



Advertising and Demand for Addictive Goods:
The Effects of E-Cigarette Advertising



Discussion: Anita Rao

What this paper does

- ▶ A big policy question that needs an empirical answer
 - ▶ Do E-cig Ads reduce/increase demand for cigs?

Reduce Demand



- Helps people quit smoking
- “Healthier” substitute to cigs

Increase Demand



- Acts as gateway to smoking
- Increases consumption of all cigs



What this paper does

- ▶ **Carefully done empirical analysis**
 - ▶ Nice application of identification strategy that separates out Ad effect convincingly
 - ▶ Goes further using individual-level data to quantify the effect



1. Does total consumption increase?

- ▶ Current data insufficient to answer this
 - ▶ Only a portion of E-cig sales captured
- ▶ Big Tobacco's incentives

Appeal to those who want to quit?

Or encourage smoking?

ARE YOU READY FOR THE NEW YEAR?
At \$1.00 an NJOY Daily E-Cig,
We'll Have You Ready in No Time!



USE CODE: **1DOLLARDAILY** **MAKE THE SWITCH >**

- Smaller market, ~\$1b
- Need clinical trials evidence



- Larger market, \$80b
- Technology shift – race to own category



1. Does total consumption increase?

- ▶ Suggestion: Use variation in brand positioning to see differential impact on total smoking
- ▶ V2, Blaze, Smoke Free, Simply Quit emphasize “quit”



- ▶ Blu emphasizes “continue”



2. Is a decline in cig consumption always good?

- ▶ **Not if heterogeneity plays a role**
 - ▶ Need to know if this is true across all sub-groups
 - ▶ E.g. Youth increases their consumption, other groups reduce consumption
- ▶ **Further research**
 - ▶ Are certain sub-groups influenced more?
 - ▶ Currently analysis impeded by coarse data



Thank You!

