

LE DEVOIR

LE DEVOIR, LE LUNDI 26 OCTOBRE 2015

Tabac: des dépanneurs sous pression

Tobacco: convenience stores under pressure

[Translated by [CQCT](#)]

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Increasingly constrained by legislation, tobacco companies are now waging war convenience store by convenience store through “loyalty programs”. For some small owners, the situation has become unbearable.

Charlie (not his real name) has owned a small convenience store in Montreal for six years. Although rather shy by nature, he does not hesitate to call himself “*the slave*” of the tobacco companies. Like everyone interviewed for this report, he has requested anonymity for fear of retaliatory trade measures from tobacco manufacturers.

It all started around 2009-2010, he says, when tobacco giant Japan Tobacco International (JTI) started selling cartons of Macdonald Special cigarettes to certain retailers at a deep discount. Retailers could pay five or six dollars less a carton but, in exchange, they had to sell packs for less. For selected stores, the agreement was even more rewarding, since it allowed them to attract customers away from competitors in the neighborhood without a contract.

In 2011, Macdonald became the best-selling brand in Quebec. A short time later, Imperial Tobacco and Rothmans, Benson & Hedges (RBH) created their own loyalty program.

Since Charlie has a contract with RBH, he lives in fear of losing it “*If I sold less, they can cancel my contract,*” he said. “*If the representative comes around and asks me for something I have to do it. Otherwise, I will lose my contract.*”

Those without a contract are also under pressure, explains Robert (not his real name), another convenience store owner. “*We argue with customers all the time. I charge them \$9 a pack, but they can get it for \$8 elsewhere. They think I'm putting more money in my pockets.*”

Tired of fighting, Robert has resigned himself to it all. “*Now it's not as bad, I send customers to another store that sells them cheaper.*” In total, cigarettes account for one-third of Robert's revenue.

Le Devoir was able to see a few of these written agreements, which show the discount given to the retailer and the selling price. However, it does not say how many packs must be sold to maintain the contract. One thing is certain: retailers will not tempt fate.

Before any representatives come around, they will try to sell as many packs as possible of the brand under contract, sometimes selling it at a lower price, even at a loss. “*I'll tell the customer that if he buys this brand, I will sell it for even less, except it's at my own expense,*” says Robert.

In the past, RBH and JTI have also offered retailers contracts based on point systems and contests to win prizes, including trips down South. Beyond these options, the principle is always the same: the company offers cartons at a discount, but sets the selling price. More and more retailers are also being offered discounts for two-pack combos (so-called “duo-packs”) at a low price.

Previously, retailers would buy cartons from a wholesaler at the same price and sell them at a price of their choosing. But the tobacco companies now deliver their products themselves and send representatives to ensure that retailers adhere to their contracts.

The company line

Charlie and Robert are far from the only ones to complain about this situation. In 2010 and 2012, the Association of Chinese Convenience Stores organized demonstrations to denounce the practice outside the Imperial Tobacco's offices in Montreal. Contacted recently, members of the Association told the *Le Devoir* that nothing has been resolved and that the situation has even deteriorated. They did not want to be named in the article for fear of losing their contracts.

“*This is war, this is war, I can tell you that,*” said Yves Servais, President of the Association des marchands dépanneurs et épiciers du Québec, on the subject. Mr. Servais made those remarks on August 31st before the Parliamentary Committee on the revision of the Tobacco Act during a particularly tense exchange with PQ MNA Jean-François Lisée.

Mr. Lisée is preparing to propose amendments to Bill 44 aiming to outright ban these loyalty programs. He argues that these contracts may make people smoke more. “*Yes, there are loyalty programs for airlines and other companies, but this is a toxic product [...] This is clearly a way to circumvent the law and push convenience stores to commit an illegal act. Normally, they should not be pushing to sell cigarettes.*”

Imperial Tobacco is the only company to appear before the Parliamentary Committee, and responded to questions from Mr. Lisée about loyalty contracts. “*The only thing retailers can do is answer some factual questions from consumers,*” argued spokesperson Eric Gagnon. “*So if you're suggesting that Imperial Tobacco Canada, through partnership programs with retailers, incites people to smoke, that is completely wrong. What we do, with adults who have made a choice to smoke, is test our market share.*”

RBH is said to be “*proud of its relationships with retailers.*” Those who participate “*receive a special discount in exchange for a broader range of products, competitive prices and the guarantee of adequate inventory management,*” said the spokesperson contacted by *Le Devoir*. “*This is a common business practice for many industries.*”

At the Association québécoise des dépanneurs en alimentation (AQDA), we believe that the debate is not even relevant. “*Retailers benefit from more attention and support from tobacco companies than they do from Loto-Québec, the SAQ or credit card companies,*” argues AQDA spokesperson Guy Leroux. “*This is an attempt to exploit the fact that the tobacco industry is in the spotlight in the context of the adoption of a bill.*”

Some, however, take the AQDA's view with a grain of salt because it receives funding from tobacco companies. “*I asked them how much of their revenue comes from tobacco companies,*” says MNA Lisée. “*I got two answers: 'We do not know' and 'We do not want to tell you'.*”

At AMDEQ, however, the president conceded that it would be unfortunate if these agreements disappeared. To him, the problem lies mainly in the fact that the agreements particularly favour large stores, chain stores and service stations that have the most advantageous contracts.

This kind of practice, he says, is widespread for a growing number of products, be it beer or chips. Ultimately, it's the small independent convenience store model that is threatened, according to him.