

Tax, price, and cigarette brand preferences: A longitudinal study of adult smokers from the ITC Mexico Survey

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Abstract

BACKGROUND: Recent tax increases in Mexico differed in structure and provided an opportunity to better understand tobacco industry pricing strategies, as well as smokers' responses to any resulting price changes.

OBJECTIVES: To assess if taxes were passed onto consumers of different cigarette brands, the extent of brand switching and predictors of preference for cheaper national brands.

METHODS: Using data from three waves of the Mexican administration of the International Tobacco Control Survey, we analysed self-reported brand and price paid at last cigarette purchase. Generalised estimating equations were used to determine predictors of price and preference for national brands.

RESULTS: The average price of premium/international brands increased each year from 2008 to 2011; however, the price for discount/national brands increased only from 2010 to 2011. The percentage of smokers who smoked national brands remained stable between 2008 and 2010 but dropped in 2011. Factors related to smoking national brands as opposed to international brands included being male and having relatively older age, lower education, lower income and higher consumption.

CONCLUSIONS: Tobacco industry pricing strategies in the wake of ad valorem taxes implemented in Mexico prior to 2011 had the impact of segmenting the market into discount national brands and premium international brands. The specific tax increase implemented in 2011 reduced the price gap between these two segments by raising the price of the national brands relative to the international brands. Evidence for trading up was found after the 2011 tax increase. These results provide further evidence for the relevance of tax policy as a tobacco control strategy; in particular, they illustrate the importance of how specific rather than ad valorem taxes can reduce the potential for downward brand switching in the face of decreasing cigarette affordability.

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