

The Economic of Tobacco and its Value-added Products: A Case study of Cigarette, E-cigarettes and HTPs in Indonesia

November 2022



Discussion Points

1. About the project
2. Objective of the project
3. Research methodology
4. Market and consumers' characteristics
5. Product accessibility and affordability
6. The health and economic costs and government tax revenues of the cigarette, E-cigarette, and HTPs
7. The Indonesian government policies and future direction



About the project

A 15- month project that starts in March 2022, ends in May 2023

The study is conducted in 5 capital cities, Jakarta, Semarang, Surabaya, Bandung and Makassar

Total expected study participants are 720 respondents, and 15 government's institutions in the 5 capital cities

Project Target Areas and Duration





Objective of the project

Objectives

To understand the market and consumer characteristics of the cigarette, e-cigarette and THRPs, how they perceived the THRPs as an alternative to lower the health risks of consuming tobacco, and the government's current and future direction to control the use of the products.

Research Questions

Availability, affordability, and accessibility of cigarettes, e-cigarettes, and HRPs?

Indonesian consumers' demographic, geographic, and psychological **characteristics**?

Indonesian government's consideration towards the harm reduction alternatives to combustible cigarettes as a strategy in the national smoking cessation program?



Market structure and characteristics of cigarettes, e-cigarettes and HRPs?

Indonesian consumers' **awareness and regard towards harm-reduction alternatives** to combustible cigarettes as an approach to quitting smoking?

Health and economic costs and government tax revenues?

Existing Indonesian government policies and future directions to control and regulate the consumption and accessibility of cigarettes, e-cigarettes, and HRPs?

Research Methodology

Data Collection Method

Data to be collected	Data Collection Methods		
	Survey	In-depth interview	Literature studies
HTPs consumer	√	√	X
Combustible cigarettes consumers	√	√	X
e-cigarettes consumers	√	√	X
Government		√	X
Government report, Statistics data, NGO reports	X	X	√

Sampling Size

Location	HTPs consumer	Combustible cigarettes consumers	e-cigarettes consumers	Government institutions
Jakarta	48	48	48	3
Bandung	48	48	48	3
Semarang	48	48	48	3
Surabaya	48	48	48	3
Makassar	48	48	48	3
Total	240	240	240	15

Market Structure & Product Characteristics

Market Structure

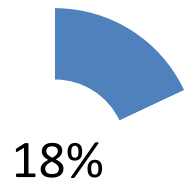
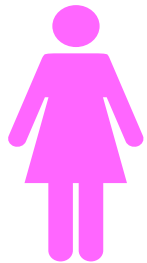
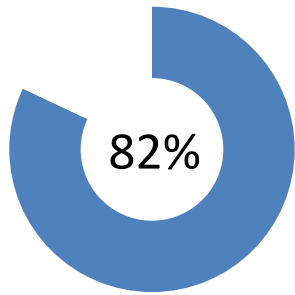
Combustible cigarettes	e-cigarettes	HTPs
Monopolistic competition	Monopolistic competition	Duopoly

Product Accessibility and Affordability

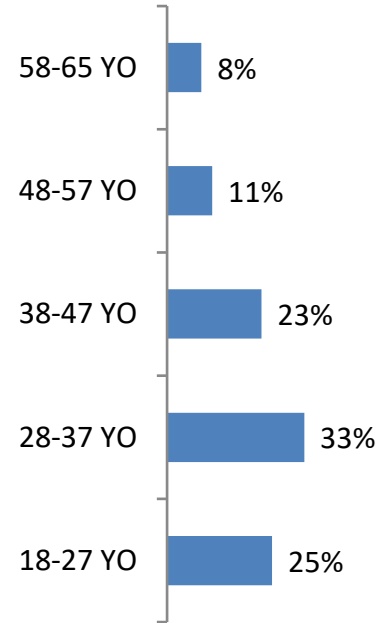
	Combustible cigarette		e-cigarettes			HTPs		
	Price (IDR)	Product accessibility	Device (IDR)	Liquid (IDR)	Product accessibility	Heat device (IDR)	Tobacco plug (IDR)	Product accessibility
Jakarta	10.1K – 40.1K	97,9%	130K-518K	50K-435K	83,3%	729K	280K	68,8%
Bandung	10.1K – 40.1K	93,8%	134K-479K	89K-385K	75,0%	735K	285K	62,5%
Semarang	10.1K – 40.1K	97,9%	168K-364K	140K-388K	68,8%	730K	285K	54,2%
Surabaya	10.1K – 40.1K	95,8%	131K-544K	115K-475K	77,1%	729K	290K	64,6%
Makassar	10.1K – 40.1K	91,6%	170K-560K	85K-512K	64,5%	780K	290K	52,1%

Consumer profile – Combustible Cigarette

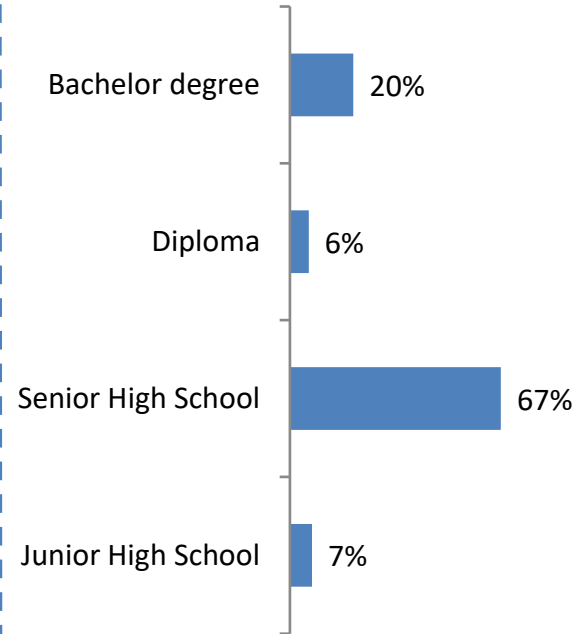
Gender



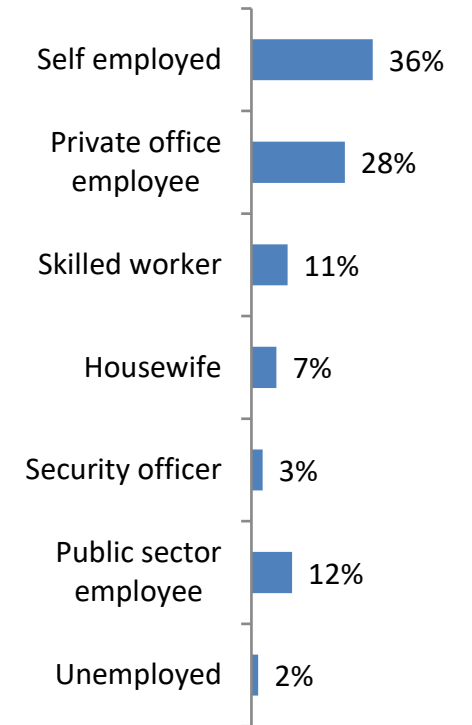
Age group



Education level

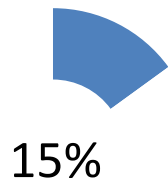
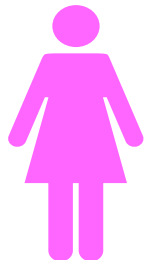
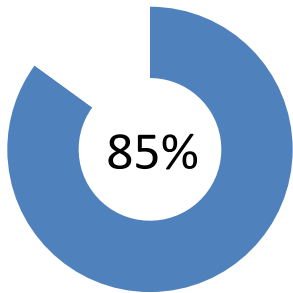


Occupation

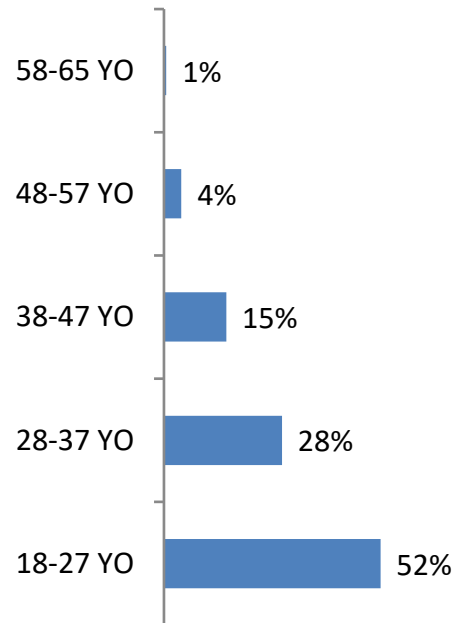


Consumer profile – e-cigarettes

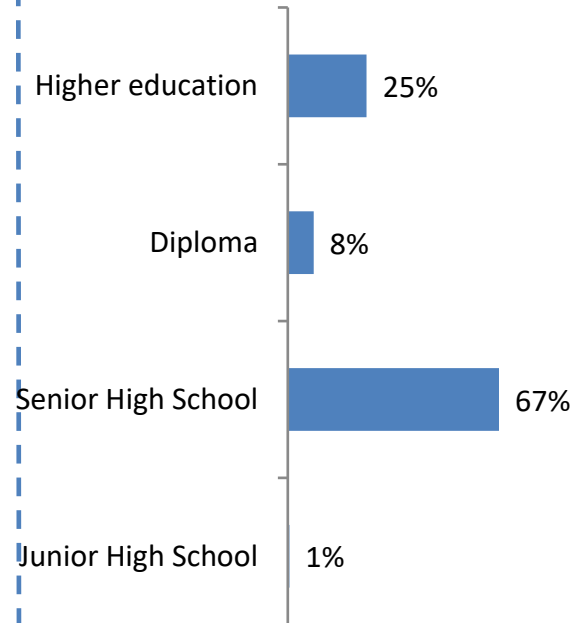
Gender



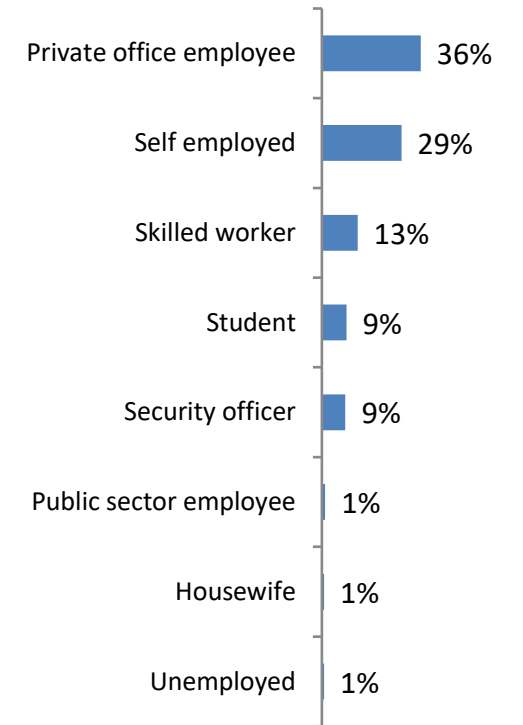
Age group



Education level

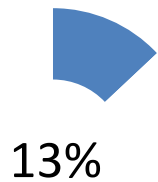
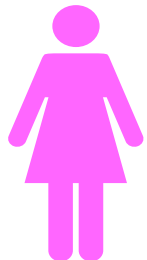
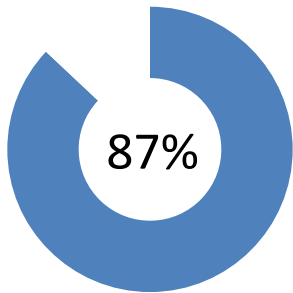


Occupation

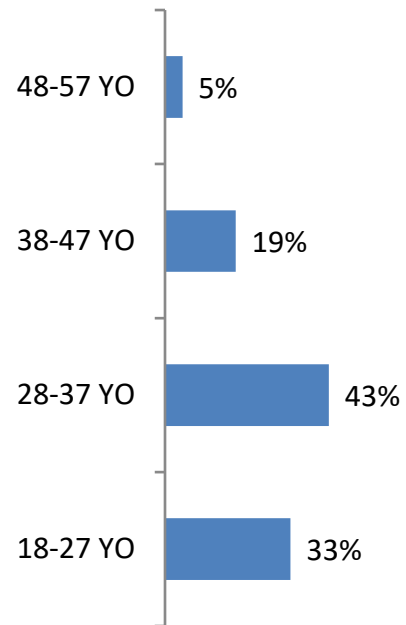


Consumer profile – Heated Tobacco Products

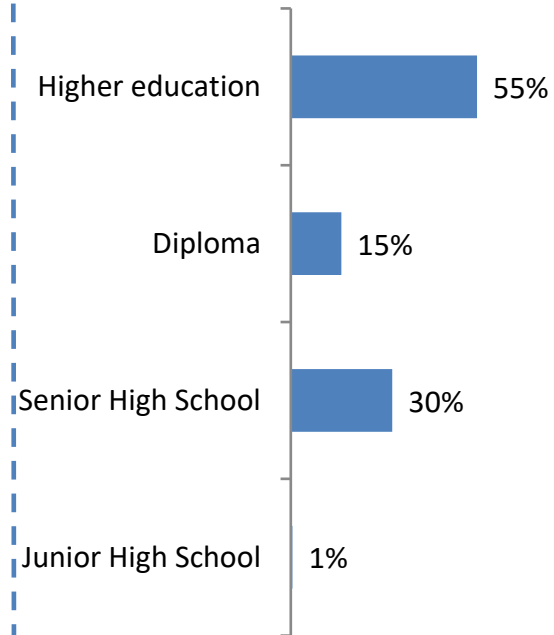
Gender



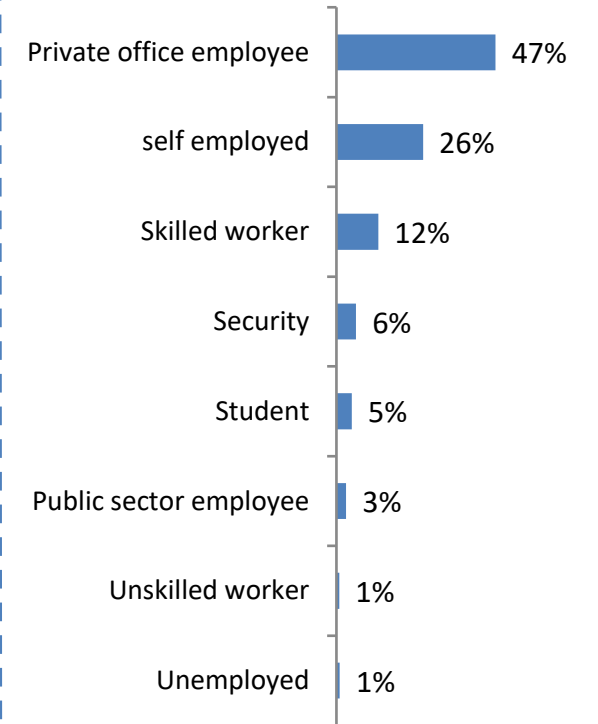
Age group



Educational level



Occupation



Reasons for smoking combustible cigarettes

Reasons for smoking combustible cigarettes	%
True tobacco flavour	63%
High availability	14%
High Affordability	13%
Less serious effect on health	8%
Contains no hazardous chemical substance	7%
Ease of purchase	5%

Reason of using e-cigarettes

Reason for using e-cigarettes	%
Rich of flavours	58%
Good Affordability	21%
Ease of access	16%
More efficient in use	7%
Less risk on health	7%
Ease of maintenance	5%
Easy to operate	5%

Reasons for using HTPs

Reason for using HTPs	%
Stylish, convenient, and elegant	73%
Less secondhand smoke exposure	19%
Less risk on health	8%
Flavour of real Tobacco	5%
Selection of other various flavours	8%
Good affordability	5%
Ease of maintenance	1%

Excise Tax Revenue and Tariff

Government Excise Tax Revenue

	2018	2019	2020	2021
Cigarette Tax Revenue (in Trillion IDR)	152.9	164.87	179.80	188.8
HPTL* Tax Revenue (in Million IDR)	98,87	427.01	680.36	684.84

Excise Tax Tariff

	2018	2019	2020	2021
Cigarette Excise Tax	10.4%	10.4%	23%	12.5%
HPTL* Excise Tax	57%	57%	57%	57%

**HPTL refers to HTPs, Tobacco Extracts, tobacco products in liquid, solid, or other forms originating from processing tobacco leaves.*

The health and economic costs

Health and Economic Cost of Cigarette and HPTL use (in IDR Trillion)

	2018	2019	2020	2021
Cigarette products	NA	27,7	22,6	15,6
HPTL* products

**HPTL refers to Other Tobacco Processed Products, that include E-Cigarettes and HTPs*

The government policies and future direction

	Cigarette Products	HPTL
Current regulation	<ul style="list-style-type: none"> • National regulation of smoke free zones • Limitation on tobacco advertising, promotion and sponsorship • Tobacco packaging and labelling • Cigarette information on the emissions disclosures to government • Sales restrictions via vending machines, educational facilities, children's playgrounds, and healthcare facilities 	There is no national law restricting the sale; use; advertising, promotion and sponsorship; or packaging and labeling of HPTL.
Future direction	<ul style="list-style-type: none"> • Realisation of smoke free zones at all provinces • Better control on tobacco advertising, promotion and sponsorship • Encouraging better control on tobacco packaging and labelling, including plain packaging • Cigarette disclosure of information on the contents • Sales restrictions including on online sales 	More comprehensive law on the sale, advertising, promotion and sponsorship; or packaging and labeling



Short video about tobacco harm reduction products and interview with active smokers





Thank you