Effectiveness of State and Federal Government Agreements with Major Credit Card and Shipping Companies to Block Illegal Internet Cigarette Sales

Cigarettes available online are often sold tax-free and can easily fall into the hands of minors. In a 2005 effort to better enforce tax and youth access laws, the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives and several state Attorneys General signed voluntary agreements with major credit card and shipping companies to ban payment transactions and shipments for all Internet cigarette sales. This study examines the impact of those agreements.

Key Findings

Researchers analyzed web traffic and advertised sales practices of several hundred Internet cigarette vendors from 2003-2007.

- Following the 2005 bans, there was a 3.5-fold decline in traffic to the websites of the most popular vendors.
- Although many vendors went out of business after the bans, many new vendors entered the marketplace, resulting in a net increase in vendors.
- The proportion of vendors accepting banned payment options dropped from 99% to 37% after the bans, and the proportion offering banned shipping options dropped from 32% to 6%. However, there was a corresponding increase in vendors offering non-banned payment options (such as personal checks) and shipping options (such as US Postal Service).

In general, the study shows that entering into voluntary agreements with credit card and shipping companies is a promising approach to controlling the sale of restricted goods online, although loopholes remain. The approach may have implications for regulating other products such as alcohol, firearms, quack cures, and medicines sold without a prescription.

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