

The Juul Kids' Club: Here to Stay

By Mina Matsumoto, JD/MBA Candidate 2022 [Date]

It's been a busy week at Juul's San Francisco headquarters amidst a CEO turnover, a slashed valuation, and a pending federal criminal investigation. But despite the negative news, the company's investors are positive e-cigarettes are here to stay.

Altria Group showed they understood the upcoming generations push for tech when they [made a big bet on Juul](#). While Altria had a 54% market share of the tobacco industry, they were faced with a steadily decreasing percentage of the US population that smoked traditional cigarettes. So, in December 2018, Altria invested \$12.8 billion in a 35% stake in Juul, an e-cigarette company with 75% market share in the US –resulting in a \$38 billion valuation. However, this number has recently [been slashed to \\$24B by investor Darsana Capital Partners](#).

But more bad news for Juul was yet to come. Although their e-cigarettes do not contain tobacco, the FDA's Deeming Rule [extended the definition of a tobacco product to include e-cigarettes three years ago](#). Despite this label, Juul's popularity soared. However, last month Juul received [a warning from the FDA](#) not to market their products as safer than cigarettes without scientific evidence. States and major retail chains have banned vaping products, flavored pods (80% of domestic sales), and online sales. And in response, Juul had to [suspend all product advertising](#) and federal lobbying.

To try and turn the tide, Juul hired K.C. Crosthwaite, who has spent his entire career in the tobacco industry, to be their newly minted CEO. They also [hired Jerry Masoudi in 2018](#) to be their Chief Legal Officer – previously the chief counsel of the FDA.

However, the trendiness of vaping has seemingly conquered all boundaries. 25% of high school students partake, and they haven't seemed to slow in the face of a few deaths caused by street-market pods. And while the increased regulation may diminish Juul's market share, it has also given Juul a 3-year head start on any potential copycats.

Meanwhile, [Altria has launched IQOS](#), a similarly sleek, lower-toxin, FDA-approved device that heats, versus burns, a tobacco "heatstick." Proving that whatever else happens to the industry, alternative cigarettes are not going away.

