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Towards a Smoke-Free Future

2-SP28-09-146

This problem situation was written by Rosa Elena Lara Estrada (rlara@tec.mx), and translated by Global Words, with the purpose of serving as discussion material in the classroom; it does not intend to illustrate good or bad administrative practices. This document was elaborated from secondary sources.

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Background

Philip Morris International (PMI) has been a prominent figure in the global tobacco industry, known for iconic brands such as Marlboro, l&M, and Virginia Slims. Nevertheless, with the growing awareness of the dangers associated to the consumption and burning of tobacco, the company has started a strategic shift towards a smoke-free future. This change is encouraged by CEO Jacek Olczak, who is committed to innovation and science to offer less damaging alternatives for adult smokers (Carrera, 2024).

Since 2008, PMI has invested over 12,500 million dollars (USD) in the development, research, and commercialization of smoke-free products (Philip Morris International, 2024a). By the first quarter of 2024, these products are available in 84 countries and represent almost 40% of the company's net revenue (Olczak, 2023). One of PMI's flagship products is IQOS, a device that heats tobacco instead of burning it, significantly reducing the exposure to toxic compounds. Today, over 28 million users in the world use IQOS, even beating Marlboro's sales in some markets (Carrera, 2024).

Obstacles Along the Way

Despite technological advances and the scientific evidence that endorses smoke-free products, PMI faces a series of significant situations:

1. **Regulations:** In many countries, including Mexico, smoke-free products face prohibitions or restrictive regulations. This situation has brought about a dangerous black market where non-regulated products are sold without quality control, increasing consumers' risks (Carrera, 2024). The lack of a clear regulatory framework, based on scientific evidence, prevents adult smokers from safely accessing to less dangerous alternatives.
2. **Public Perception:** There is a generalized perception that tobacco companies are simply trying to create a new generation of nicotine users. This lack of trust makes the acceptance of smoke-free products complicated and hinders the communication of their comparative benefits (Carrera, 2024).
3. **Access and Education:** Consumers are often misinformed about the options available and the potential benefits of smoke-free products. A lack of knowledge and misinformation can limit the adoption of these safer alternatives (Carrera, 2024).

Publics of Interest

To address these problems, PMI must consider several key publics:

1. **Adult Smokers:** This is PMI's main target public. The company's aim is to offer them less damaging alternatives to traditional cigarettes, such as IQOS and other smoke-free products. It is essential to provide clear and accessible information about the available alternatives and the benefits of these products.
2. **Regulators and Governments:** Legislators and sanitary authorities have the power to establish regulatory frameworks that enable a safe and effective commercialization of smoke-free products, as they are regarded as products that are different from cigarettes. PMI needs to cooperate with these actors to develop regulations based on science and evidence (Olczak, 2023).
3. **Scientific Community:** The validation of the scientific community of smoke-free products is crucial for their acceptance. PMI must work closely with scientists and researchers to ensure that their products are safe and effective (Philip Morris International, 2024a).
4. **Civil Society and Public Health Organizations:** These organizations play an important role in the formation of public opinion and in the implementation of health policies. PMI must get them engaged in the dialogue and demonstrate the potential of their products to reduce the hazards associated to tobacco consumption endorsed by science (Olczak, 2023).
5. **Investors and Shareholders:** Long-term sustainability of PMI's business model depends on the acceptance and success of their smoke-free products. Investors must be convinced of the long-term feasibility and the benefits of this transformation (Carrera, 2024).

Business Model

PMI's business model has significantly evolved with the introduction of smoke-free products. These products include tobacco heating devices such as IQOS and IQOS ILUMA, vapor products that contain nicotine and oral nicotine (IQOS, 2024). PMI's vision is that smoke-free products represent over two thirds of their net revenue by 2030 (Carrera, 2024).

The success of this model depends on several factors:

1. **Continuous Innovation:** PMI must have a constant innovation rhythm to improve the safety and efficiency of their smoke-free products. This includes investment on research and development to introduce new technologies and attractive and safe products for consumers (Philip Morris International, 2024a).
2. **Market Expansion:** As smoke-free products become more popular, PMI must expand their availability to more global markets. This includes working with local regulators to ensure that products are legal and accessible (Olczak, 2023).
3. **Consumer's Education:** It is crucial to educate consumers on the benefits of smoke-free products compared to traditional cigarettes. PMI must develop information campaigns that highlight the science behind their products and the advantages for public health (Carrera, 2024).

Success Conditions

A smoke-free future for PMI requires the following success conditions:

1. **Regulations and Public Policies:** The creation of an adequate regulatory framework is one of the greatest challenges. In markets such as Mexico, the prohibition of smoke-free products has resulted in the growth of the black market. PMI must work with the governments to develop regulations that will enable a safe and controlled commercialization of these products (Valladolid, 2023).
2. **Public Perception and Education:** Changing negative public perceptions and educating consumers on the benefits of smoke-free products is a difficult task. PMI needs to invest on education and awareness campaigns to inform the public about the differences between smoke-free products and traditional cigarettes (Carrera, 2024).
3. **Competition and Black Market:** The existence of a black market for smoke-free products is a major issue. These non-regulated products can be dangerous and undermine trust on legal alternatives. PMI must work with the authorities to fight the black market and make sure that regulated products are accessible and safe (Carrera, 2024).
4. **Continuous Innovation:** Maintaining leadership in innovation is essential for long-term success. PMI must continue investing on research and development to consistently improve their products and remain ahead of the competition (Philip Morris International, 2024a).
5. **Social Responsibility:** It is crucial to make sure that smoke-free products do not reach minors. PMI must implement strict marketing and sales policies to guarantee that their products are only targeted at adult smokers and not to young people or non-smokers (Olczak, 2023).

Current Situation

Philip Morris International is in the middle of a significant transformation that pursues the redesign of the tobacco industry through the gradual elimination of traditional cigarettes in favor of smoke-free products. Led by Jacek Olczak, this initiative faces several challenges, from regulations to the education of consumers. Nevertheless, with a substantial investment in research and development, and a strong commitment to science, PMI aims to create a healthier future for adult smokers, and ultimately, to make cigarettes an object of the past (Valladolid, 2023).

PMI's vision of a smoke-free future is ambitious but feasible. With the help of regulators, scientists, public health organizations, and other key actors, PMI can achieve an everlasting, positive transformation in the tobacco industry. The key lies on continuous innovation, consumer's education, and the creation of a regulatory framework based on scientific evidence that enables the safe and effective commercialization of smoke-free products (Carrera, 2024).

In a nutshell, PMI's success in their mission to create a cigarette smoke-free world lies on their capacity to navigate these challenges and benefit from transformation opportunities. With a focus on science, cooperation, and social responsibility, PMI is well-positioned to lead change towards a more sustainable, smoke-free future (Philip Morris International, 2024b).

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