



## REDUCTIONS IN CIGARETTE SALES AND TOBACCO PRODUCT FLAVOR RESTRICTIONS HAVE LIMITED IMPACT ON TOBACCO RETAIL BUSINESS (DESPITE WHAT THE INDUSTRY SAYS)

Youth tobacco use continues to be a serious public health concern. We face a public health crisis – and protecting our kids' health should be the top priority. Flavored tobacco products lure kids into a life-long struggle with nicotine addiction.

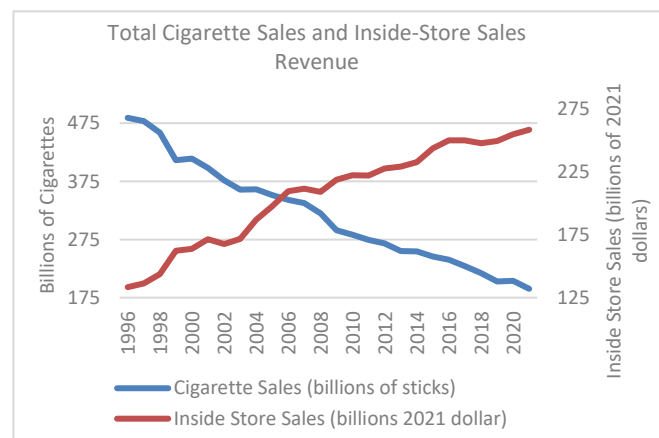
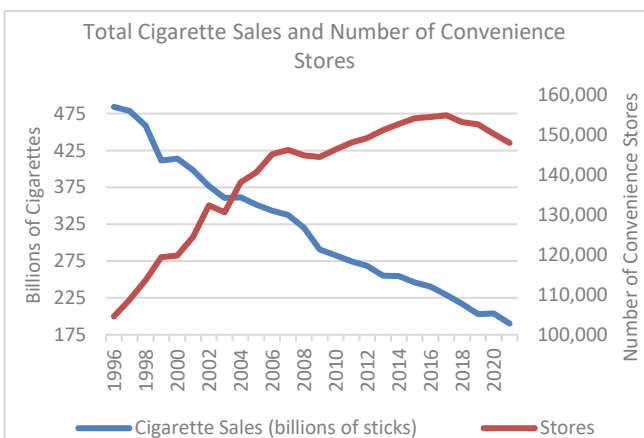
- 8 of 10 youth who have ever used tobacco started with a flavored product.
- Over 2.5 million youth are using e-cigarettes, many of them almost every day.
- Half of youth (ages 12-17) who have ever tried smoking started with menthol cigarettes.

Ending the sale of flavored tobacco products will prevent kids from using tobacco, lead more users to quit, improve health, save lives, and reduce health care spending. While the tobacco industry and their retailer allies claim that enacting tobacco product flavor restrictions will have disastrous economic consequences for retail stores, new research shows that laws to end the sale of flavored tobacco products do not adversely impact retailers. ***States and communities can act to protect kids and health without harming business.***

A report from economists John Tauras, Ph.D. and Frank Chaloupka, Ph.D. at the University of Illinois at Chicago, [The Economic Effects of Cigarette Sales and Flavor Bans on Tobacco Retail Businesses](#), analyzes trends in tobacco sales and various measures of convenience store business to assess several economic measures related to tobacco retailers. The report finds that retail stores, including convenience stores, continue to thrive despite ongoing declines in cigarette sales. It concludes, ***"Claims of significant negative impact of tobacco control policies that reduce demand for tobacco products are exaggerated."***<sup>1</sup>

Drs. Tauras and Chaloupka, in collaboration with researchers at the Truth Initiative, released a subsequent report, [The Effects of Tobacco Flavor Restrictions on Tobacco Retail Businesses](#), which examines the effects of flavored tobacco sales restrictions. Like the previous report, this one finds ***"no evidence that flavored tobacco sales restrictions have a negative and significant impact on businesses that sell tobacco and vaping products. In fact, results of the analyses show that businesses that sell tobacco products successfully adapt to changes in market conditions, including the implementation of FTP [flavored tobacco product] sales restrictions on tobacco products."***<sup>2</sup>

While cigarette sales have been declining in the U.S., the number of convenience stores, inside total store sale revenues, cigarette sales revenues and profits have all generally increased. In fact, even with the impact of the COVID-19 pandemic, the total number of convenience stores and convenience store sales\* revenue was substantially higher in 2021 compared to 2000. Likewise, as cigarette sales have declined, the number of tobacco stores and tobacco store sale revenues have increased. These findings are consistent with a large body of research that shows that policies that reduce tobacco use do not have a negative impact on the economy, including on the number of convenience stores and tobacco retailers.<sup>3</sup>



\* The chart shows inside-store revenue, which is a better indicator for store sales trends because it excludes more volatile fuel sales.

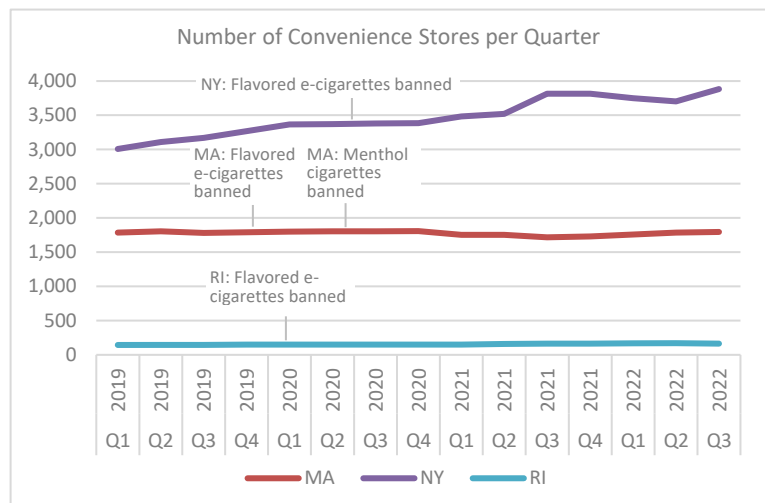
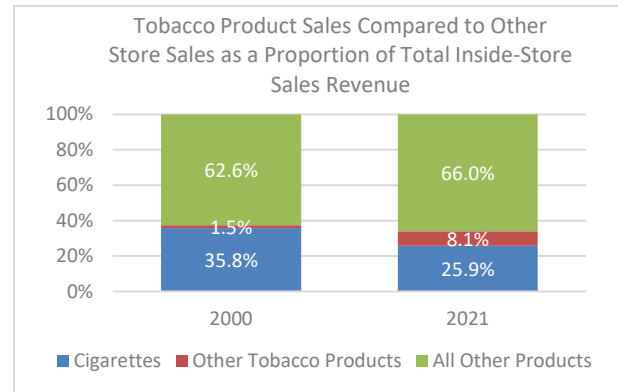
Compared to other product categories, cigarettes have the lowest profit margin for convenience stores, whereas food services have the highest profit margin. The convenience store industry acknowledges that gross profit margins from cigarettes are lower than those for food service and packaged beverages and have long recognized the importance of adapting to changing consumer demands.<sup>4</sup> Over time, cigarettes represent a declining share of convenience store revenues, at only about 25% of total inside-store revenues by 2021.

### Restrictions on the sale of flavored tobacco products do not adversely impact tobacco retailers.

Massachusetts was the first state to restrict the sale of all flavored tobacco products, prohibiting flavored e-cigarettes in 2019 and menthol cigarettes and all other flavored tobacco products in 2020. New York and Rhode Island restricted the sale of flavored e-cigarettes in 2020. ***The report finds “no evidence that flavored e-cigarette or menthol cigarette sales restrictions have negative effects on tobacco stores, convenience stores, or convenience stores with gas stations.” These laws have no significant effect on the number of stores, number of employees, or real wages paid to employees.*** This is because money spent on tobacco products in retail stores does not disappear when smokers quit or cut back, but

simply shifts to consumer spending on other goods and services, including other products sold by convenience stores. Furthermore, neighboring states Connecticut, New Hampshire, and Vermont, which did not pass flavor policies, only saw small changes in these measures, consistent with other research showing that Massachusetts’ law did not lead to a significant or sustained increase in cross-border sales.<sup>5</sup>

**These reports add further evidence that the tobacco industry’s claims that flavored tobacco restrictions will hurt the economy and put retailers out of business are overblown.** Moreover, by reducing tobacco use, tobacco control policies reduce tobacco-related death, disease, disability, and associated healthcare costs. Reducing these costs and shifting the savings to more productive purposes and expenditures will improve the state’s budget, reduce state business costs, and further strengthen state economies.



<sup>1</sup> Tauras, JA & Chaloupka, FJ, *The Economic Effects of Cigarette Sales and Flavor Bans on Tobacco Retail Businesses*, Tobacconomics, <https://www.tobacconomics.org/research/the-economic-effects-of-cigarette-sales-and-flavor-bans-on-tobacco-retail-businesses/>, 2023.

<sup>2</sup> Tauras, JA, et al., *The Effects of Tobacco Flavor Restrictions on Tobacco Retail Businesses*, Tobacconomics, <https://www.tobacconomics.org/files/research/882/the-effects-of-tobacco-flavor-bans-on-tobacco-retail-businesses-oct-2023-final-md.pdf>, 2023.

<sup>3</sup> Warner, K, et al., “Employment implications of declining tobacco product sales for the regional economies of the United States,” *Journal of the American Medical Association (JAMA)* 275(16):1241-6, April 24, 1996. Warner, K, “Implications of a nicotine-free society,” *Journal of Substance Abuse* 1(3):359-68, 1989. Warner, K & Fulton, G, “The economic implications of tobacco product sales in a non-tobacco state,” *JAMA* 271(10):771-6, March 9, 1994. Golden, SD, et al., “Trends in the Number and Type of Tobacco Product Retailers, United States, 2000-2017,” *Nicotine & Tobacco Research* 24(1):77-84, 2022. Huang, J & Chaloupka, FJ, “The Economic Impact of State Cigarette Taxes and Smoke-free Air Policies on Convenience Stores,” *Tobacco Control* 22(2):91-6, 2013. Ribisl, KM, Evans, WN, & Feighery, EC, “Falling cigarette consumption in the U.S. and the impact upon tobacco retailer employment,” in Bearman, P, Neckerman, K, & Wright, L, eds. *Social and Economic Consequences of Tobacco Control Policy*, New York: Columbia University Press, 2011.

<sup>4</sup> Pape, P, “Smoke Shop,” *NACS Magazine*, December 2022, <https://www.nacsmagazine.com/issues/december-2022/smoke-shop>.

<sup>5</sup> Kingsley, M, et al., “Impact of Massachusetts’ Statewide Sales Restriction on Flavored and Menthol Tobacco Products on Tobacco Sales in Massachusetts and Surrounding States, June 2020,” *Am J Public Health* 112(8):1147-1150, 2022. Asare, S, et al., “Spatial Analysis of Changes in Cigarette Sales in Massachusetts and Bordering States Following the Massachusetts Menthol Flavor Ban,” *JAMA Network Open* 5(9):e2232103, 2022. Ali, FRM, et al., “Impact of Massachusetts law prohibiting flavored tobacco products sales on cross-border cigarette sales,” *PLoS ONE* 17(9):e0274022, 2022.