

Case #10. The Czech Postal Service Rethinks Tobacco Sales

The **Czech Postal Service**, for the second time in a decade, is ending the sale of tobacco products in its branch network after a brief foray into sales of the goods that are a major cause of disease and death.

One year ago Ceska posta, as the state-owned company is called, quietly launched a pilot project to sell tobacco products, initially at just 40 of its branches to combat falling revenue amid growing competition from private courier companies and from electronic communications.

At the start of this year Ceska posta ramped up tobacco distribution to about 600 of its more than 3,100 locations.

In sparsely populated regions where there are few retail shops, post offices often sell sundries such as toothpaste, toilet paper or laundry detergents, as a public service without much criticism.

But as tolerance for smoking among the general population on the decline, it didn't take long for the backlash to hit.

Within two months of the wider sales push, pressure from the government, health ministry, NGO's and the public became untenable. [The postal service Friday started removing cigarettes from shelves and it will end all sales of tobacco products by the middle of the first week in March.](#)

"As the largest employer in the Czech Republic the [Postal Service] has a social responsibility to not promote smoking," the company's spokeswoman Marta Selicharova said Friday. Ceska posta employs 33,000 people in the nation of 10 million.

In the Czech Republic, 18,000 people die from smoking each year, while globally the figure is 6 million per year, according to the World Health Organization.

However, the postal service has already gone through this exercise. It launched its first round of tobacco sales in late 2004, only to face widespread charges it was making cigarettes even more widely available. It halted such sales in 2005, also citing health and social concerns.

Ceska posta earned 400 million koruna (\$20.2 million) in revenue last year from supplementary sales, which yielded 120 million koruna in profits. A total of 3% of revenue from supplementary sales came from cigarette sales, said Ms. Selicharova, the spokeswoman.

The Czech Ministry of Health and the WHO welcomed Friday's announcement.

“Accessibility to tobacco products is one of the major problems in the Czech Republic and therefore the decision of Ceska posta is a positive step,” said Dr. Alena Steflova, head of the WHO’s Czech office.

The postal service’s admission that state entities should not promote smoking may give a much-needed push to legislation drafted by the health ministry to ban smoking in bars, restaurants and other public places, Dr. Steflova said.

The bill was drafted by the previous government and the ministry, under new leadership for only about six weeks, does not yet have a timeline for when it will present the anti-smoking bill to the cabinet.

This move follows CVS, the United States’ second-largest pharmacy chain, on February 5 announcing it would stop selling all tobacco products by October, saying such goods have no place in a drugstore company that is trying to become more of a health-care provider.

[CVS estimates it will lose \\$2 billion in annual revenue from tobacco and other sundries as a result of the decision.](#)

- 1. compare and contrast the social contract of:**
 - a. The Czech Ministry of Health**
 - b. The Czech Postal Service**
 - c. The Czech Ministry of Finance (an implicit but unstated actor in the case)**

- 2. The case states, “Within two months of the wider sales push, pressure from the government, health ministry, NGO’s and the public became untenable (for Ceska Posta).”**
 - a. Draw a power diagram and using the power diagram and the departure point of a specific decision-making model for Ceska Posta drawn from Module 10, explain how Ceska Posta came to this decision.**