

Banning unhealthy products in plea for public health has financial downfalls for retailers

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New research in the journal *Marketing Science* shows that doing something positive for public health can be costly. The researchers say that banning tobacco products means retailers may see as much as a 4%

decline in gross sales.

"Our results highlight the role of [tobacco](#) as a traffic driver to brick-and-mortar stores and demonstrate the unintended microeconomic consequence of tobacco bans," says Pradeep Chintagunta of the University of Chicago. "These sales losses occur regardless of whether the ban is voluntary or not."

The study, "What Happens When a Retailer Drops a Product Category? Investigating the Consequences of Ending Tobacco Sales," was conducted by Chintagunta alongside Ali Goli of the University of Washington, who say this impact can be felt for other unhealthy product bans as well.

"On one hand, the decision by, for example, Dick's to drop [assault weapons](#) from its assortment may affect own- and rival-store patronage and spill over to the sales of other categories. On the other hand, a store's voluntary decision to end, say, tobacco sales may draw nonsmokers more to its stores and compensate for losses from discontinuing the category," continues Chintagunta, the Joseph T. and Bernice S. Lewis Distinguished Service Professor of Marketing at the University of Chicago. "However, in the case of tobacco, our results show the short-term gains for retailers from dropping tobacco do not seem to outweigh the financial losses associated with these actions."

The research shows that while customers are loyal to the at which retailers they shop, the decision to drop an entire category had measurable and large impact on the revenue generated from other products.

"We also show how the absence of a category in a store can simultaneously make the [store](#) less attractive for some customers and more attractive to others," says Goli, an assistant professor of marketing

in the Foster School of Business at University of Washington.

More information: Ali Goli et al, What Happens When a Retailer Drops a Product Category? Investigating the Consequences of Ending Tobacco Sales, *Marketing Science* (2021). [DOI: 10.1287/mksc.2021.1299](https://doi.org/10.1287/mksc.2021.1299)

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