

JUUL CASE ANALYSIS



COMPANY OVERVIEW



PLOOM

Founders, Adam Bowen and James Monseees, who met in grad school at Stanford, create Ploom, a Silicon Valley start up. They release Pax: a new vaping device that could coil both marijuana and tobacco

PAX LABS

After being bought out by Japan Tobacco International, Bowen and Monseees founded JUUL under the company Pax Labs. This was exclusively for vaping.

COMPANY OVERVIEW

JUUL LABS

Bowen and Monsees hire Kevin Burns as CEO and take \$150 million in Financing.

At this point it is valued at \$15 billion and focused solely on selling its vape products.

JUUL AND ALTRIA

In December of 2018, Altria acquired a 35% fixed stake in JUUL.

This more than doubled JUUL's Valuation to \$38 billion



MARKETING



- The earliest marketing campaign paralleled JUUL's product launch and consisted of \$1.6 million on advertising, including \$1 million on internet ads and \$500,000 on radio spots.
- Later marketing campaigns would consist of social media advertising, including "influencers" and celebrity endorsements.
- Presently, due to FDA restrictions (the marketing problem we will discuss later), JUUL depends on the marketing of vape shops.

EARLY MARKETING CAMPAIGNS

- JUUL began to go so far as to promote pairing flavored pods with favorite foods.
- They began to use celebrities on social media using the JUUL device
- Share a [#JUULmoment](#) campaign
- As late as 2017, JUUL used social media influencers, until the U.S. Senate and then the FDA began to get involved

JUUL 
@JUULvapor

Follow

Having way too much fun at the [#JUUL](#) launch party [#LightsCameraVapor](#) [#NYC](#)



7:58 PM - 4 Jun 2015

SEGMENT

The segment that JUUL intended to target could best be defined with a psychographic:
Younger, combustion cigarette smokers, who are looking for a smoking alternative.

POSITION

JUUL positioned themselves as a provider of a device that allows for a similar sensation to smoking; however, "Juuling" is 95% more healthy.
It also allows someone to decrease nicotine intake, and, thus, quit.

TARGET

Through celebrity endorsements, hashtag campaigns, and influencer campaigns on social media, it is quite clear that JUUL targeted young people who were looking for a smoking alternative



COMPANY OVERVIEW

KEY ISSUES

- Use of E-cigarettes among young adults & Minors
- Unknown short and long-term health issues causing pressure from the government and FDA.
- 3rd party sellers. Missing potential revenue and they are the sources of purchase by the youth.
- Allegations about purposefully marketing to young adults.

OTHER ISSUES

- A number of states and municipalities had imposed bans on sale of flavored e-liquids because they were appealing to younger kids and in some cases all e-cigarette products. (Big source of income)
- New evidence linking that vaping leads to mysterious respiratory illness and deaths.
- Potentially cancer causing chemicals found in Juul. similar to the ones in a traditional cigarette.
- Risks of "popcorn lungs" and swallowing the leaked liquid can affects the lungs.
- Questionable efficacy of e-cigarettes for smoking cessation.





SITUATION ANALYSIS

VRIO, Porter's Five, NSTEP, 4 P's, SWOT

PORTER'S FIVE FORCES

Competition



- 460 different e-cigarette brands currently in the market
- Competitive pricing.
- Sourin Drop, Myle, Smok

Bargaining Power of the Supplier



- Rely on local suppliers for smoke and vape shops.
- Naturally available raw materials.
- Large number of suppliers.

Bargaining Power of the Buyer



- Demand is less responsive to change in price due to the addictive nature of nicotine and consumers.
- Availability of substitute products in the market.

Threat of Substitution



- Generic competition - combustible cigarettes, nicotine containing adhesive patches and gum.

Threat of New Entrants



- Very low barriers to entry

NSTEP ANALYSIS

Natural

Sustainability trends and overall attitude towards eco-friendly products

Recycling and waste management practices

Renewal Technologies
government subsidies*

Social

Demographic trends

Amount of smokers

Shopping preferences
Online vs in-store

Spending patterns and behavior

Technological

Social Media Marketing

Technological innovations that enhance user experience

Changes in e-cigarettes
combustion technology

Economic

Labor market conditions

GDP growth

Average Purchasing Power

Political

Industry regulations

Ex. Flavor bans and age restrictions

Taxation of vapes

Trade restrictions

4 P'S OF MARKETING

PRODUCT

- JUUL device, USB charger, JUULpods
- Sleek e-cigarette that resembles a long USB flash drive.
- Unique technology that increases intensity of a hit while also being less harsh on the throat.

PRICE

Starter kit consist of JUUL device, a charger and 4 different pods for \$49.99

4 packs of pods for \$15.99

\$3.99 per pod compared to \$5.25 - \$12.85 of pack of cigarettes

PLACE

- Convenience stores
- Vape shops
- JUUL's website
- Third party retailers
eBay, Alibaba, etc.

PROMOTION

- Launch party events
- Primarily website and social media accounts
Young demographic and #JUULmoment
- Organic social media
Celebrity endorsements and everyday users
- Shift towards older adults
 - Alternative to cigarettes
 - Compliant with regulations

STRENGTHS

- Patent for process of nicotine delivery
- "Affordable" when compared to a pack of cigarettes
- Strong organic growth in social media
- Staff with expertise and influence in federal regulation and lobbying
- Market leader in a growing industry
- Growth momentum (market cap)

WEAKNESSES

- No FDA approval
 - Health concerns
- Product's popularity within young adults due to flavors, design, and easy access.
- Most organic growth comes from young adults

VRIO ANALYSIS

SITUATION ANALYSIS

VALUE

- Strong financial resources to combat threats externally and internally
- Juul is highly valued for holding its own patents which in turn yields them licensing benefits

RARITY

- Using patents without the interference of the competitors
- Strong financial resources are only possessed by a few companies in the industry.
- The distribution network of Juul is quite wider than the other competitors in the industry. However very few firms possess huge distribution networks .

IMITABILITY

- Hiring and training employees like that of JUUL , or paying higher wages to these employees and recruiting them .
- As an industry,Vaping has been a very common local product for the past few years, which makes the imitability of the product so high.

ORGANIZATION

- Financial resources aids the company in times of crisis and any threat of new entrants in the market as they have the resources to combat the same.
- The distribution Network of Juul makes it seamless to reach out to its customers by ensuring that products are available on all of its outlets.





STRATEGIC ALTERNATIVES



FIRST ALTERNATIVE

ADVANTAGES

- Huge initiative towards the company's key issue. Less young people will be smoking Juul.
- Gives an opportunity to rebrand itself with focus on adult smoking. Solves the issues with the allegations from policymakers.
- Juul will have more control over their sales. They can prevent stores and websites illegally selling Juul's to minors.
- In the long term, they can go back to selling flavoured pods, which was a huge source of income and a competitive advantage that they lost.

**Introduce a smarter JUUL device / application.
with focus on age verification and usage tracking.**

- Tackles underage usage problem
- JUUL comes with a serial number and a QR code that is linked to a mobile app. (SSN if possible)
- Example: Juul C1. A prototype JUUL product that was able to track the device location, track the usage and was able to lock the device.

DISADVANTAGES

- Too many regulations might push customers away.
- High number of substitutes and competitions available.
- Lose potential revenue from 3rd party
- Expensive and difficult to implement.

SECOND ALTERNATIVE

Expand their product line to non-vaping products.

They are a company committed to provide effective alternatives and help smokers quit cigarettes.

By introducing other alternatives for nicotine consumption that are not popular among young adults such as patches, nicotine chewing gum, or tobacco pouches they would not only be diversifying their revenue streams but also be reinforcing their commitment with regulators.

ADVANTAGES

- Diversify revenue stream sources in case vapes are completely banned
- Introduction of unpopular products among young adults will likely be supported by regulators
- Reinforce their commitment to help smokers quit cigarettes

DISADVANTAGES

- JUUL doesn't have expertise in non-vape products and therefore R&D might be slow and expensive
- Face established competitors within new products' market

ADVANTAGES

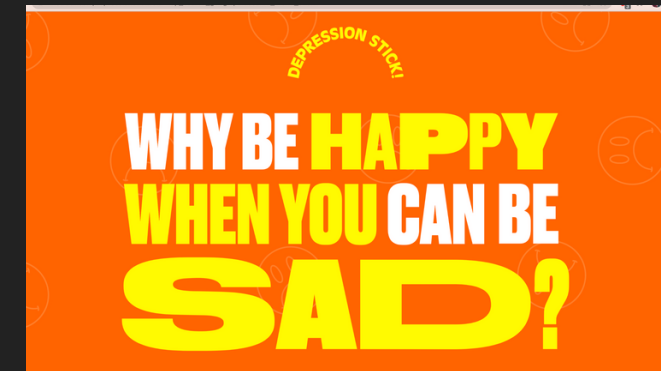
- Eliminates youth and minor consumption to a certain extent.
- Positioning the product way different from the other competitors
- Provides a competitive advantage as they are implementing this first among the other firms in the industry.

DISADVANTAGES

- Reduces the sales proceeds.
- Quite expensive to invest in the rebranding of a product
- Doesn't guarantee a complete solution for the issue

STRATEGIC ALTERNATIVES

THIRD ALTERNATIVE



- Redesigning the marketing strategies and partnering with an initiative/campaign like Depression stick*
- Introducing a negative way of marketing Juul as a product to the youth and minors
- Reducing the availability of Juul products near schools and colleges .
- For example: Using the depression stick concept and positioning themselves as a brand that demotes youth consumption of Juul.

CHOSEN STRATEGY AND IMPLEMENTATION

STRATEGY 1&3

- We decided to go with strategy 1 & 3 as our chosen strategies because of the long-term benefits.
- Juul's innovative technology of closely mimicking a combustible cigarette was what made the company very successful. They should again focus on the technological aspect to create an improved product.
- This strategy tackles all the main key issues. The main drawback would be the loss of revenue in the short - to medium-term.

SHORT TERM

- Introduction of JUUL app
- Reinforce the efforts of focusing on older people.
- Make long-term intentions clear to the consumers and the government.

MEDIUM TERM

- More product innovation to remain competitive. (Ex. Refillable pods)
- Make deals with the App Store and vape shops.

LONG TERM

- Ban the previous marketing models and commit to the strategy.
- Introducing extra barriers for age verification, will reduce the amount of underage users and third party resellers



IMPLEMENTATION

- JUUL application that requires users to upload their IDs in order to get verified and be able to purchase JUUL products.
- Once verified, users will receive a QR code that will monitor their purchases and overall JUUL usage.
- Develop deals with vape shops to only sell products to customers with a JUUL QR code.
- With every purchase, the JUUL will be linked to the users account utilizing the series number of the device.
- Easier to track third party sellers that violate age laws and sell to underage customers.



THANK YOU!

