

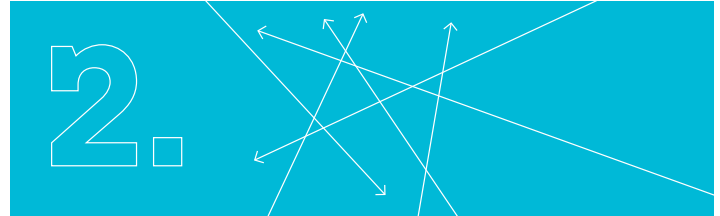
6 Ways the Industry Counters Tobacco Taxes

Taxing tobacco products is one of the most effective ways to reduce tobacco consumption. But it only works if the tax is passed onto consumers in the form of higher tobacco product prices.

Tobacco companies know this. To prevent people from quitting, they counter tobacco taxes with their own pricing strategies. Researchers identified six strategies used around the world:



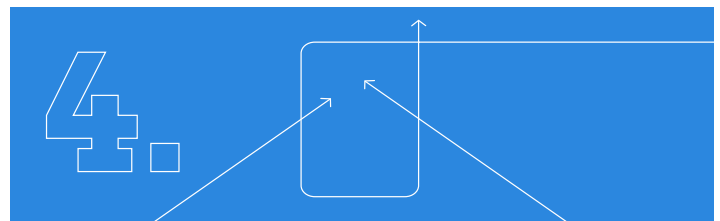
Differential “shifting” of taxes between brands/products: Tobacco companies may “undershift,” where tax increases are not fully passed onto customers. Prices may rise, but not by the full amount. Alternatively, tobacco companies may “overshift,” where they increase the price beyond the tax increase, most often on premium products.



Introducing new brands, variants, segments or products: Tobacco companies introduce cheaper brands or products so smokers can “down-trade” instead of reducing consumption or quitting.



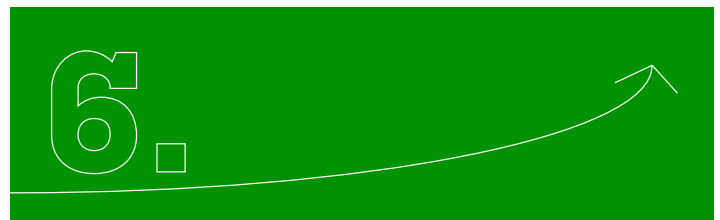
Price discrimination and price-related promotions: Tobacco companies target price-sensitive customers with coupons, bulk purchase discounts or free gifts, but charge the full price to other customers.



Price smoothing: Tobacco companies gradually increase prices over time so the rise in cost isn't as noticeable.



Shrinkflation: Instead of charging customers more for a product, tobacco companies keep prices the same, but reduce the number of cigarettes or amount of loose tobacco per pack.



Changing product attributes or production processes: In places where tobacco is taxed differently based on its characteristics (such as length, weight or product type), tobacco companies change the product or how it's made so it falls in a lower tax category.

The result is that tobacco tax policies that would otherwise encourage people to quit, or prevent people from taking up tobacco, are undermined. Governments can ensure tobacco taxes remain effective by becoming familiar with these tactics, assessing which may be happening in their country and taking action.

To learn more and see country- and region-specific examples, read the full report, [“The Price We Pay: Six Industry Pricing Strategies That Undermine Life-Saving Tobacco Taxes”](#) at ExposeTobacco.org/resource/tobacco-taxes/



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