Tobacco sends mixed smoke signals to drug chains
Tobacco is in the spotlight more than ever, and it's not a pretty picture for the tobacco industry—except maybe when Demi Moore has a cigar in her mouth.

With stunning speed, the once invincible tobacco industry has proven to be vulnerable. It all began in May 1994 when Mississippi's attorney general filed the suit seeking reimbursement for Medicaid costs for treating sick smokers. Eventually 29 states filed suits—and drove tobacco makers to the bargaining table.

In March, one of their own broke ranks. Tobacco manufacturer Liggett Group conceded what had long been thought, but never proven in court: Smoking is addictive and it does lead to disease. In the landmark settlement, Liggett agreed to label cigarette packages with the warning “smoking is addictive.” It is also obligated, among other provisions, to actively assist plaintiffs' counsel by providing internal documents, testimony and witnesses in future tobacco-related litigation.

Another landmark court decision occurred as a result of the tobacco industry's attempts to stave off President Clinton's moves to eliminate cigarette marketing and advertising to youths.

Instead of getting relief, a judge in the U.S. district court in North Carolina did uphold 18 as the nation's legal age for buying tobacco and the requirement of merchants to card tobacco buyers under the age of 27, a ruling merchants have been following since February.

Beyond that, the judge also ruled that tobacco and nicotine did fit the definition of a drug. The ruling was the first court backing of Food and Drug Administration regulation of tobacco as a drug. Tobacco makers did accomplish a few goals: The court decision stayed the ban on store counter displays holding tobacco product, FDA plans to label tobacco products as nicotine delivery systems, the virtual ban on cigarette vending machines, and the ban on Joe Camel from billboards, as well as the ban on sports sponsorships by tobacco companies.

**Implications for drug retailers**

The revelations by Liggett and the decision of the North Carolina judge that moves the nation toward the regulation of cigarettes as a drug, and a harmful one, intensifies a dilemma for the drug chain industry.

On the other hand, cigarettes provide a convenience demanded by a percentage of a drug chain's customers. In 1996, drug stores sold just over $2 billion in the category, up slightly from the year before according to exclusive Drug Store News research.

On the other hand, selling cigarettes is at odds with a drug store's wellness image—now more than ever. And soon it could become an illegal message.

Is all this negative media exposure about cigarettes changing the way drug chains handle their tobacco business?

So far, it looks like the answer is a resounding no. Most mass merchants, food retailers and major drug chains, such as Walgreens, American Drug Stores, CVS and Longs, sell cigarettes chainwide.

Whether to sell tobacco products is an individual chain decision, noted Phil Schneider, managing director of public affairs for the National Association of Chain Drug Stores. "Our objective is to work with our members and various regulatory agencies to ensure that onerous or burden-some regulations are not imposed on retail operations." He added, "You have to balance the public's demand for products that are legitimately available for retail sale."

Between 25 percent and 30 percent of the population smokes, a percentage that has remained virtually flat in recent years. Today, cigar sales are surging, spurred in part by consumer demand from baby boomers and advertising campaigns that make the product glamorous and sexy. Youth have responded to the message. A recent study released by the Centers for Disease Control and Prevention indicated that more than 25 percent of American high school students have smoked all or part of a cigar in the last year, and about 2.6 percent reported smoking at least 50.

Now that merchants are required to card all tobacco purchasers under the age of 27, a ruling upheld by the recent North Carolina district court decision, perhaps those statistics will diminish. At least that's what the Clinton administration is hoping, along with the establishment of 18 as the nationwide legal minimum age for purchasing tobacco products.

**Pockets of tobacco-free stores**

In a sweeping move last August, Target Stores (a division of Minneapolis-based Dayton Hudson Corp.) announced that it would discontinue the sale of cigarettes in all its 714 stores in 37 states. By the time the discounter made its announcement, about a quarter of its stores had already stopped selling cigarettes. According to Target, the tobacco ban was a business decision driven by declining profitability and increased capital requirements.

For more than a dozen years, the 18-store Drug Emporium franchise in Washington state have not sold tobacco products. "It was inconsis-tent with the business we were in," said presidenr Jeff Meder. It's not a fact the drug chain publicizes. "There are no signs, other than you come in and you don't find it," Meder said. It stores don't sell beer and wine either.

Dropping cigarettes means a loss of revenue but not always a loss of profit. Meder said that when he exited the cigarette business 15 years ago, "We owned the price side of the business as a discount operator so that was something else that helped us make the decision. It wasn't hurt-ly profitable."

A half dozen PayLess stores, in the Rite Aid Thrifty PayLess chain, do not offer cigarettes in some central California cities, including San Luis Obispo, three nearby communities (Atascadero, Morro Bay and Paso Robles) and two stores in Sacramento. Its first store in San Luis Obispo opened tobacco-free around four years ago.

But a reverse case for PayLess occurred when a test removing cigarettes from some of its Utah stores, which serve a health-conscious customer base that tends to avoid liquor and caffeine. When a substantial percentage of consumers requested cigarettes, they were reinstated.

**Outside pressure**

However, within the pharmacy profession signs of increasing pressure not to sell tobacco products in a pharmacy setting have appeared.

In March, the Washington State Department of Health voted to support the goals of a tobacco-free pharmacy campaign, which has been promoted by the Washington State Pharmacists Association since 1987. In its resolution, the state board urged all pharmacists to remove tobacco products from stores and health care facilities. Of course, this did not make it illegal to sell tobacco in drug stores, but it did create more public awareness.

In the future, some chains will decide to treat the decision to sell cigarettes on a market-by-mar ket basis. Some may treat it on a product-by-pro duct basis. Still others may choose a unilateral to-bacco-free policy such as the one at Target and the 20 Drug Emporium stores in the Northwest.

Until the government decrees otherwise, the drug channel's emphasis on customer conveni ence, and the arguable principles of choice and personal responsibility, remain at odds with a decision to remove tobacco products from the shelves of a drug store.