

Cigarette purchasing behaviour in Thailand and Malaysia: Comparative analysis of a semi-monopolistic and a free-market structure

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Abstract

A wide range of cigarette prices can undermine the impact of tobacco tax policy when smokers switch to cheaper cigarettes instead of quitting. In order to better understand this behaviour, we study socio-economic determinants of price/brand choices in two different markets: a semi-monopolistic market in Thailand and a competitive market in Malaysia. The hypothesis that the factors affecting the price/brand choice are different in these two markets is analysed by employing a 2005 survey among smokers. This survey provides a unique perspective on market characteristics usually described only in business reports by the tobacco industry. We found that smokers in Thailand have fewer opportunities to trade down to save money on cigarettes, but pay lower prices than smokers in Malaysia, despite Thailand's higher tax rate. The Malaysian market, on the other hand, offers many possibilities to shop around for cheaper cigarettes. Higher income and education increase the price paid per cigarette in both countries, but the impact of these factors is larger in Malaysia. This has implications for sensitivity to cigarette prices. Using tax policy alone should be a more effective tobacco control measure in Thailand as compared to Malaysia. The effectiveness of a tax increase in Malaysia can be improved by adding programmes focusing on smoking cessation among low-income/low-educated smokers.

Keywords: cigarette prices; tax policy; monopoly vs. free market

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