plain Packaging

Packaging has become more important to cigarette marketing as developed markets adopt increasingly prohibitive policies relating to pricing and promotion. In 2011 Australia became a focus of world media in relation to proposed plain packaging regulation. Bans on tobacco retail displays were already in place in some states and packaging legislation outlawing the use of colours, company logos and brand images, other than the brand name in a standard font, was set for implementation by July 2012 (Australian Government 2011). In response the big three cigarette manufacturers bankrolled the Alliance of Australian Retailers (AAR) campaign that presents numerous ads across TV, radio, press, and online media. The main advertising strap-line is “the Government has no real evidence that the plain packaging of cigarettes will work.” (AAR 2011). Other messages relate to plain packs creating confusion for consumers and retailers; a likely increase in counterfeit products and resulting loss of government taxes. One industry report (Padilla 2010) even predicts an increase in smoking since tobacco companies will reduce prices as this will be the only variable in the marketing mix left for them to manipulate. Regardless of standpoint on tobacco regulation given the mixed messages, public confusion surrounding the likely impact of plain cigarette packaging is to be expected. Consumers more readily understand the impact of price and promotion upon their consumption behaviour, but are less aware of the effects of subtler elements of the marketing mix such as packaging. Part of the issue is that it is difficult to empirically prove links between expenditure on pack design and actual sales. Furthermore, few government spokespeople have coherently explained the significance of packaging in the marketing of tobacco products. At one point the Australian government opposition party appeared to be against the packaging legislation (Hayes 2011), adding further to public confusion.

Research Methodology

The research relies on secondary data collected through online search of documents from the tobacco industry, government resources, as well as media and academic journals. The main source of industry material is Tobacco Documents Online which provides an archive of millions of pages of company papers and reports. These were made publicly available as part of the Masters Settlement Agreement between US States and tobacco companies in relation to health law suits (Redhead, 1999). Document collections from the archive relating to pack and
pricing, as well as product design were the main focus of search. In particular reports, briefs and memorandums relating to packaging market research were sought. While some academics may dismiss using industry market research documents on the grounds of reliability, other studies have used them (e.g., Freeman et al., 2008; Wakefield et al. 2002). These sources provide details of the methodologies used to develop pack designs, as well as cigarette packaging marketing objectives. While most publicly available documents are historical, with many dating from the 1990s and earlier, they can still provide insights into contemporary packaging strategies. Their use is also valid since they can corroborate, or otherwise, the research findings of academic studies researching the impact of contemporary cigarette packaging on consumer behaviour (e.g., Germain et al. 2010; Hammond et al. 2009; Hoek et al. 2010; Wakefield et al. 2006; Wakefield et al. 2008)

**Exploratory Findings**

**Functional Pack Design Objectives**

Packaging related tobacco industry reports and research, such as Arthur D. Little Inc. 1963; Philip Morris, 1992) reveal numerous practical or functional objectives for cigarette pack design (see Table 1). Consumers more readily appreciate utility characteristics of packaging compared to other more marketing oriented objectives.

<table>
<thead>
<tr>
<th>Content protection</th>
<th>Consumer convenience</th>
<th>Identification / information</th>
<th>Manufacturer convenience</th>
<th>Regulation compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tamper proof / security</td>
<td>Portability (pocket &amp; purse)</td>
<td>Manufacturer, brand &amp; variant</td>
<td>Facilitate efficient distribution</td>
<td>Health warnings</td>
</tr>
<tr>
<td>Protect against crushing</td>
<td>Ease of opening, closing, dispensing</td>
<td>Quantity / number of sticks</td>
<td>Facilitate retail display</td>
<td>Tar / nicotine content</td>
</tr>
<tr>
<td>Protect against drying, humidity, odours</td>
<td>Prevent sticks falling out</td>
<td>Inform when pack is running low</td>
<td>Prolong shelf life</td>
<td>Correct language</td>
</tr>
<tr>
<td>Maintain freshness once opened</td>
<td>Minimal garbage / litter</td>
<td>Strength / flavour</td>
<td></td>
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</tbody>
</table>

**Table 1 Functional design objectives for cigarette packaging**

**Marketing Pack Design Objectives**

While functional requirements of packaging are important, achieving other specific marketing objectives is more so. As Arthur D. Little Inc. (1963) indicates “The primary job of the package is to create a desire to purchase and try.” Another key objective is to appeal to the various motivations for smoking, which tobacco companies strive to understand (e.g., BAT 1984; Research International 1993). These include motives such as arousing curiosity in non smokers, reducing negative associations of smoking (limiting motivational conflict), promoting self confidence (Brown and Williamson Tobacco Corporation, 1984), even using packaging characteristics to enhance ritual pleasures associated with smoking (e.g., Arthur D. Little Inc., 1963). Key non utility related marketing objectives of cigarette packaging are inherently linked to micro market segmentation and the generation of designs that offer maximum appeal to the specific segments therein.

Rather than providing one offering to the whole market tobacco companies adopt a highly differentiated marketing approach. As Kotler et al. (2009) indicate “Differentiated marketing
typically creates more total sales than undifferentiated marketing.” In this respect cigarette companies are no different to other multinationals dissecting their markets across an array of segmentation variables. As Michael Amoroso Inc. 1985 explains “to compete effectively in this market as it is now evolving, it is necessary to segment smokers on the basis of all the elements which influence an individual’s brand choice.” Historical tobacco industry reports reveal insights to these dimensions, many of which are of course interrelated. Once segments are identified they then form the focus of extensive packaging design research that seeks to develop designs with the optimum appeal to the targeted group (see Table 2). In this manner packaging becomes the key element in the marketing mix that differentiates one brand form another.

<table>
<thead>
<tr>
<th>Broad Approach</th>
<th>Segmentation Variable</th>
<th>Examples of Variable in Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic</td>
<td>Gender</td>
<td>Michael Amoroso Inc. 1985; Philip Morris USA 1985; P. Lorillard &amp; Co. (undated)</td>
</tr>
<tr>
<td></td>
<td>Age: especially young adults</td>
<td>Brown and Williamson Tobacco Corporation 1992; Philip Morris USA 1985</td>
</tr>
<tr>
<td></td>
<td>Race / ethnicity</td>
<td>Brown &amp; Williamson Tobacco Corporation 1985; P. Lorillard &amp; Co., (undated)</td>
</tr>
<tr>
<td>Geographic</td>
<td>International vs. local</td>
<td>Philip Morris USA 1985</td>
</tr>
<tr>
<td></td>
<td>Regions &amp; cities</td>
<td>P. Lorillard &amp; Co., (undated)</td>
</tr>
<tr>
<td>Motivation &amp; psychographic</td>
<td>Values &amp; motivation</td>
<td>Michael Amoroso Inc. 1985; Research International 1993</td>
</tr>
<tr>
<td></td>
<td>Smoking attitudes &amp; motives</td>
<td>Philip Morris 1961; P. Lorillard &amp; Co., (undated)</td>
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<td></td>
<td>Personality</td>
<td>Michael Amoroso Inc. 1985</td>
</tr>
<tr>
<td></td>
<td>Self perception &amp; aspirations</td>
<td>P. Lorillard &amp; Co., (undated)</td>
</tr>
<tr>
<td>Consumption behaviour</td>
<td>Smoker type: smoker, potential, lapsed / quitter</td>
<td>BAT 1984</td>
</tr>
<tr>
<td></td>
<td>Pack size / stick number</td>
<td>Philip Morris 1982b</td>
</tr>
<tr>
<td></td>
<td>Pack format: soft vs. flip top</td>
<td>Philip Morris USA 1985; Philip Morris USA 1985b; P. Lorillard &amp; Co., (undated)</td>
</tr>
<tr>
<td></td>
<td>Stick size</td>
<td>Philip Morris 1982b; Michael Amoroso Inc. 1985</td>
</tr>
<tr>
<td></td>
<td>Brand</td>
<td>Philip Morris USA 1985</td>
</tr>
<tr>
<td></td>
<td>Price</td>
<td>Philip Morris 1982; Michael Amoroso Inc. 1985</td>
</tr>
<tr>
<td></td>
<td>Cigarette consumption</td>
<td>P. Lorillard &amp; Co., (undated)</td>
</tr>
<tr>
<td></td>
<td>Product type: taste &amp; tar levels</td>
<td>Philip Morris USA 1985</td>
</tr>
<tr>
<td></td>
<td>Retail channel / point of sale</td>
<td>Willmark Research Corporation 1984</td>
</tr>
<tr>
<td></td>
<td>Media consumption</td>
<td>Michael Amoroso Inc. 1985</td>
</tr>
</tbody>
</table>

Table 2 Cigarette market segmentation and examples of segments examined in tobacco industry documents with implications for pack design

The industry research frequently involves experimental packs and evaluating responses to minor variations. For example, Philip Morris (1985c.) describes a project researching 15 experimental packs using qualitative discussion, as well as quantitative ratings. Respondents for such research are carefully selected to represent key segments. Packaging research findings consistently suggest that different consumer segments prefer different design configurations (e.g., Brown and Williamson Tobacco Corporation 1985: Philip Morris 1985c.) This quirk of consumer behaviour helps to explain why globally BAT has more than 200 brands and brand variants (BAT 2011). BAT (2010b) in its ingredient report for the Australian Government lists over 70 brand variants. Some 17 of these variants are listed under the Dunhill umbrella brand name. The variants have unique pack designs that are differentiated in some way from the myriad other on offer. The variation in pack design
expands further when stick numbers, with packs of 10s, 20s, 25s, 40s, as well as larger cartons, are taken into account. In this manner cigarette manufacturers practise a strategy of micro market segmentation using pack design as the primary vehicle for appealing to the many different market segments. It is in the extent to which the tobacco industry segments its markets where it differs from most other multinational businesses.

The numerous marketing objectives of pack designs seek to achieve, revealed in the industry research related reports, cannot all be included in this short paper. However, other key aspects include: Maximising sensory appeal of packaging to the to specific segment through research manipulating components of the pack design such as colour, materials, textures, lettering, bordering, holograms, even the sound the wrapper makes. (e.g., R.J. Reynolds Tobacco Company, 1979 & 1983); Maximising packaging’s emotional appeal and brand values that match the targeted group’s self concept in terms of modernity, masculinity, femininity, sophistication, boldness, etc. (e.g., Michael Amoroso Inc. 1985; Philip Morris, 1992); and maintaining packaging innovativeness with continually evolving designs, which among other things may reinforce smokers’ brand choice through perceived added value, as well as enhance the social appeal of smoking and increase recognition of the new packaging amongst peers (e.g., Philip Morris 1992).

**Conclusion**

This paper adds to the ongoing debate about tobacco plain packaging legislation with an investigation of the role of pack design in cigarette marketing. The study highlights the relevance of historical, publicly available industry related market research in understanding contemporary tobacco industry strategy. The analysis shows that tobacco companies have a sophisticated understanding of the crucial role played by pack design in marketing, perhaps more so than any other sector. This skill has developed as a direct result of restrictions imposed on other elements of their marketing mix. However, the relevance of pack design is something that consumers are less able to articulate. Tobacco companies have added to the general public’s confusion with media campaigns and communication that dispute and deny the impact of cigarette packaging, which raises further questions regarding the integrity and responsibility of the tobacco sector.

While it is likely that people will always smoke, plain packaging and reducing cigarettes to a generic brand status will dramatically reduce the capacity to market tobacco products; reduce the appeal of smoking and thereby also reduce the incidence of smoking. If Australia becomes the first country to implement plain packaging it sets a potentially devastating precedent for global tobacco industry profits, since cigarette manufacturers will not be able to market their brands effectively. With sales declining in mature, high-value markets, multinationals like British American Tobacco (BAT) have focused their efforts on developing countries, such as those in the Asia Pacific region (Euromonitor 2010; BAT 2010). Not only do these markets tend to have lenient tobacco legislation they have rapidly growing populations with increasing consumer spending power. Tobacco companies are certainly not unique in this endeavour with emerging markets being widely regarded as offering the greatest potential for future business growth (Baaack and Boggs, 2008; Lyons, 2008. However, a fall in tobacco sales in Australia due to the implementation of plain packaging will champion the case for similar legislation being adopted in these lucrative international markets.
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