

Do tobacco companies have an incentive to promote harm reduction products? The role of competition

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Abstract

Background: Some cigarette companies have started to talk about replacing cigarettes with less harmful alternatives, which might include nicotine vaping products (NVPs), heated tobacco products (HTPs) and oral nicotine delivery products (ONDPs). We consider market competition as a primary driver of whether cigarette companies follow through on their stated intentions.

Methods: We focus on the behavior of cigarette companies in the US. We compare competition in the pre- and post-2012 time periods, analyze the impact of the growth in NVPs on smoking prevalence and cigarette company profits, and examine the potential future role of competition.

Results: Since 2006, consumers have broadened their use of non-combustible nicotine delivery products (NCNDPs) to include, inter alia, NVPs, HTPs and ONDPs. US cigarette companies have acquired major stakes in each of these product categories which corresponds to a period of rapidly declining adult smoking prevalence, especially among younger adults (ages 18-24 years). The shifting dynamics of the nicotine product marketplace are also reflected in cigarette company stock prices. While cigarette companies are likely to promote HTPs and ONDPs over NVPs, their incentives will be directly related to competition from independent firms, which in turn will depend on government regulation.

Conclusions: While cigarette companies will back alternatives to combusted tobacco when threatened by competition, the prospects for their lasting conversion to NCNDPs will depend on the extent of such competition, which will be influenced by government regulation of tobacco products.

Implications: Regulations that limit competition from independent firms while also protecting cigarette company profits risk slowing or even reversing recent declines in smoking, especially among youth and young adults. Regulations that reduce the appeal and addictiveness of combusted tobacco products, such as higher cigarette taxes or a reduced nicotine standard, will encourage smokers to quit and/or switch to less harmful non-combusted forms of tobacco. The regulation of non-combustible nicotine delivery products and cigarettes should be proportionate to their relative risks, so that smokers have incentives to switch from combustibles to safer alternatives, and cigarette companies have incentives to promote safer products.

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