Demand Reduction from Plain and Pictorial Cigarette Warning Labels: Evidence from Experimental Auctions

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The experimental auctions:

• We first examined the percentage of smokers who bid less on cigarettes with a stronger warning label. (Table 2).
  • Between 20-64% of smokers in our sample decreased their demand when faced with the more-stringent label.
  • Differed based on type of label, but the front text label was less effective than the pictorial labels.

• We then used probit models to examine the probability a participant bids less for the cigarettes with the stricter label. (Tables 3 and 4).
  • Confirms unconditional that a label containing a pictorial image caused more smokers to decrease their demand.
  • Younger smokers were less likely to reduce their demand for cigarettes with a text-only warning label, but more likely to reduce their demand when faced with a pictorial label image.
  • Smokers without a high school degree were more likely to decrease their demand for cigarettes that had plain packaging.

Conclusion:

• Between 20-64% of smokers decreased their demand when faced with a more-stringent label.
• The front text label had the smallest impact on demand, while the cigarettes with the pictorial labels caused more smokers to decrease their demand for cigarettes.
• Younger smokers were more likely to reduce their demand when faced with the pictorial label.
• Our study provides further evidence that pictorial warning labels may be more effective than text-only warnings.