Who is Winning the War on Drugs? A Case in Marketing and Demarketing

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Cover Page Footnote
The author wishes to acknowledge the helpful comments of an unknown reviewer who critiqued an earlier version of the case that was submitted for the proceedings of the annual conference of the Atlantic Marketing Association
Who is Winning the War on Drugs? A Case in Marketing and Demarketing

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Abstract - The production and use of illicit drugs are age-old activities. At different times societies have been more or less tolerant of these activities according to prevailing laws and attitudes. More recently and for several decades the government of the United States has engaged in a “war on drugs.” Part of this war involves the employment of anti-drug advertising to discourage drug use, an activity in which the government has enlisted allies such as advertising agencies to assist in combating drug use. This case contrasts these demarketing efforts with the highly successful use of basic marketing tactics by a group of Mexican drug dealers. The case is appropriate for in-class discussions or the preparation of a short report in undergraduate courses such as marketing management, consumer behavior, and promotional strategy.

Keywords - societal marketing, promotional strategy, consumer behavior, marketing management, demarketing

Relevance to Marketing Educators, Researchers and/or Practitioners - The case is appropriate for in-class discussions or the preparation of a short report in undergraduate courses such as marketing management, consumer behavior, and promotional strategy.

Introduction—The History of Drug Production, Use, and Regulation

Many think of drug use outside the medical prescriptive processes as a relatively recent behavior. It is, however, an ancient behavior crossing centuries and the borders of countries and cultures. At various times the production and sale of drugs, including narcotic products, has been a mainstream and legal business.

Opium production and consumption, for instance, has a history spanning thousands of years. A condensed history of opium is presented in Figure 1. Readers are encouraged to visit the web site of one of the sources cited in Figure 1 to see a more detailed presentation of the history of production of opium and its derivatives and when societies began working to prevent the production, sale, and consumption of these products.
In the decades-long and world-wide war between those opposed to drugs and those who illicitly sell drugs, billions of dollars have been spent combating illegal drugs and billions of dollars have been made by those that sell drugs. In addition to the monetary costs and gains of those involved in combatting and selling drugs, there is a tremendous social cost to be considered.

Is one side in the drug war getting a greater return for its efforts and investment? If so, why? Is there a connection between the principles and practice of marketing in the production and sale of illicit drugs? Do marketing actions have an effective role to play in the anti-drug efforts that permeate today’s society? The answers to these questions are important to determine. As for any product, legal or not, the sellers must find enough buyers to justify the risks, including legal risks, to make and sell the product. For agencies tasked with preventing and reducing the consumption of illicit drugs, marketing communications may be a tool to accomplish their mission. This case presents information concerning both sides of the drug war and provides information useful for discussion and analysis of how marketing principles and practices are being used, or could be used, by the two sides engaged in the drug war.
Drug Use and Behaviors by Segments

Who are the major drug users in the U.S? Are there differences between the sexes and people in different age categories? Are factors such as social influences, perceptions of risk, and the influence of religious beliefs important in identifying drug customers? Answers to these questions are essential to those who sell drugs and those that combat drug use as each group seeks to achieve its goals—either to sell drugs and make money or to combat drug use in an effort to shrink the drug trade and the undesirable societal impacts of drug use. Included among these impacts are increased crime rates, costs for medical care and rehabilitation services for those with a drug habit, and costs within the legal system incurred for prosecuting and imprisoning those who violate drug laws. Findings from surveys on drug use and health commissioned by the U.S. government are presented in Table 1. Readers should use the sources cited in Table 1 to develop a greater understanding of factors associated with drug use and to understand how drug use is driven, particularly among the youth market.

<table>
<thead>
<tr>
<th>Factors</th>
<th>Drug Use Behaviors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age and Sex</td>
<td>Adults 26 or older are less likely to be users than people age 12-25. Use for age 12 and older is about twice as high for males. Males are more likely to simultaneously use more than one drug. For adults 50-59, the rate of drug use roughly doubled between 2002 and 2010—a partial reflection of aging baby boomers.</td>
</tr>
<tr>
<td>Education and Employment</td>
<td>There was a notably lower rate of use among college grads than those with some college. Drug use was more than double for the unemployed than for those who were employed full-time. Part-time employees reported lower drug usage than the unemployed.</td>
</tr>
<tr>
<td>Perceptions of Risk and Social Influences</td>
<td>Lower use was found for youths perceiving high risk for drug use vs. those not seeing high risk. Youths believing parents strongly disapprove of drug use were less likely to use than youths believing parents did not strongly disapprove. Marijuana use was reported by 2.4% of youths who strongly or somewhat disapproved of their peers using marijuana, lower than the 29% use among youths saying they neither approve nor disapprove of such peer behavior.</td>
</tr>
<tr>
<td>Influence of Religion</td>
<td>Past month drug use was reported by 8% of those who agreed or strongly agreed that religious beliefs are a very important part of life compared to 17% for those who disagreed with the statement.</td>
</tr>
</tbody>
</table>

Sources:

www.samhsa.gov/data/NSDUH/2k11Results/NSDUHresults2011.htm  
www.samhsa.gov/data/NSDUH/2k10ResultsRev/NSDUHresultsRev2010.htm
Cultural Changes and the Use of Demarketing in the Drug Wars

The creation of the Bureau of Internal Revenue (the name was later changed to the Internal Revenue Service) marked the first significant federal involvement in drug law enforcement. Other agencies were later created and given drug law enforcement powers (such as the Bureau of Drug Abuse Control and the Bureau of Narcotics).

The decade of the 1960's was a period of great change as many types of drugs were introduced into the American culture. Some individuals and groups began efforts to “normalize” drug use. By the early 1970's the drug problem had reached a level that led the federal government to establish the Drug Enforcement Administration (DEA) to deal with the growing drug problem. Drug use reached an all-time high in 1979. Relaxated attitudes regarding the harmfulness of marijuana, cocaine, and other illegal substances led young people to experiment with these drugs. The 1979 National Survey on Drug Abuse revealed that more than two-thirds of young adults aged 18-25 had used an illicit drug. About a third of 12-17 year olds and 20% of adults aged 26 and older had used an illicit drug.

Concerned citizens and parents of teens and young children were alarmed, leading to anti-drug campaigns by governments and communities across the nation (such as First Lady Nancy Reagan’s “Just Say No” program in February 1985). DEA leaders believed that parents, teachers, and other concerned citizens in communities across the nation could be a vital asset in reducing drug use among teens. Thus, over the next few years, the DEA ventured into efforts of prevention and education regarding drug use. In marketing terms, the federal government and the DEA decided to engage in demarketing—the use of the tools of marketing to eliminate or decrease consumer demand.

Because demand for a profitable product leads to its being supplied, DEA officials knew that enforcement efforts alone would not solve the drug problem. Without a dramatic reduction in demand the drug problem would not cease. In 1984, President Reagan proclaimed National Drug Abuse Education and Prevention Week. The DEA joined forces with the National High School Athletic Coaches Association in a prevention program focused on high school athletes. The Sports Drug Awareness Program used athletes and coaches as role models to help young people resist drugs. More than 40 organizations of professional, college, and high school sports joined. The DEA recruited and trained professional athletes to work with the Sports Drug Awareness Program believing these public figures would get attention and help communicate a message that drug use is dangerous.

Despite these efforts, the drug trade gained in scope and sophistication by the mid-1990s, becoming a worldwide problem in which drug dealers and lords had amassed unprecedented power and wealth that enabled them to manage worldwide businesses with sophisticated technology and communications equipment. In essence, drug related activities were being conducted in a manner similar to...
legitimate businesses. Drug organizations were involved in and controlled all aspects of the drug trade from cultivating the plants from which drugs are produced to the manufacture of drugs in safe countries to the transportation of the drugs and the selling of them on the streets of American communities. In response, Congress funded the National Youth Anti-Drug Media Campaign in 1998 in an effort to prevent and reduce youth drug use. Large sums of public money have been spent on anti-drug promotions in the years since (see http://www.justthinktwice.com/ for an example of DEA efforts to demarket drugs and drug use).

**Results of the Demarketing Efforts of the U.S. Government**

Have the results of the efforts of the government been successful? The answer seems to depend on who is speaking about the results. It is not surprising that people and agencies associated with the anti-drug efforts of the government have studies documenting the success of the government’s anti-drug promotions. The White House states that “Independent studies show the National Youth Anti-Drug Media Campaign’s Above the Influence is working and is having a positive effect on teen drug use.” A summary of these findings is available at http://www.whitehouse.gov/ondcp/Campaign-Effectiveness-and-Rigor.

Evidence is presented for the effectiveness of the Above the Influence Campaign in *Prevention Science*. Funded through a grant by the National Institutes on Drug Abuse, the study findings indicate youths who reported exposure to the campaign were less likely to begin use of marijuana compared to those not exposed. Separate findings published in the *American Journal of Public Health* indicate that greater exposure to the Above the Influence Campaign was linked to reduced drug use by young females, specifically, that girls were found to be open to messages concerning achievement and living a life free from negative influences. A third study states that the dramatic depiction of negative consequences of marijuana use was principally responsible for the positive effects on the drug related behaviors observed for “high-sensation-seeking youths” regarding the impact of the marijuana portion of the campaign on high- and low-sensation-seeking adolescents. An analysis conducted on youths in two U.S. counties found that marijuana use declined among high-sensation-seeking teens after an anti-marijuana effort was begun. A fourth study concluded that the anti-drug campaign can have an enhanced impact on drug use if they are used in combination with classroom-based prevention programs, such as the ALERT and ALERT Plus programs. Marijuana usage was found to be considerably lower among the ALERT Plus students reporting weekly or greater exposure to program messages.

Just as it is not surprising that those involved in creating and carrying out the efforts of the government to combat drug use have found evidence supporting those efforts and the spending of public funds, it is not surprising to find contrary opinions, particularly in the early days of the anti-drug campaign.
As stated in *Government Executive*, six years after the media campaign of the Office of National Drug Control Policy had begun the campaign had reached parents who were then increasingly monitoring their kid’s behaviors and talking to them about the dangers of drug abuse. However, the campaign had not reached the children, the main campaign goal. Citing a study released by the research firm Westat, teenagers exposed to the anti-drug ads were no less likely to use drugs and some young girls indicated they were more likely to try drugs. According to *Slate* magazine, by 2006 over $1.4 billion dollars had been spent to reduce marijuana use. Discussing the results of the Westat study, the article states, “So far, at least, it appears to be pretty much impossible to warn kids away from drugs with an ad campaign, no matter how cautious or nuanced an approach you take. Talking about drugs seems to give enough kids the idea of trying them that drug education efforts regularly backfire.”

Other research results also point to behavioral reactions to anti-drug ads that go in the opposite direction from what is being sought. In other words, a boomerang effect occurs where greater levels of exposure to anti-drug campaign results in potentially increased use of marijuana. The thinking is that anti-marijuana publicity may stimulate the idea that “everyone’s doing it.” In addition, it is possible that the ads had an unintended positive impact on perceptions towards marijuana by portraying “benefits” associated with using marijuana, an association possibly strengthened by repeated exposure to messages and images suggesting the “good-times” people have while on drugs. Beliefs and behaviors of youths were also affected by perceptions regarding older siblings. By making older brothers and sisters appear interested in using marijuana, the campaign had an unintended effect on younger sibling’s drug usage behavior.

The drumbeat of conclusions that anti-drug ads do not work or are ineffective has continued. ABC News reported findings in 2008 that the federal government’s effort to keep youngsters from using drugs “is unlikely to have had favorable effects on youths.” State government efforts have also come under criticism. A December, 2008, article in *Science Daily* about an effort by the state of Montana states: “An independent review investigating the effectiveness of a publicly funded graphic anti-methamphetamine advertising campaign has found that the campaign has been associated with many negative outcomes.”

**The Xalisco Boys—Better Marketers than the U.S. Government?**

Most people have never heard of Xalisco (pronounced ha-LEES-ko), a town in the Pacific coast state of Nayarit, Mexico. However, as reported in a series of articles in the LA Times, sugar cane farmers from this town have become major players in the heroin traffic in much of the U.S. The marketing model employed by these dealers to sell a crude form of heroin known as black tar (it is sticky and dark) has created demand for the product in smaller U.S. cities nationwide.
The origin of the Xalisco drug networks can be traced to two men serving time in the Northern Nevada Correctional Center. One inmate was familiar with the heroin trade in the U.S. The second inmate had access to black tar heroin as well as the workers in his hometown—Xalisco, Mexico. Beginning in Reno, the former prisoners set up their heroin business. In doing so, they departed from typical drug marketing procedures by foregoing the use of drug houses as distribution points. Instead, they employed a mobile delivery system direct to customers.

The business model of the Xalisco drug dealers rests on sound marketing practices—convenient delivery of the product, a better quality product (as seen by drug users), and a lower price vs. competing products. A premium is place on customer convenience and satisfaction. Buyers no longer have to visit dangerous areas of towns to buy a fix. Instead, they telephone orders and drivers bring the drug to the customer. Bosses occasionally call customers to determine satisfaction with the product and service. Existing customers are rewarded with free product for referrals leading to new customers (in one case receiving eight to ten packages of heroin for every $1,000 in sales they generated for the dealers).

The organization of this network is similar to other multi-level marketing organizations. Those who work for the leader of an area can strike out create a new network of their own for selling tar. As marketers of legal businesses often do, the Xalisco bosses have avoided operating in large cities with established drug organizations. They have, instead, focused on establishing businesses in cities such as Salt Lake City, Reno, Boise, Indianapolis, Nashville, Myrtle Beach—places from which the product can then make its way into suburbs and nearby small towns. University towns are particularly fertile markets. Competition among Xalisco dealers resulted in an approximate 50% reduction of the price of black-tar in Charlotte, N.C.—from $25.00 to $12.50 per package. The Xalisco retail strategy has "absolutely changed the user and the methods of usage," said Chris Long, a narcotics officer in Charlotte. "It's almost like Walmart: We're going to keep our prices cheap and grow from there. It works."

Another business practice in the Xalisco networks is segmentation and target marketing. Typically, dealers do not sell to African Americans or Hispanics—middle- and working-class whites are the primary target markets. This market is considered a safer and more profitable clientele by the dealers. "They're going to move to a city with many young white people," a Denver drug officer, said. "That's who uses their drug and that's who they're not afraid of." An additional fertile segment for black tar heroin are addicts of painkillers, such as Oxycontin, often young, middle and working class whites attracted to the black tar heroin for its low price and powerful narcotic effects. The cost of supporting an Oxycontin habit can run into hundreds of dollars per day. In contrast, a day's supply of black tar heroin can cost less than $100.
Critical Thinking Questions

1. Identify and discuss the consumer behavior issues and factors that the Xalisco dealers and those engaged in anti-drug efforts must understand in order to use marketing actions effectively.

2. Evaluate the demarketing efforts of the DEA. Are there marketing principles and practices the government is failing to use or is underutilizing? What new promotional approaches and marketing activities to reduce the demand for illicit drugs could be recommended to the DEA and other government agencies?

4. Given that disincentives for drug use—arrest, trial, jail time, a record—do not deter some people from using drugs, is it reasonable to believe that promotional campaigns to eliminate usage will be effective? Why or why not?

5. Use the marketing mix elements to evaluate the use of marketing practices of the Xalisco dealers.

6. Who has the harder marketing task—drug dealers or the government? Why?

Instructors Teaching Notes

Case Synopsis
This case is about a triangle of three potent forces: the segment of society that uses illegal drugs, a network of people who seek to provide those drugs and to profit by their sale, and the government of the United States that seeks to discourage drug use and prevent would-be sellers from serving the drug-using market. The case begins with a brief history of opium and its derivatives, a history of a product that spans thousands of years and has been produced and consumed in many places over those years, at times legally and, more recently and in most places, illegally. The history of opium is concisely presented in Figure 1. Following the history of opium, information is presented in the case to allow the reader to better understand the demand for drugs, the development of anti-drug campaigns by the government, and the development and success of a network of Mexican drug sellers known as the Xalisco Boys.

As with any product with a long history, there must be consumers in sufficient numbers to make the trade profitable, whether the product is legal or illegal. Drug use is not a behavior equally observed across society. Instead, there are segments in society that have greater behavioral tendencies to use drugs than others. Drug use tends to be greater among younger people and is higher among males than females. However, regarding age, there is a sizable segment of the aging Baby Boomers who also use illegal drugs. Levels of education and drug use are inversely related and the unemployed are more likely to use drugs than the employed. Higher perceptions of risk associated with drug discourages drug use as does a social environment in which a person perceives disapproval of drug use to
characterize their parents and peers. Finally, those stating a higher level of importance of religious beliefs in their lives are less likely to use drugs than those who do not as strongly hold religious beliefs.

The 20th century was characterized as a time of increasing governmental opposition to drug use. Due to rising levels of drug use and increasing perceptions and concern regarding the harm that drug use causes individuals and society as a whole, a series of federal agencies have been created and evolved in nature and scope to combat drug use. In addition to efforts to apprehend drug sellers and to destroy and interdict drug supplies, the government of the United States has funded a long-term and very expensive communications campaign to discourage drug use and, thus, impact the demand side of the drug trade. Despite governmental claims of success, many observers of these anti-drug efforts judge them to be of limited success, at best, and, at worst, a failure as an effective anti-drug strategy. There is even some evidence that anti-drug messages sometimes produce the opposite effect of that being sought.

Unlike a military war, the drug war is characterized by frequent changes of the set of opponents the government must face. A relatively new opponent in the drug wars is a loosely affiliated network of drug sellers from Mexico who very successfully sell a product know as black tar heroin. Without formal business training or an educational background in business and marketing, this network of sellers has employed a variety of marketing principles and practices to meet the demand of its customers. Included among the practices are superior product, convenient delivery to customers, lower prices than prices charged for competing products, market segmentation, and efforts to determine customer satisfaction.

**Educational Objectives**

The objective of using this case in a marketing course is to challenge students to consider which side in the drug war faces the more difficult tasks, which side is more likely to be more successful, and to determine what factors and forces lead students to their conclusions. This is something students should find interesting in that they can consider marketing strategy and tactics in ways they have perhaps never considered, particularly in regard to the demarketing efforts of the government. While marketing students may see passing references to demarketing, it is likely a rarely assigned topic for students to consider. For example, students can be given the task of suggesting marketing actions they feel might be more effective than those currently being employed by drug enforcement agencies.

Regarding its use, this case can be assigned for individual students use or for use by groups of students. In either approach students should read the case and then consider and answer the critical thinking and discussion questions as either an assignment to be submitted for a grade or as preparation for a classroom discussion.

Two classes in marketing are particularly suitable for the use of the case—Consumer Behavior and Marketing Strategy (or Management) classes. For a Consumer Behavior course, students can consider how a variety of consumer
behavioral variables must be understood by all who are seeking to influence the current and potential drug using market. At the end of the exercise students in Consumer Behavior should have a clearer understanding of the following issues:

- The motivations of consumers, including motivation toward behaviors that society deems individually destructive and harmful for all of society.
- Attitude formation and how attempts and actions of outside forces are undertaken to change attitudes and behavior.
- The influence of significant others in behavioral decision making.

Implementation of the case in a Marketing Strategy (or Management) class could focus more on marketing strategy and how both the government and the network of drug sellers must understand and effectively market what each is seeking as an outcome of their efforts. A major distinction that can be drawn here is that one group, the drug network, is selling both an idea and a product whereas the government is basically limited to promoting an idea. This is rather different than the typical marketing situation where opposing forces are able to offer alternative products. Possible outcomes to be sought in a Marketing Strategy (or Management) class are:

- The marketing of different kinds of “products.” In this case, the selling of an idea (don’t use drugs) is in competition with the experience of using a tangible product. This discussion could be expanded to include similar situations such as the “Don’t Drink and Drive” campaigns and campaigns to discourage texting and driving.
- How superior implementation of marketing principles and practices by the Xalisco boys has given them a competitive advantage over rival drug sellers.
- A greater understanding of communication theory and how to effectively use various forms of communication to achieve a desired outcome. Since the government is basically limited to using promotion to achieve its ends, students will be challenged to reach conclusions regarding this unequal fight where the opposition can use all of the marketing mix elements.

In either course students can be challenged to examine various marketing actions and form beliefs about why some are more effective than others. For example, does the fact that one side in the drug wars can provide samples of a product and directly reward loyal buyers give that combatant an insurmountable advantage? Or can drug enforcement officials still prevail by winning the minds of current and potential users by better understanding what drives drug use and the creation of more effective anti-drug messages based on that understanding?
Comments on Critical Thinking Questions

1. Identify and discuss the consumer behavior issues and factors that the Xalisco dealers and those engaged in anti-drug efforts must understand in order to use marketing actions effectively.

The well accepted variables that drive consumer behavior are typically divided into two categories—individual variables (such as motivation, learning, and attitude formation and change) and social variables (such as reference groups, family and social class). While almost any consumer behavior variable can be legitimately part of this discussion, the most applicable are motivation, consumer learning, attitude formation and change, reference groups, and family. Instructors using this case are encouraged to allow students to initially roam rather freely in a class discussion setting of the important factors and then guide the discussion toward the most important factors.

2. Evaluate the demarketing efforts of the DEA. Are there marketing principles and practices the government is failing to use or is underutilizing? What new promotional approaches and marketing activities to reduce the demand for illicit drugs could be recommended to the DEA and other government agencies?

Students are likely to quickly recognize the limitations drug enforcement officials have in combating drug use. The “product” being marketed is an idea, the idea that it is better not to use drugs than to use drugs. Thus, officials are frequently limited to two major ways to market that idea—impersonal messages such as advertising messages and the personal selling messages of teachers, coaches, athletes, and others who are allies in the drug war. Without a tangible product to market that provides a directly experienced benefit, enforcement officials cannot raise or lower the price of using drugs except in the negative sense of changing the penalties applied to drug users. They do not have distribution channels that can be changed or improved to gain an advantage. Thus, the discussion of this question will primarily be centered on how to create more effective messages and determining more effectively delivering them.

4. Given that disincentives for drug use—arrest, trial, jail time, a record—do not deter some people from using drugs, is it reasonable to believe that promotional campaigns to eliminate usage will be effective? Why or why not?

Students will quickly focus on the word eliminate and argue that elimination of drug usage is too lofty a goal. The lesser goal of reducing drug use, however, will be judged as more achievable. Students will recognize that as one generation follows another, drug sellers will always have new prospects to approach, that current drug users will always be an influencing factor in bringing new users to the market, and that prevailing conditions in certain subcultural segments of society will provide a setting in which drug use is likely to continue.

5. Use the marketing mix elements to evaluate the use of marketing practices of the Xalisco dealers.
The Xalisco drug dealers have proven to be excellent marketers. Concerning their product among competing products, they have found a product that is desired by a sufficiently large set of target markets and which customers find to be not only acceptable, but even superior to competing products. Recognizing that customers desire a certain set of time, place, and possession utilities, the sellers have implemented home delivery, something highly valued by buyers. Regarding promotion, the drug sellers have effectively promoted their product through current customers through a loyalty program similar to that employed by the marketers of legal products. By seeking feedback from customers, the sellers put themselves in a position to respond to the concerns and needs of their customers. Finally, all this “value” is delivered at a price lower than that charged for competing products, giving the sellers an advantage for this marketing factor.

6. Who has the harder marketing task—drug dealers or the government? Why?

Having considered the other questions, students are likely to give the edge in the drug war to the drug dealers. Having a tangible product to sell rather than an idea to sell gives the dealers an advantage. The physical experience of using drugs provides users a direct outcome, a way to know exactly what “benefit” will be derived from buying and using drugs whereas the benefits of not using drugs is something many customers and prospects will have a harder time in judging, especially in the short run.

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**Author Information**

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