

Silicon Valley Wary of Investing in Juul

By Madeleine Kerr, J.D. Candidate 2021 | October 16, 2018

Juul, a widely popular e-cigarette startup, is valued at about \$16 billion. However, many Silicon Valley investors are wary of investing in the company due to its alleged practice of marketing to young people.

FDA Commissioner Scott Gottlieb has deemed youth e-cigarette use an “[epidemic](#),” and in September announced an initiative against retailers for allegedly selling e-cigarettes to minors. Data shows a 75 percent increase in e-cigarette use among high school students this year compared with 2017. On October 2nd, the FDA conducted a [surprise inspection](#) of the Juul Labs headquarters, seizing over a thousand documents it said were related to the company’s sales and marketing practices.

Juul has faced public [criticism](#) from Silicon Valley executives, including David Burke, chief executive of Makena Capital Management; Om Malik, partner with True Ventures; and Bradley Tusk, head of Tusk Ventures. However, many investors have willingly contracted with other nicotine start-ups, such as Lucy Nicotine and Ro, which specialize in “hip” nicotine gum. Further, venture capitalist firms are generally more willing to invest in cannabis companies as well.

In some ways, the skepticism with which investors approach Juul reflects the ethical and moral boundaries venture capitalist firms must draw in this day and age. Indeed, firms are likely aware that they are losing big on potential profits that could be earned by investing in Juul, as Juul’s sales now amount to more than half of all e-cigarette [sales](#). But, with the widespread outrage surrounding the product in recent months, those who did invest in Juul have faced significant criticism.

Venture capitalist firms have seemingly deemed it a safer bet to invest in nicotine gum, and even cannabis products. Nicotine gum is typically associated with efforts to quit smoking, as opposed to Juul, which has the aura of a [sleek](#), hip drug. Similarly, cannabis has entered the wellness industry, and many cannabis companies market their products with an emphasis on its health benefits. It is likely easier for investors to square their moral obligations with “drug” companies whose products are marketed to promote health and wellness, as opposed to those with a stigma of taking advantage of youth addiction. Juul is apparently aware of this, as the company has begun to tailor its marketing practices to try to curb youth engagement and instead focus on the benefits of Juul for smokers looking to quit.

