

# Overview of the industry trends and the regulatory environment in Tobacco

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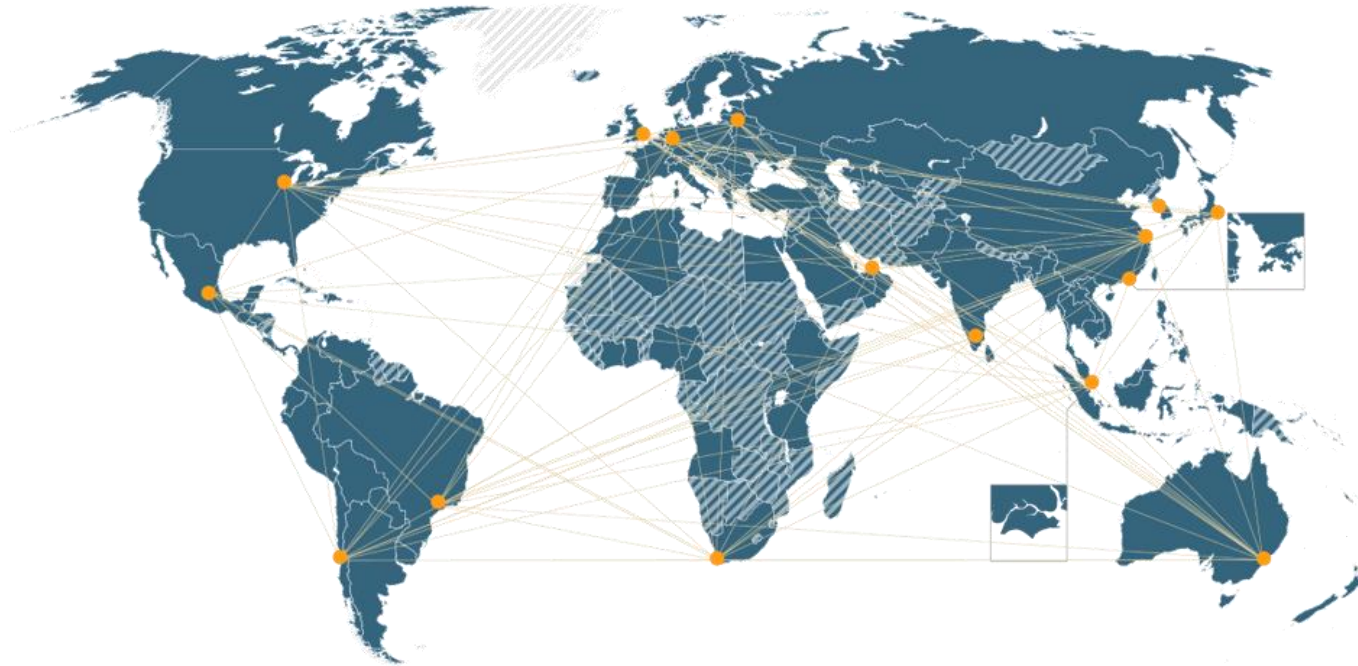
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The data included in this report is accurate according to Euromonitor International's market research database, at time of publication: September 2023

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# Euromonitor International network and coverage



**16 OFFICES**

- |           |             |
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**100 COUNTRIES**

























in-depth analysis on consumer goods and service industries

**210 COUNTRIES AND TERRITORIES**






+ demographic, macro- and socio-economic data on consumers and economies

# Research expertise



## Consumer Products

-  Alcoholic Drinks
-  Apparel
-  Automotive
-  Beauty and Personal Care
-  Cannabis
-  Consumer Appliances
-  Consumer Electronics
-  Consumer Health
-  Eyewear
-  Fresh Food
-  Health and Wellness
-  Home and Garden
-  Home Care
-  Hot Drinks
-  Luxury Goods
-  Nutrition
-  Packaged Food
-  Personal Accessories
-  Pet Care
-  Product Claims and Positioning
-  Soft Drinks
-  Tissue and Hygiene
-  Tobacco
-  Toys and Games



## Services

-  Consumer Finance
-  Consumer Foodservice
-  Retailing
-  Sports
-  Travel


## Supply

-  Ingredients
-  Packaging



## Analytics

-  Competitor Analytics
-  Industry Forecast Models

## Economies

-  Business Dynamics
-  Cities
-  Economy, Finance and Trade
-  Industrial
-  Natural Resources

## Consumers

-  Digital Consumer
-  Households
-  Income and Expenditure
-  Lifestyles
-  Population

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# Combustibles: consumption trends

2022 market in key figures vs. 2021 (all ex-China)



2.8 trillion cigarettes



-1.3% cigarettes decline



USD502 billion cigarettes



+5.7% current growth

78%: value of cigarettes of total tobacco

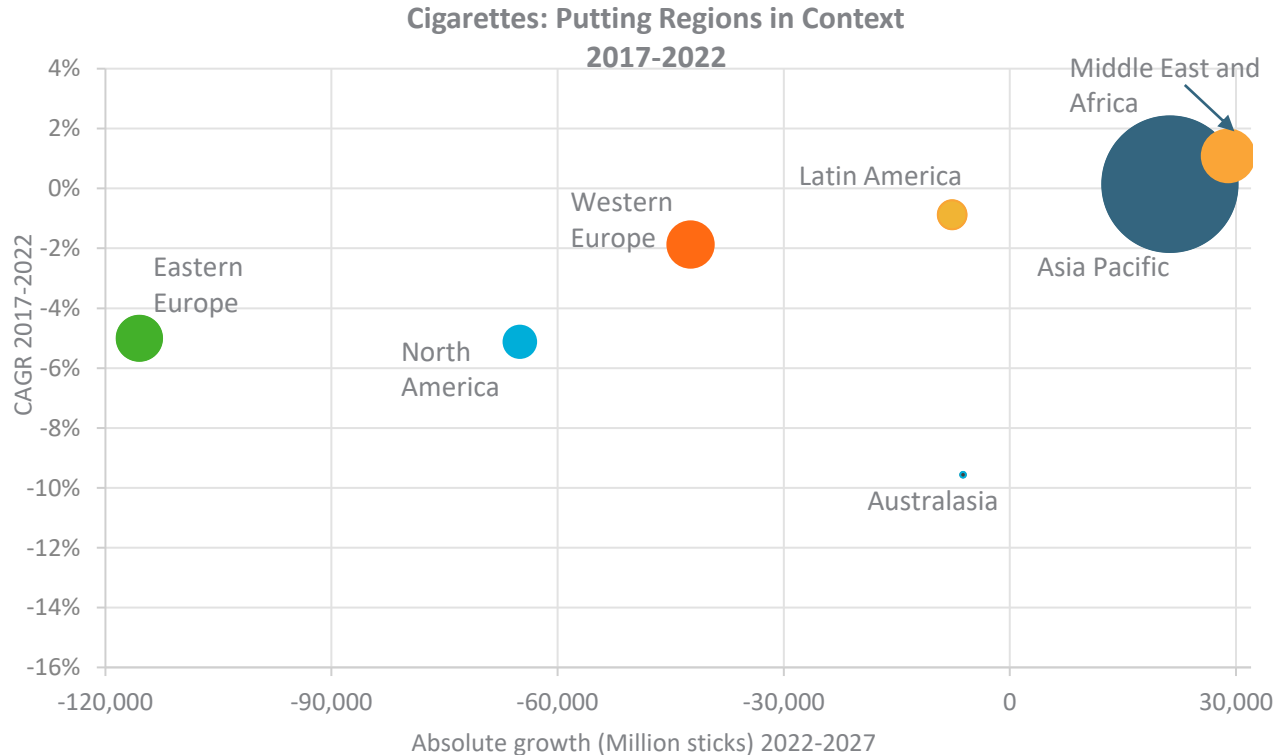


USD3.60 average cigarette pack price



+7.1% current growth

# Global cigarettes sales on a continued downward spiral



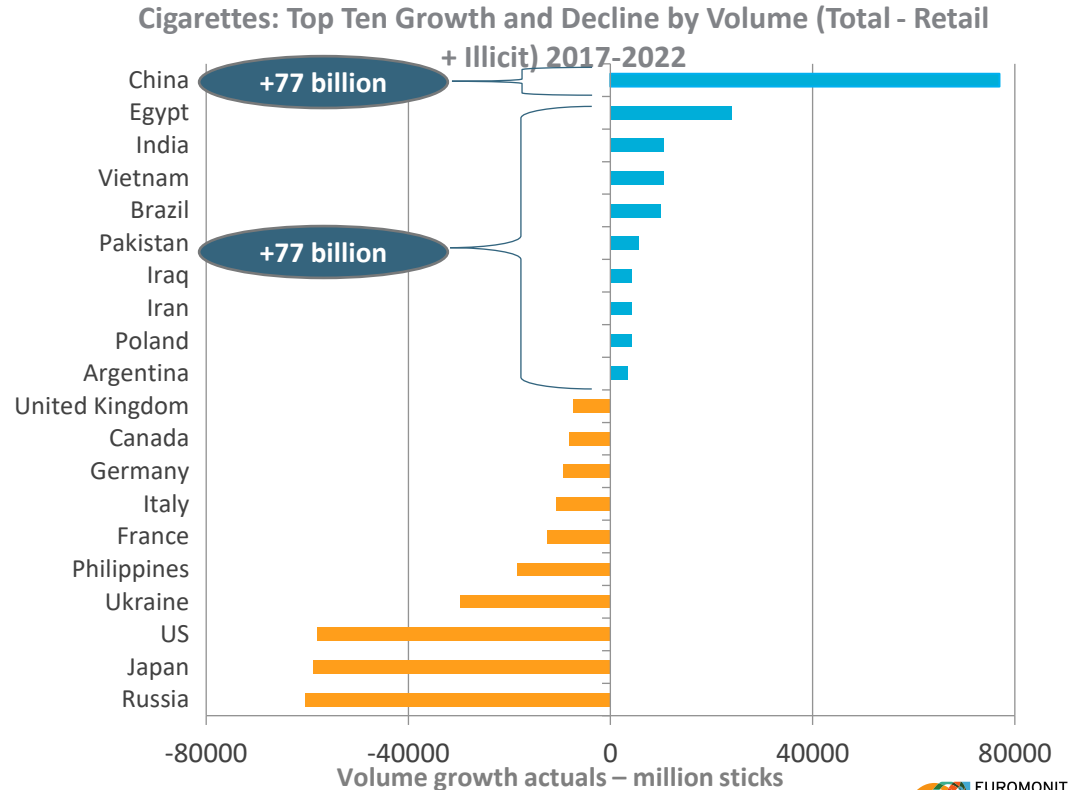
Middle East and Africa  
and Asia Pacific the only  
growth regions

**-3% vs -8%**  
World vs. world excl. China  
(2022-27)

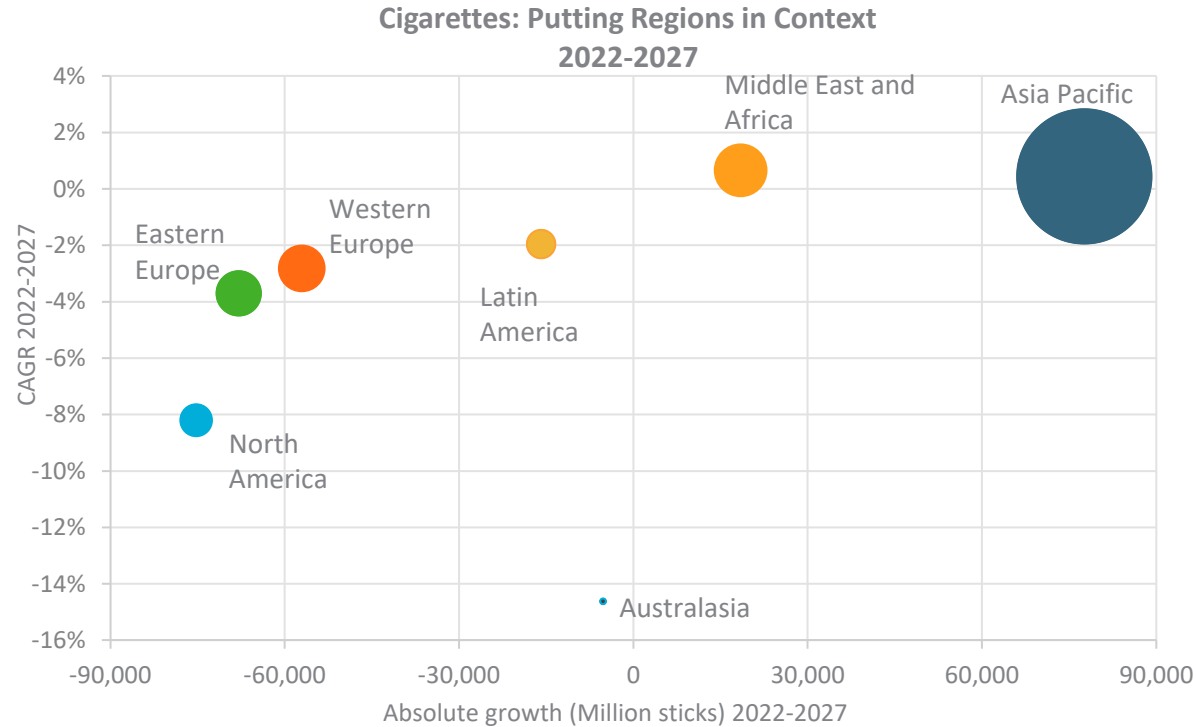


# Growing divide between developed and emerging markets

- China generates same growth as all other top 10 fastest growing markets
- Emerging markets with young demographics remain pockets of growth
- Developed markets and those with ageing populations see steepest declines



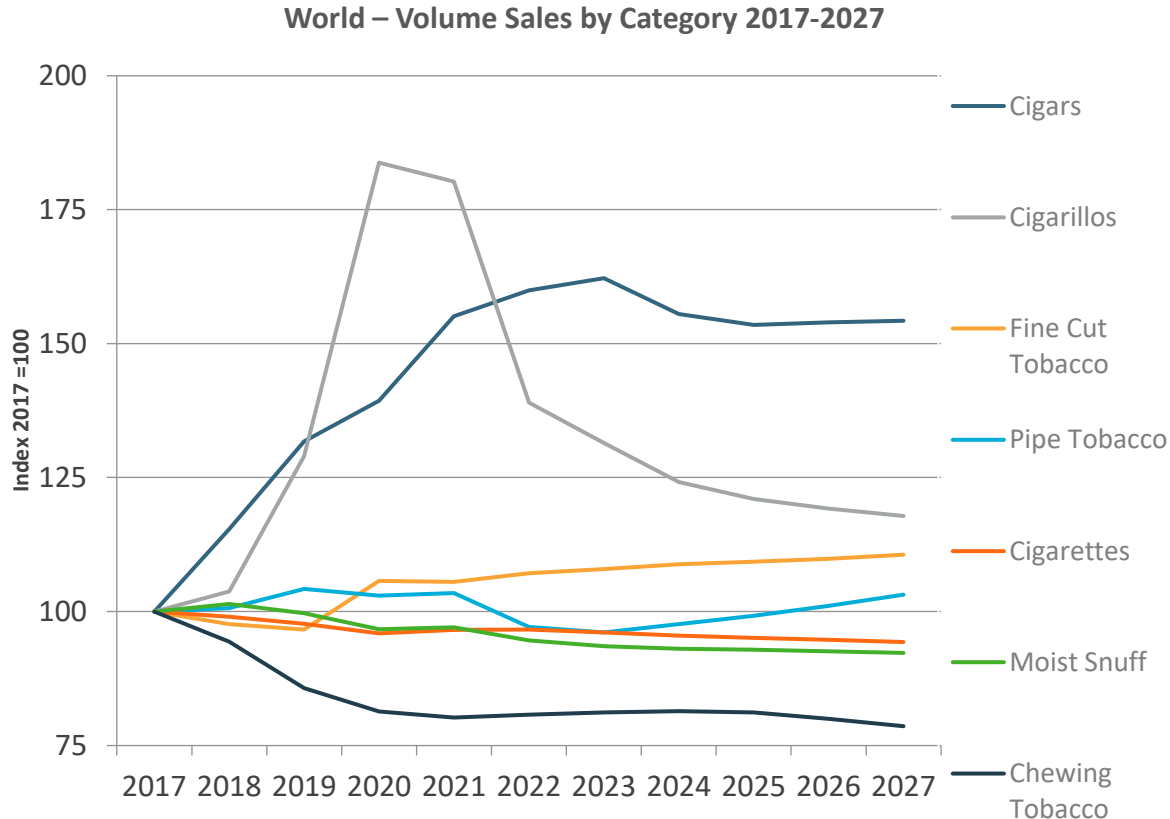
# Growth trajectories forecast to remain unchanged



**-2%**  
World (2022-27)

**-7%**  
World excl. China  
(2022-27)

# Growth in cigars and cigarillos set to flatline



Source: Euromonitor International Passport Data

**+373% vs. +22%**

Cigars in China (2017-22 vs 2022-27)

**+4,929m vs. -2,050m**

Cigarillos in Japan (2017-22 vs 2022-27)

**+13% vs. -20%**

Cigars and cigarillos in the US  
(2017-22 vs 2022-27)

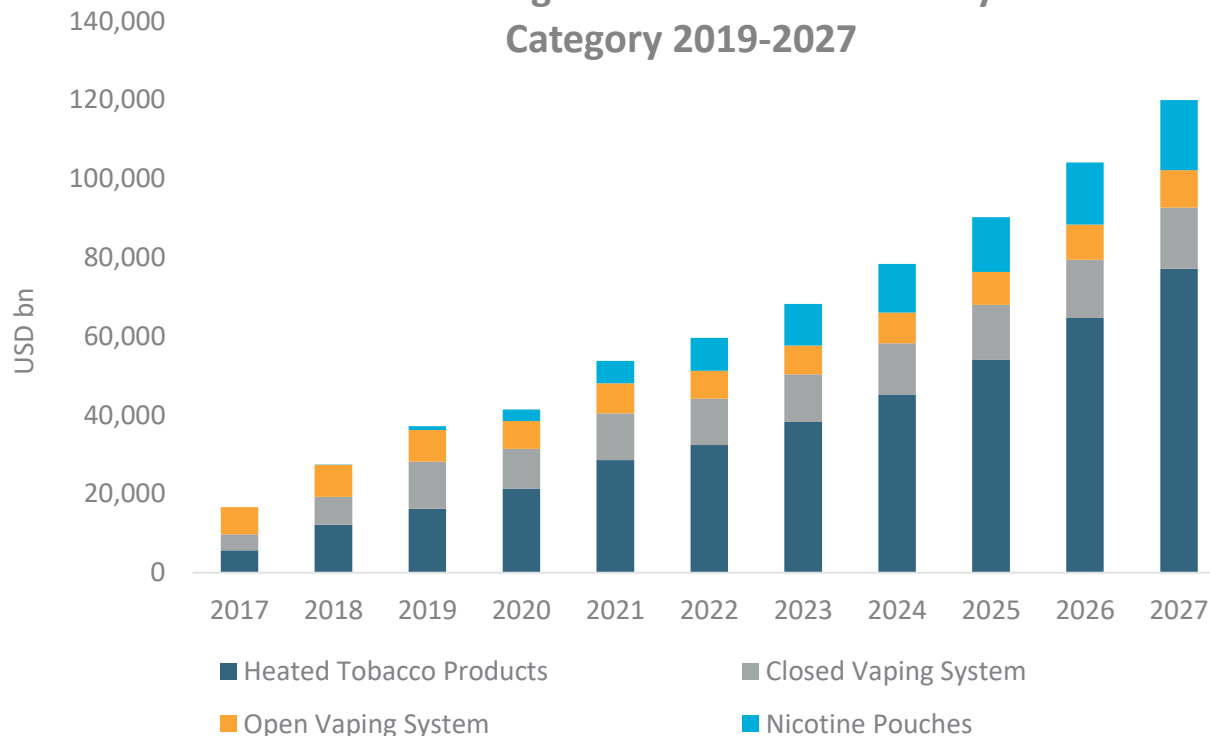
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# Reduced risk products: consumption trends

# Heated tobacco takes the lion's shares of RRP global sales

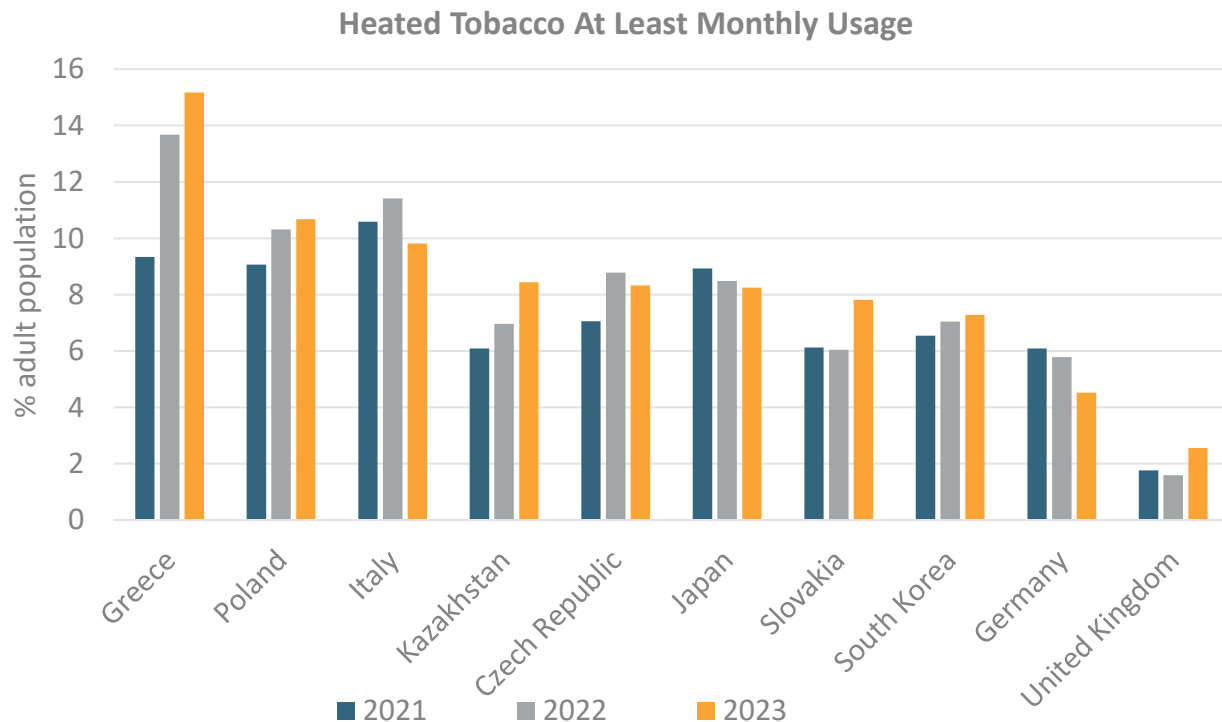
**15%**  
CAGR growth  
forecast over  
2022-2027 for  
NGP

Global Legal Tobacco Value Sales by Category 2019-2027



Source: Euromonitor International Passport Data

# Heated tobacco usage remains on the rise



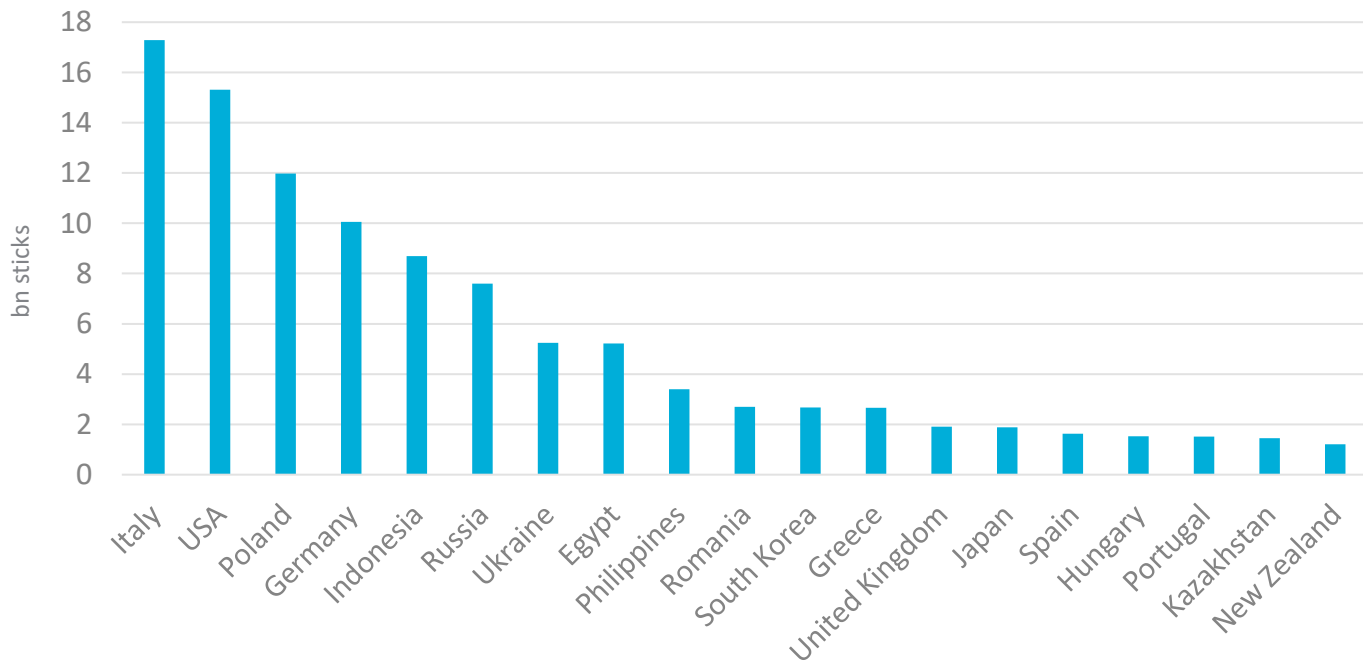
Japan and South Korea  
reaching maturity

European markets see  
strongest increases

Heavy price competition on  
devices may boost adoption

# Heated tobacco usage remains on the rise

## Absolute Heated Tobacco forecast growth 2022-2027



% of global growth  
in Top 5 markets

40%  
'22-'27

V

65%  
'17-'22

# Non-tobacco herbal products offer further potential for expansion



Image source: [www.neaps.com](http://www.neaps.com)



Image source: [www.uspto.report](http://www.uspto.report)

NB Levia not yet commercialised



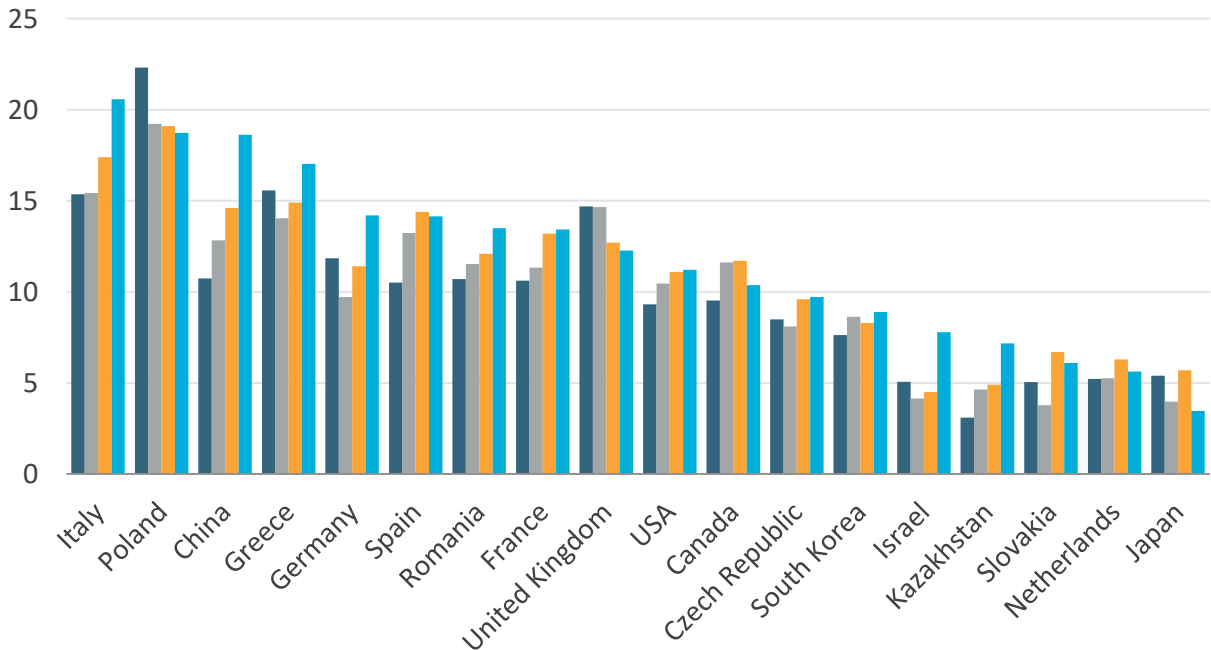
Image source: [www.unnico.eu](http://www.unnico.eu)



# E-vapour products: steady rise in key markets

## Current\* Use of E-Vapour Products

Current e-cigarette use – % of population



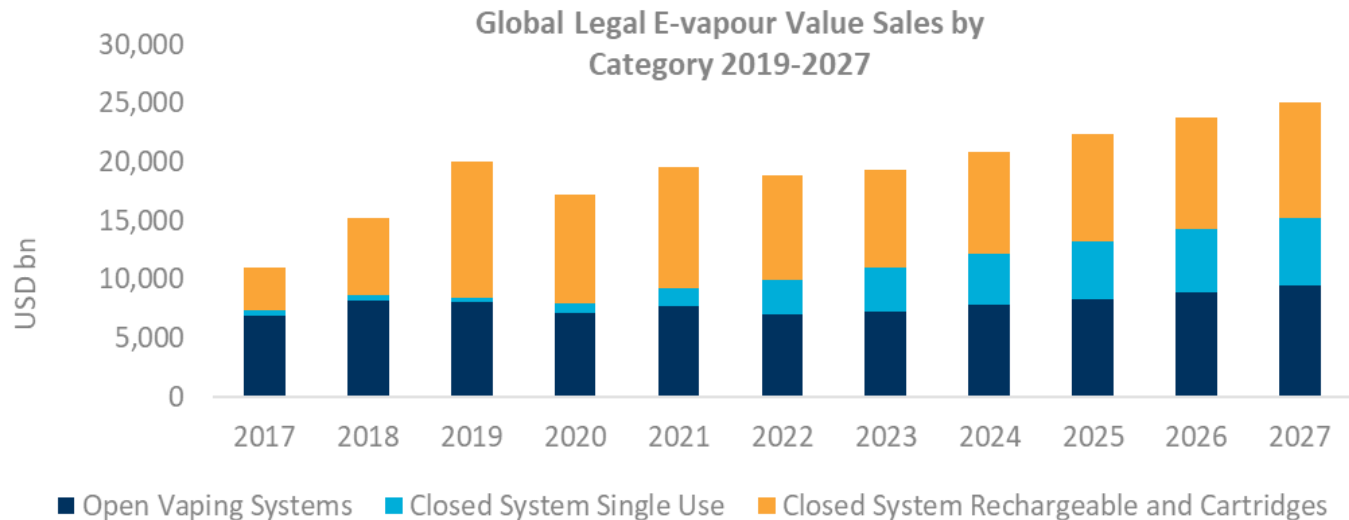
Source: Euromonitor Nicotine Survey  
\*Current = at least monthly

■ 2019 ■ 2020 ■ 2021 ■ 2022

*“e-vapour products assist smokers to cease consumption more effectively than traditional nicotine replacement therapies such as patches”*

Cochrane Review

# Closed system single use rejuvenates vaping



Source: Euromonitor International Passport Data

**99%**  
illicit share US

**~500 million**  
devices in circulation

**66%**  
of disposable vapes users cite  
'ease of use' as  
extremely/very important

# Closed system single use: high growth forecast but challenges ahead

Legal hurdles set to hit growth as product appeals to young audience

Eastern Europe expected to lead growth due to few legal restrictions

### Key Global Figures for Disposables:

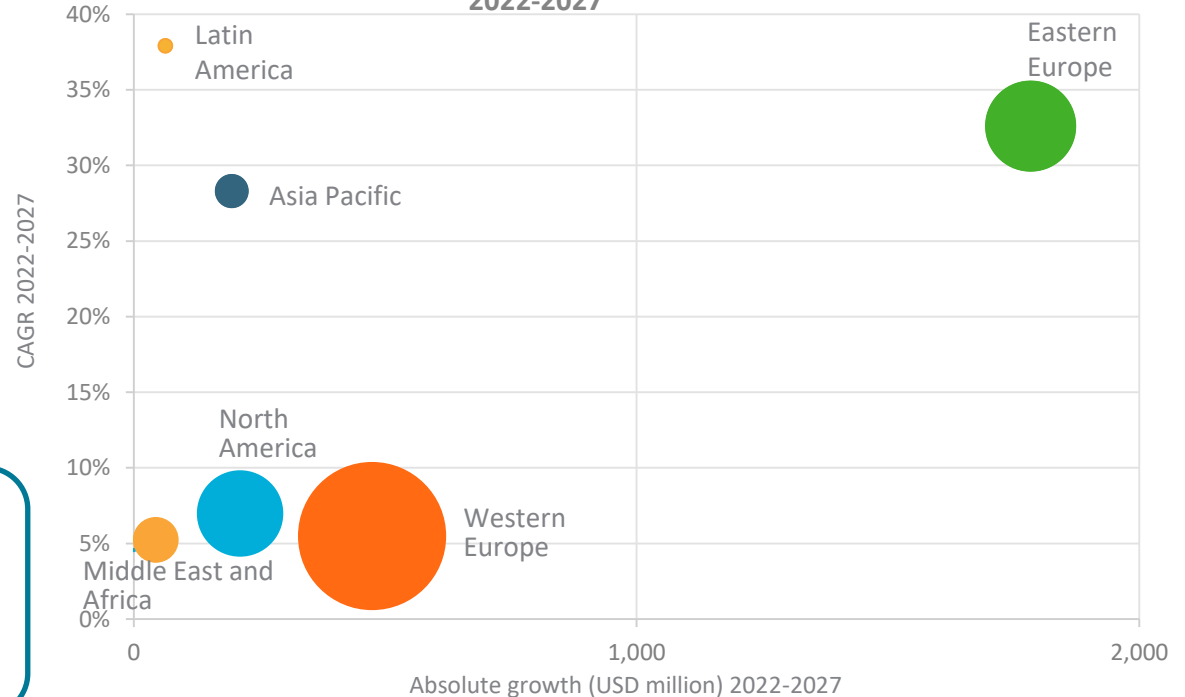


USD2,900 Million in 2022



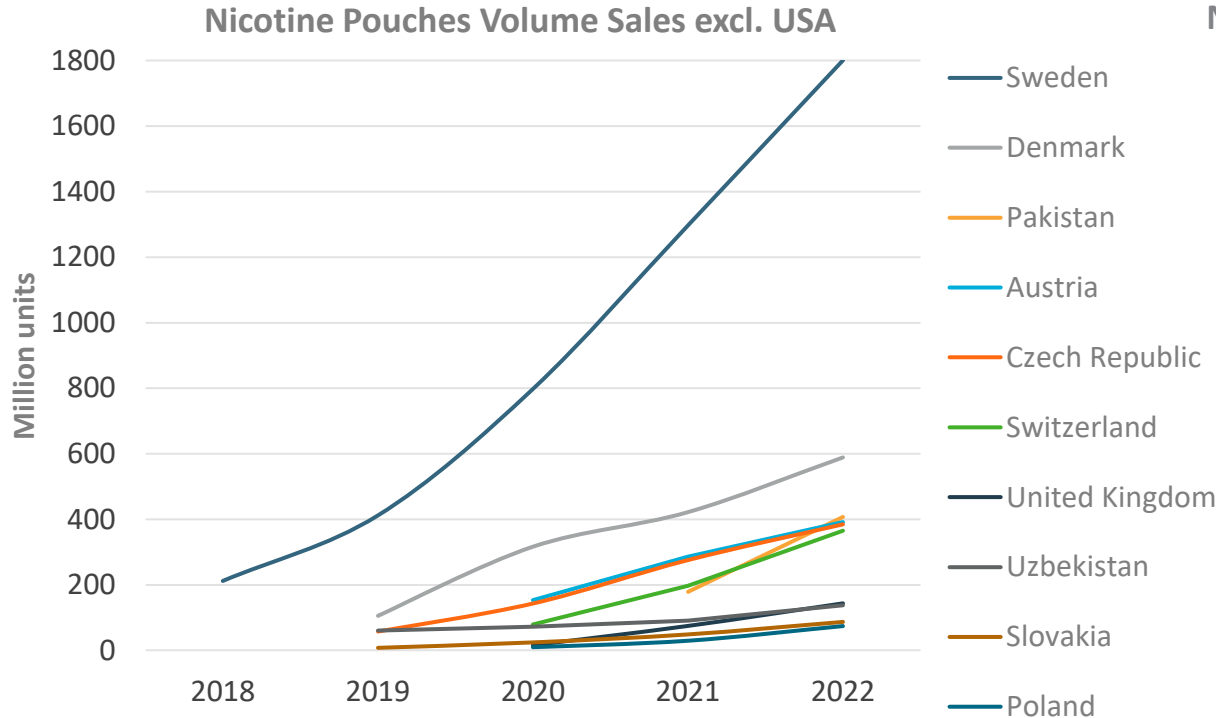
14% CAGR Growth 22-27

Closed system single use: Putting Regions in Context  
2022-2027

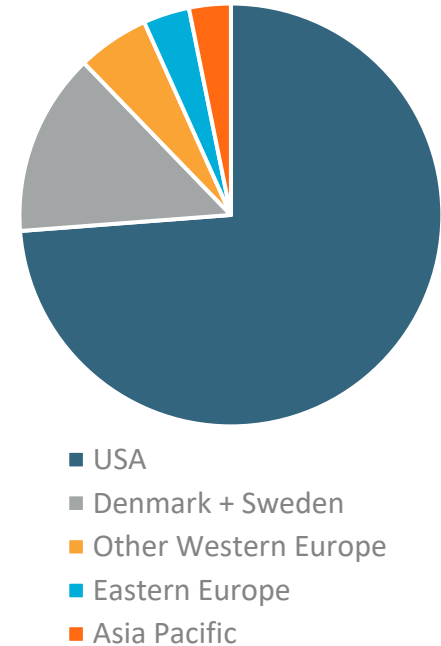


Source: Euromonitor International Passport Data

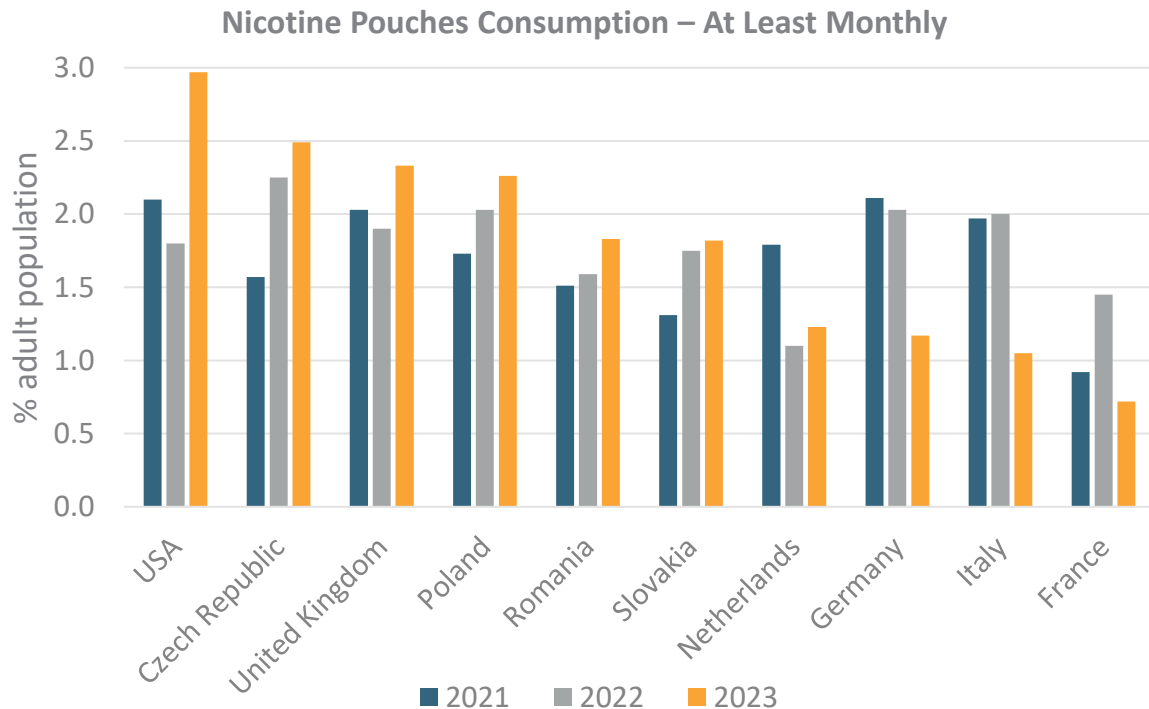
# Nicotine pouches struggles to reach a wider global audience



### Nicotine Pouches Value Sales 2022



# Nicotine pouches prevalence remains low



Strongest gains in Eastern Europe and the US

Drop in consumption in Western European markets due to uncertain legal status or bans

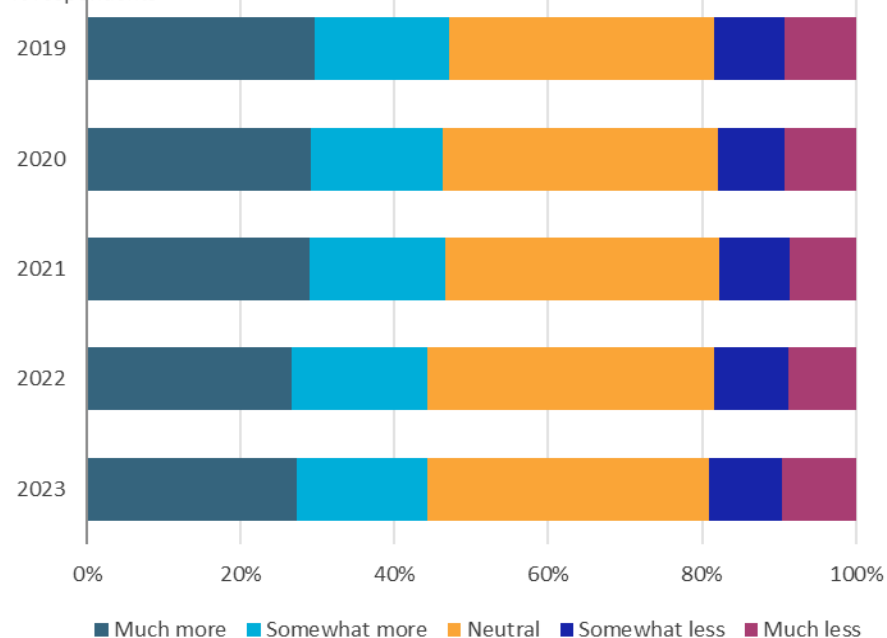
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# Regulatory challenges in tobacco

# Legislation on combustibles ever more restrictive

Should cigarette regulation be more or less restrictive than it currently is?

% respondents



Source: Euromonitor Voice of the Consumer: Nicotine Survey, fielded January to February 2023 (n=36,601)

Taxation

Flavour

Marketing

Plain  
packaging

Channel

Generational  
ban

Nicotine caps

Sustainability

# Can regulation lead to combustibles entering the endgame?

## Regulation shapes the industry

Regulation is a key driver determining the types of product which can be sold, how they can be marketed, to whom, and where consumers can use them.



22

Markets with plain tobacco packaging

## The writing on the wall for cigarettes?

After decades of increasingly restrictive legislative intervention, the advent of generational bans may ultimately signal an endpoint for cigarettes and other combustibles.

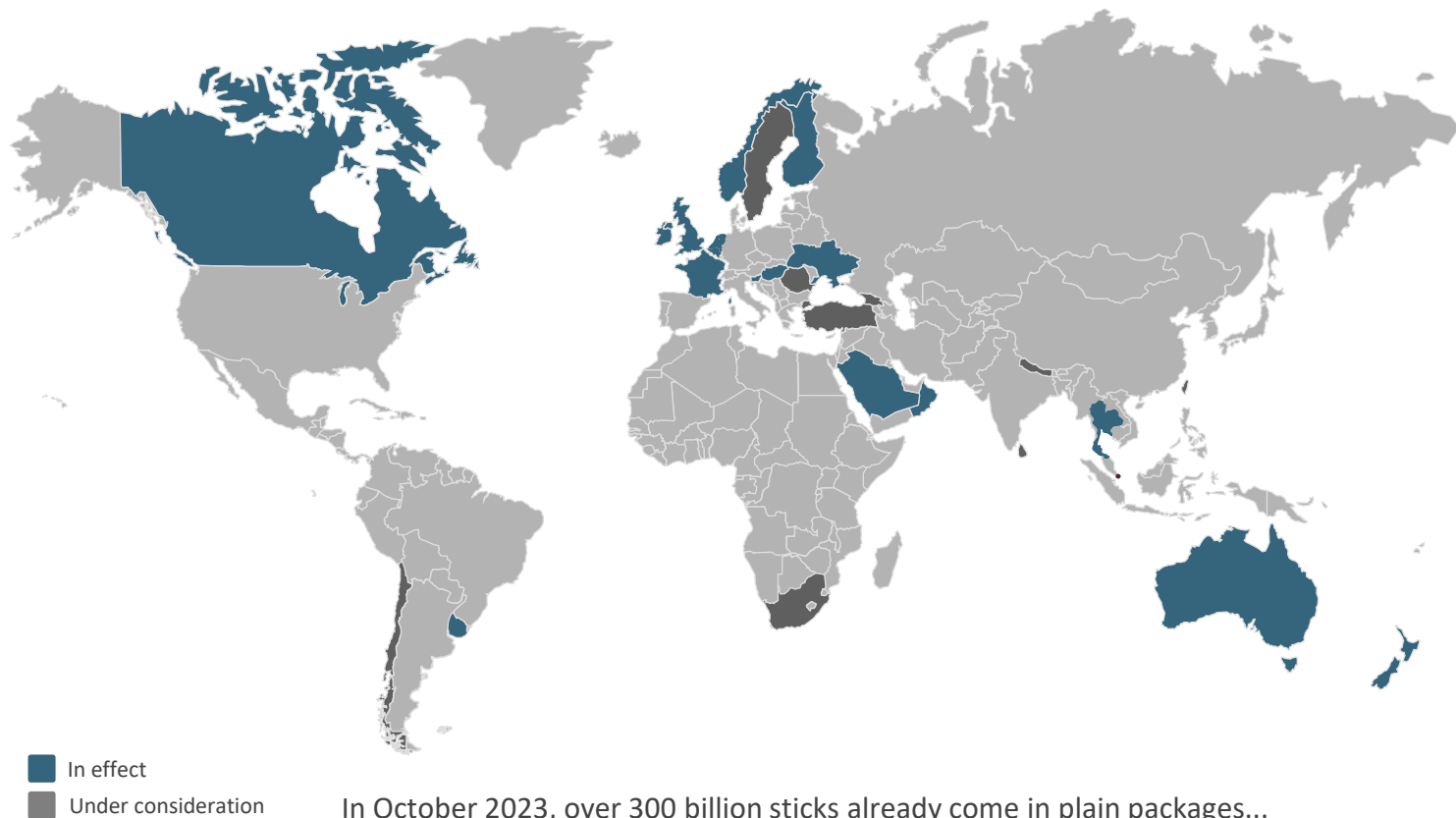


-0.7%

Tobacco value sales 2022



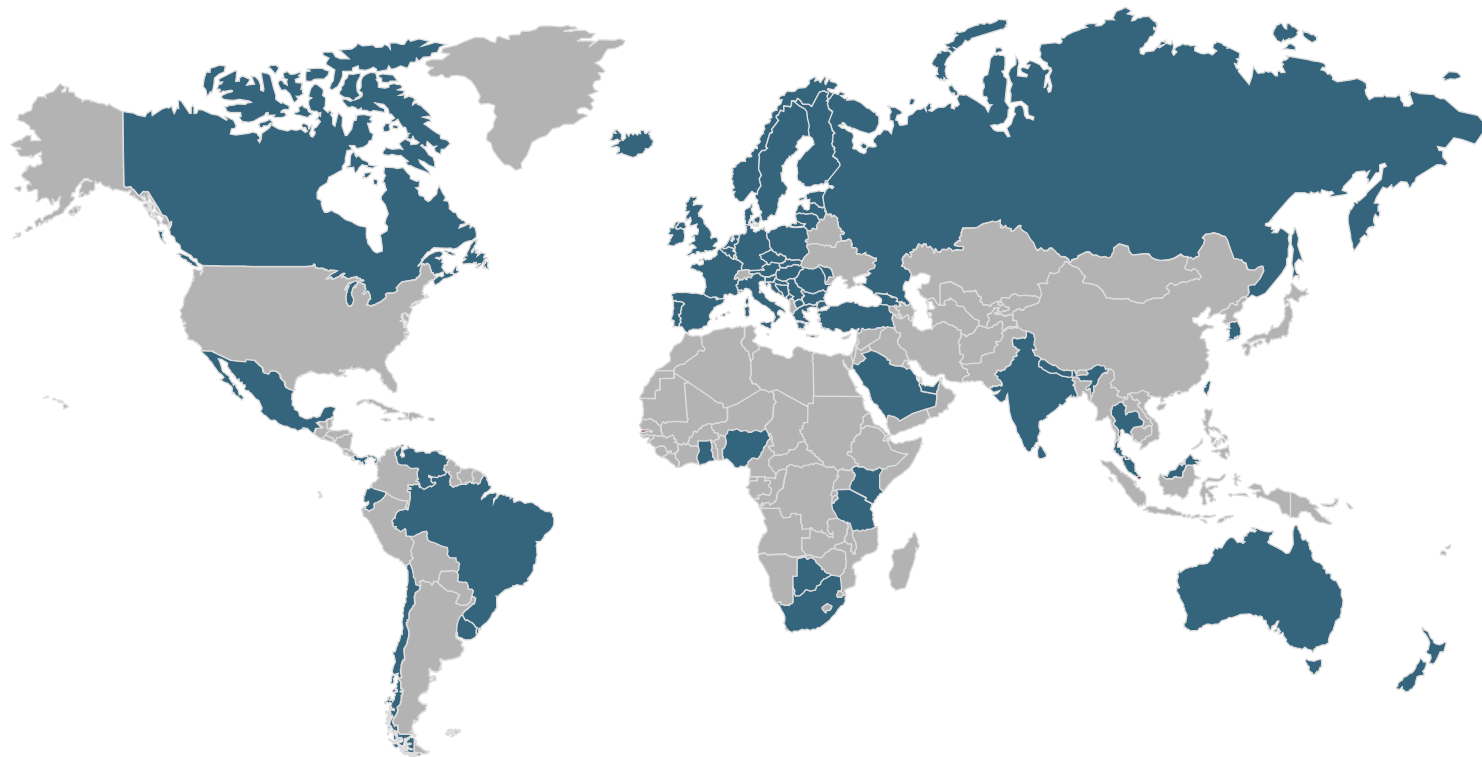
## 2023: Plain packaging



In October 2023, over 300 billion sticks already come in plain packages...

## 2030: Plain packaging

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...by 2030, the number will likely rise to above one trillion, accounting for close to 50% of global volumes, if China is excluded

## 2023: Generational bans



# Ambitious goals projected for 2025

Heated Tobacco



Smoke-free products to account for over 50% of PMI's revenues by 2025

IQOS



Deliver £5 billion of revenue from New Categories by 2025

glo™



Investments will concentrate on heated tobacco

psdom TECH



Investment in heated tobacco opportunities in Europe

PULZE  
HEATED TOBACCO THE WAY IT SHOULD BE



Accelerate investment in new smoke-free tobacco platforms

IQOS

E-vapour products



VEEV



NJOY™

Nicotine Pouches



Swedish Match.



# Reduced risk credentials to achieve regulatory support

## IQOS CLASSIFIED AS MODIFIED RISK TOBACCO PRODUCT BY THE FDA

According to the FDA, marketing IQOS products as an MRTP could help addicted adult smokers move away from combustible cigarettes and ultimately reduce exposure to harmful chemicals.

### FDA Authorizes Marketing of the IQOS Tobacco Heating System as a Modified Risk Tobacco Product

This authorization gives Philip Morris USA an opportunity to communicate additional benefits of switching to IQOS and this decision is an important step for adult smokers. Our 10-year vision is to **responsibly lead the transition of adult smokers to a non-combustible future**. IQOS is a key part of that future as we develop our portfolio of FDA-authorized, non-combustible products and actively switch adult smokers to them.

Billy Gifford  
Chief Executive Officer  
Altria Group

Read our press release  
now on [altria.com](http://altria.com)



## E-VAPOUR PRODUCTS

The EU Parliament recently adopted a report on Cancer prevention and Treatment that acknowledges the potential contribution of e-vapour products in cutting down smoking.

The European Commission might revise its stance towards e-vapour products.



## SNUS MARKETED AS MODIFIED RISK TOBACCO PRODUCT

Swedish Match allowed to sell eight varieties using the claim, "Using General Snus instead of cigarettes puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis."



Using General Snus instead of cigarettes puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis.

# Key sustainability legislation drivers in tobacco and nicotine

## LEAF CULTIVATION



Environmental impacts such as deforestation, lack of crop diversity, chemical use and water utilisation are likely to attract increased regulatory scrutiny

## SUPPLY CHAIN EMISSIONS



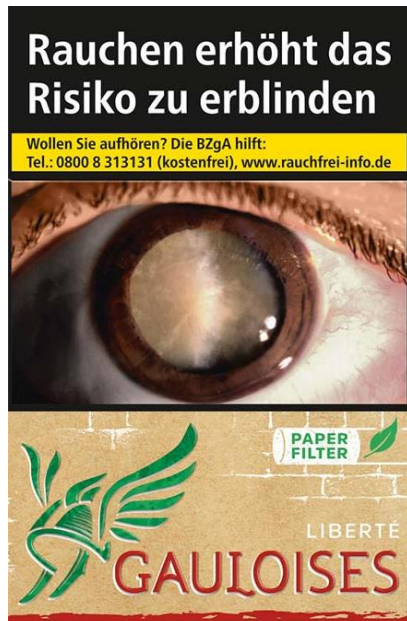
The manufacturing and supply of tobacco products is widely accepted as the most environmentally damaging stage of the industry

## PRODUCT WASTE



The impact of discarded cigarette butts and e-vapour products represents the clearest area of focus from an environmental perspective.

## Sustainability innovation begins to filter through to consumers



Ability to communicate key to maximising impact, although strict restrictions on tobacco promotion and communication prevent sustainability initiatives from reaching more awareness among tobacco stakeholders.

# Shift to smoke free alternatives creates another challenge for the industry



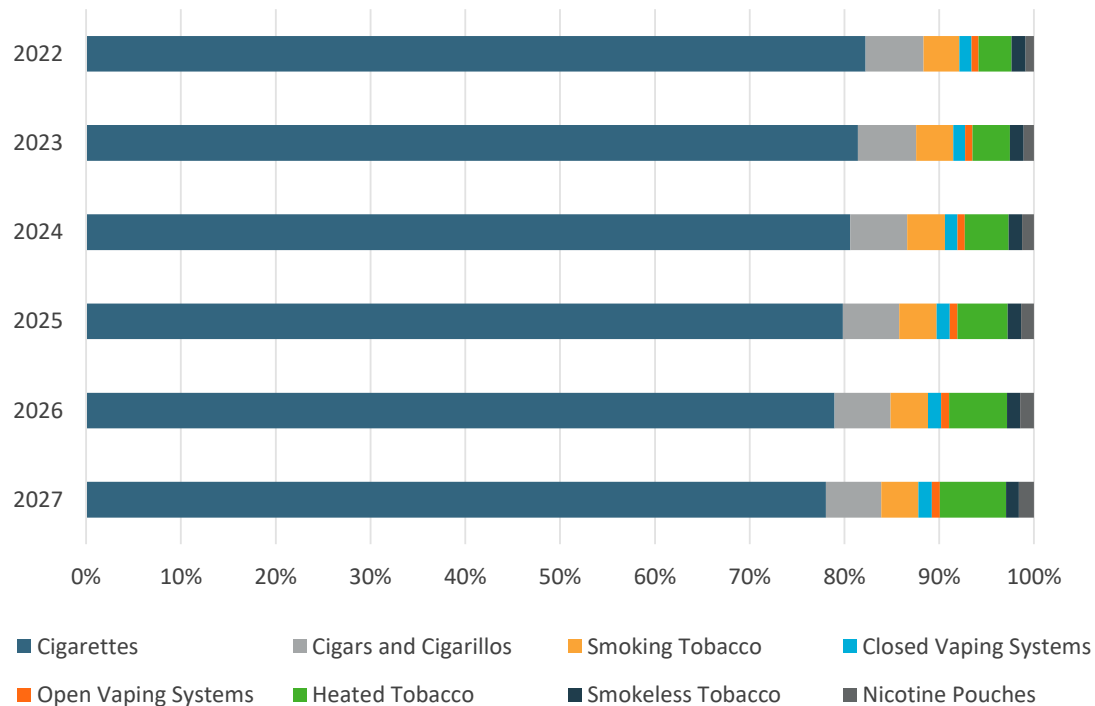
## Less sustainable market dynamics

Consumer transition from combustible cigarettes to delivery formats with electronic components and metal, plastic or rubber will create a sustainability issue greater than cigarette butt-littering

Image source: buddepotdispensary.com

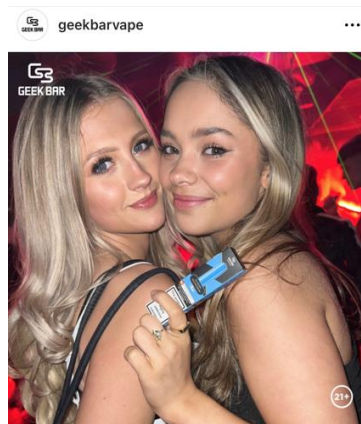
Source: Euromonitor International Passport Data

% Value Share of Total Tobacco Sales by Format 2022-2027





# Disposable vapes vulnerable to new regulations



## Spectrum of regulatory action now possible

Additional  
Marketing  
Curb

Sales and  
Ingredient  
Reporting

Mandatory  
Deposit  
Return

Flavour  
Restriction

Category  
Ban



# Innovation to minimise environmental concerns



99%+ recyclable and recoverable device featuring an outer casing made of 100% recyclable high-grade cardboard, with a biodegradable silicone mouthpiece and end piece.

ANDS SLIX from ANDS

## Environmentally friendly

The world's first carbon-neutral disposable vape. Made from biodegradable corn flower bio plastics and fully recyclable.

QBAR by Riot Squad



## Rechargeable formats that resemble disposable



Elf Bar Elfa/Mate 500 from Shenzhen Imiracle Technology

## Higher capacity devices/bigger tanks to expand lifespan

Aspire and Eco Vape teamed to develop a hybrid of a pod kit and a disposable. The pod is not removable, but the user can re-fill and charge the kit. The new device is capable of over 3,500 puffs.



R1 from Aspire and Eco Vape

# Traditional schemes



Image source: greyhaze.co.uk, vuse.com, blowvapes.com, euroactiv.com

# Reward schemes



# Deposit return schemes



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# Key Takeaways

## End of cigarettes?

*Cigarettes continue to account for the bulk of value sales, but novel tobacco products are eroding its market share*

## Goal focus

*Major tobacco players setting ambitious goals to increase their revenue from novel tobacco products while upgrading their sustainability commitments*

## Innovation to succeed

*Development of improved novel tobacco propositions to accelerate migration towards reduced risk products and environmentally friendly*

## Reduced risk credentials

*Science and regulatory support are key to accelerate the adoption of novel tobacco products and change consumers' perception of tobacco*

## Keep communication under control

*Avoid marketing initiatives that could appeal younger consumers while stress the importance of reduced risk credentials to avoid further scrutiny from regulators*

## Sustainability engagement

*Environmental impact of the tobacco business need to be addressed at all levels.*

# Your thought leadership matters!

Complete the survey and receive a **free copy of "Top 10 Global Consumer Trends 2023"** and an **additional discount code for a Euromonitor report of your choice.**



# Thank you!

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