



London Economics' study on plain packs for cigarettes raises concerns about evidence and shows that consumers would switch to cheaper brands

London, 9th March, 2012 - With the UK government poised to announce a public consultation on "plain packaging" for tobacco products, UK-based London Economics today released a study sounding a note of caution to UK policymakers. The comprehensive study demonstrates that plain packaging would likely result in consumers switching from premium brands to cheaper products. London Economics also reviewed existing research on plain packaging, noting that approaches used in many of these studies do not provide reliable predictions of future outcomes.

The London Economics' study of 3,000 UK residents used online simulation techniques to assess consumer behavior in a plain packaging environment. "Our analysis suggests that packaging imagery is a source of information that helps consumers differentiate between alternative product characteristics," says Dr. Gavan Conlon, a Partner at London Economics. "If consumers can't differentiate between brands in the market, they opt for cheaper brands, whether it's beer, cigarettes or almost any other product. If manufacturers respond by competing on price to maintain market share, prices may decline. In simple economic terms, when prices decline the demand increases and that's what might occur with the introduction of plain packaging."

London Economics also reviewed existing research put forward as evidence that plain packaging would reduce smoking rates and found that much of the research relies on statements of intention of what people might do, rather than analysing people's actual behavior. "Statements of intention can often be very different from actual outcomes and caution should be exercised in interpreting the results from self reported surveys and focus groups" notes Dr Charlotte Duke of London Economics, who led the research funded by Philip Morris International. "Robust behavioural studies looking at actual consumer preferences can overcome several of the methodological weaknesses of stated intention research, and give a better indication of what people will actually do. This provides a sound basis for policy decisions."

Reducing smoking rates should be the objective of any public health policy. However, governments should base policy on robust evidence, and exercise some caution in interpreting the headline conclusions of policy-related research. This report adds to the current evidence base on plain packaging and highlights that there may be unplanned outcomes associated with the introduction of plain packaging.

The report "The role of packaging imagery on consumer preferences for experience goods: A consumer behavioural experiment" is available in full (www.londecon.co.uk). For further comment or information, contact London Economics (020 7866 8185; info@londecon.co.uk)

The Study

The online experiment observed consumer preferences, of smokers and non-smokers, across a range of different everyday products including crisps, cigarettes, chocolate, beer, bottled water, ice-cream and toothpaste. The analysis involved testing respondents' preferences under various scenarios in which combinations of information like price, brand name, brand imagery, product information or advertising were presented to consumers. The resulting behaviour patterns were consistent across the majority of products, for both smokers and non-smokers alike.



London Economics

London Economics is a specialist economic and public policy consultancy. We have undertaken number of studies analysing consumer issues including assessments of consumer switching behaviour, non-market valuations, assessments of consumer detriment and consumer satisfaction studies. Common for most of the projects is the notion that consumer behaviour, consumer protection and the functioning of retail markets are closely interlinked: consumer behaviour and consumer protection policies have important effects on the functioning of retail markets and, at the same time, the functioning of retail markets may have important welfare effects for consumers and lead to consumer protection issues. Our team uses a combination of several different methodologies including consumer surveys, mystery shopping exercises, stakeholder consultation, literature reviews and choice modelling. Underpinning all our work is a strong commitment delivering methodologically robust and independent analysis.

Head Office: 71-75 Shelton Street, London WC2H 9JQ, United Kingdom.

w: www.londecon.co.uk e: info@londecon.co.uk

t: +44 (0)20 7866 8185 f: +44 (0)20 7866 8186