

E-Cigarette Summit 2018 – London, UK

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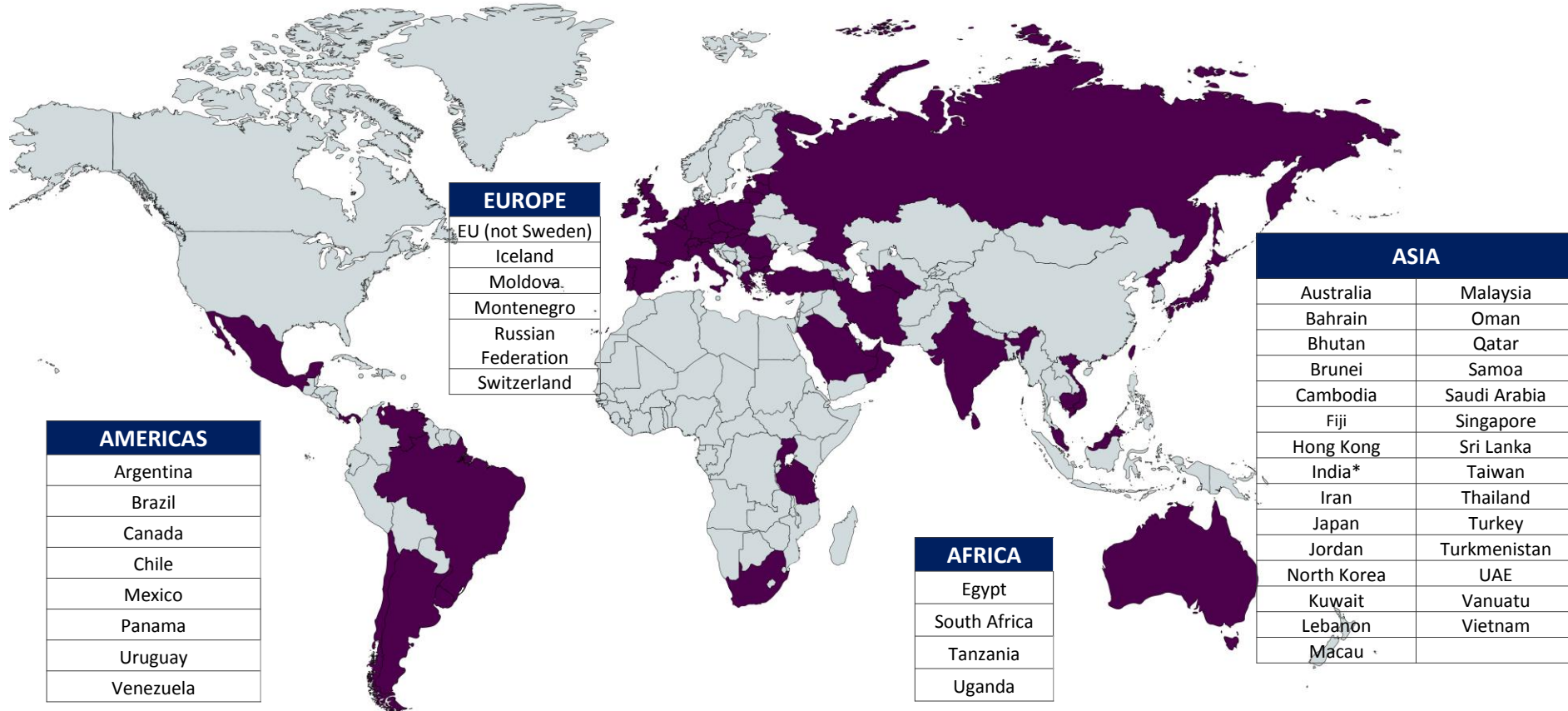
Agenda

- 1** Review of THR prohibitions around the world:
 - E-cigarettes
 - Heated tobacco
 - Snus/chewing tobacco
- 2** US: some perspective on the e-cig market
- 3** Market impact of regulation
- 4** Future change in THR regulation: Forwards or Backwards?



Review of Current Global Prohibition of THR products

Total proportion of World Population living under one or more THR ban: **34%**



Source: ECigIntelligence legal review, August 2018; prohibition status includes specific ban or effective ban on THR products, effective ban such as where THR products deemed to be medical products and no medical licences issued; THR products studied: e-cigarettes; heated tobacco and snus/chewing tobacco.

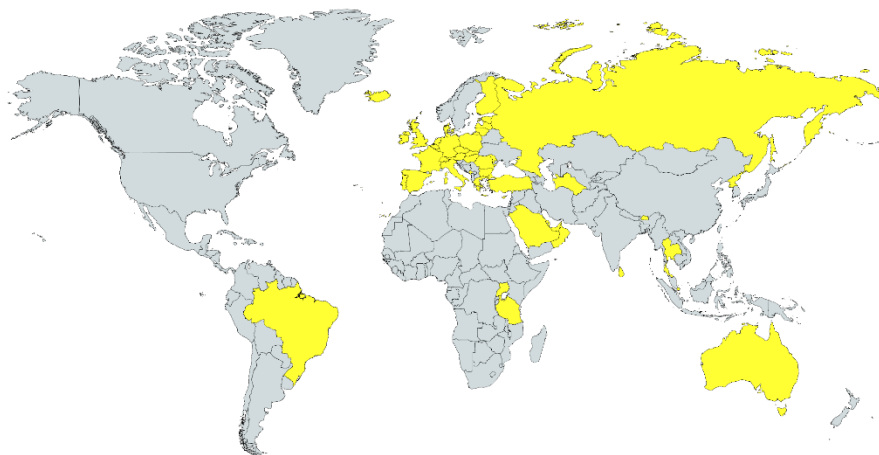
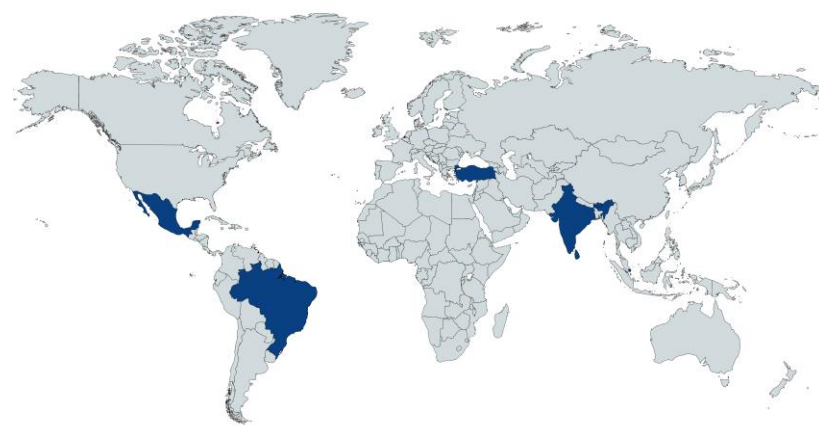
Population source: United Nations - Population Division - World Population Prospects: The 2017 Revision: total population; India population subject to ban considered on a state level, with a 41% of country subject to ban

Global prohibitions on E-cigarettes, Heated Tobacco and Snus / chewing tobacco

Total proportion of World Population living under E-cig bans: **24%**

Note: only some Indian states ban e-cigarettes

Total proportion of World Population living under HT bans: **13%**



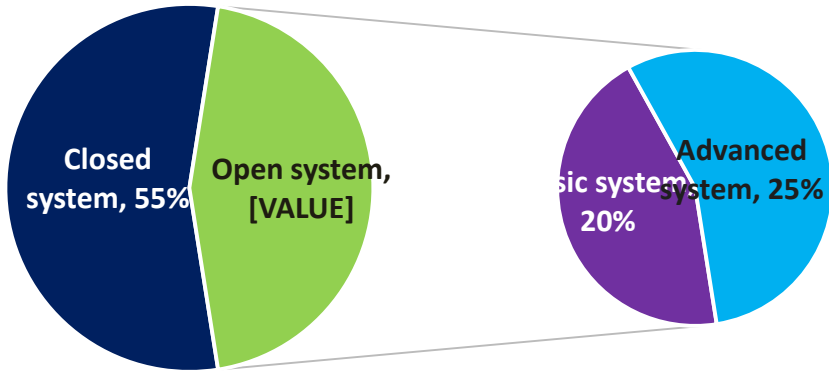
Total proportion of World Population living under Snus bans: **24%**

Source: ECigIntelligence legal review, August 2018; prohibition status includes specific ban or effective ban, such as where THR is deemed a medical product and no medical licences issued.

Population source: United Nations - Population Division - World Population Prospects: The 2017 Revision: total population; India population subject to ban considered on a state level, with c.41% of country subject to bans.



US market: perspective



- Mainstream and convenience retail growth
- Other retail (vape stores and online) still 50% of market

% of market (estimate)	Type of sales channels	Nielsen data cover	
50%	Traditional Retail	Convenience store	✓
		Supermarket	✓
		Mass/Walmart	✓
		Drug store	✓
		Dollar store	✓
		Tobacco outlet	
		Smoke shop	
30%	Vape Stores	More than half of the total market is NOT covered by the Nielsen POS tracking data	
20%	Online		

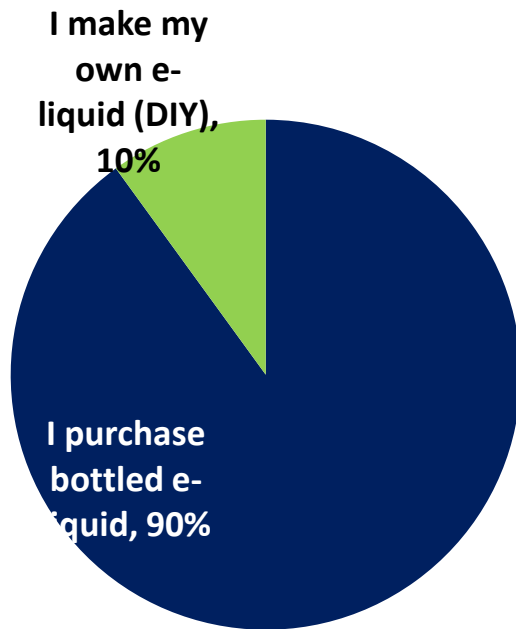
Media:
“JUUL has 75% of the e-cig market in the US”?!?



Fragmented US E-liquid market (open system consumers)

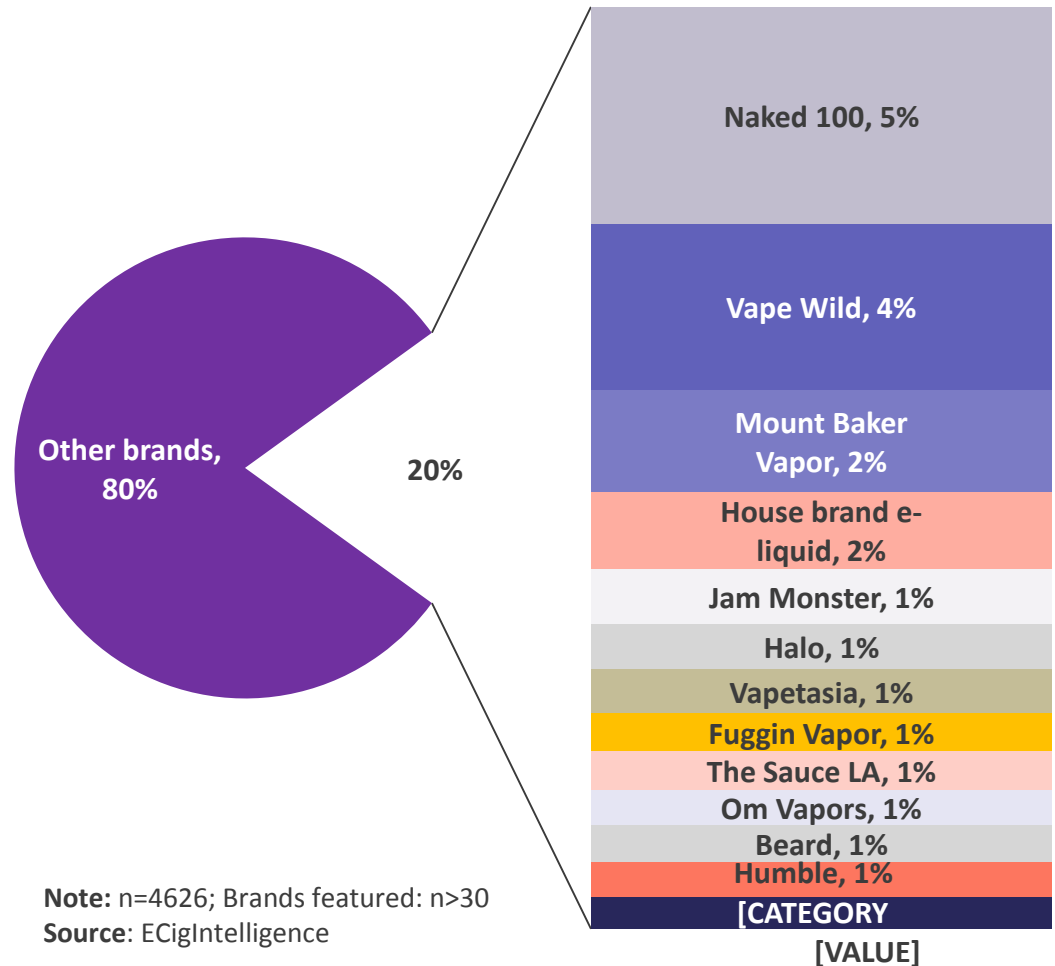
- The market is very fragmented, no brand takes more than 5% share of respondents

Open system users, 2017



Note: Inferred based on 6445 advanced vapers
Source: ECigIntelligence

Consumer survey: Last purchase – Most popular brands, 2017

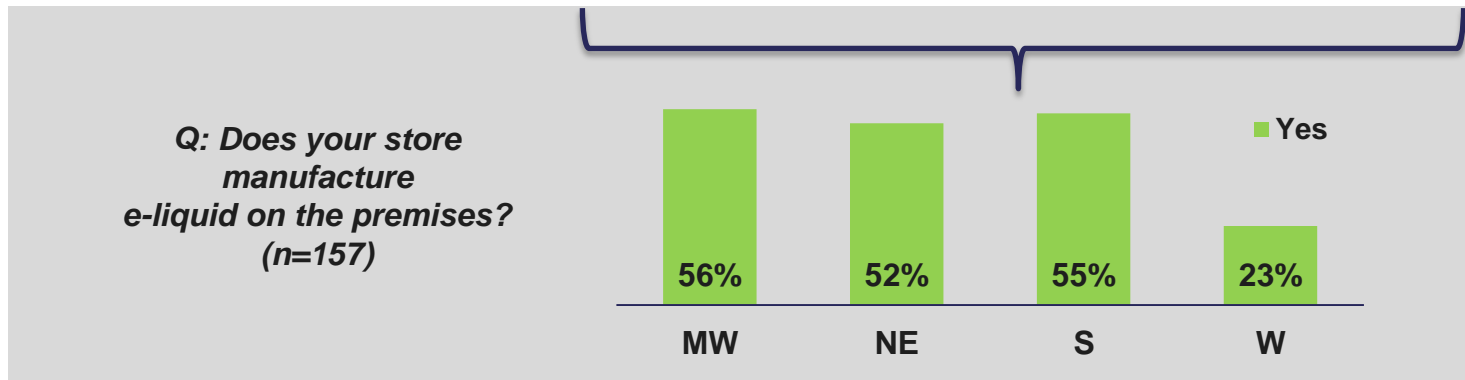
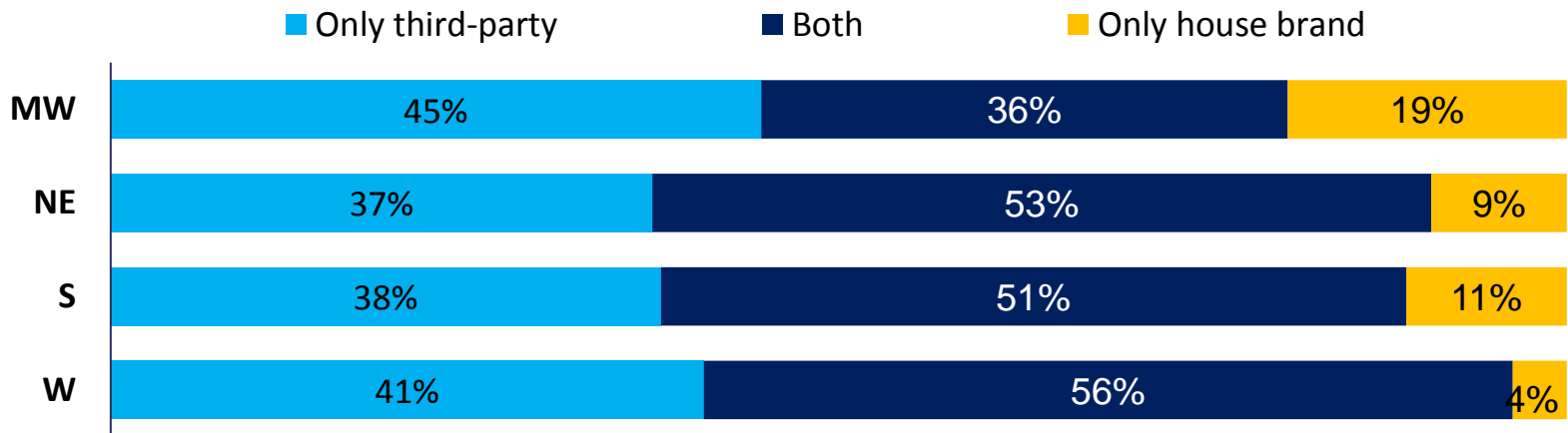




And even more fragmented - Vape stores & e-liquid

- In total 61% of stores reported they sold house brand e-liquids.
- Stores in the West are half as likely to manufacture house brand e-liquids on the premises as compared to stores in other regions of the US.

Vape stores by e-liquid type offered



Note: Total sample: n=271 **Top chart:** Midwest: n=47; Northeast: n=43; South: n=127; West: n=54

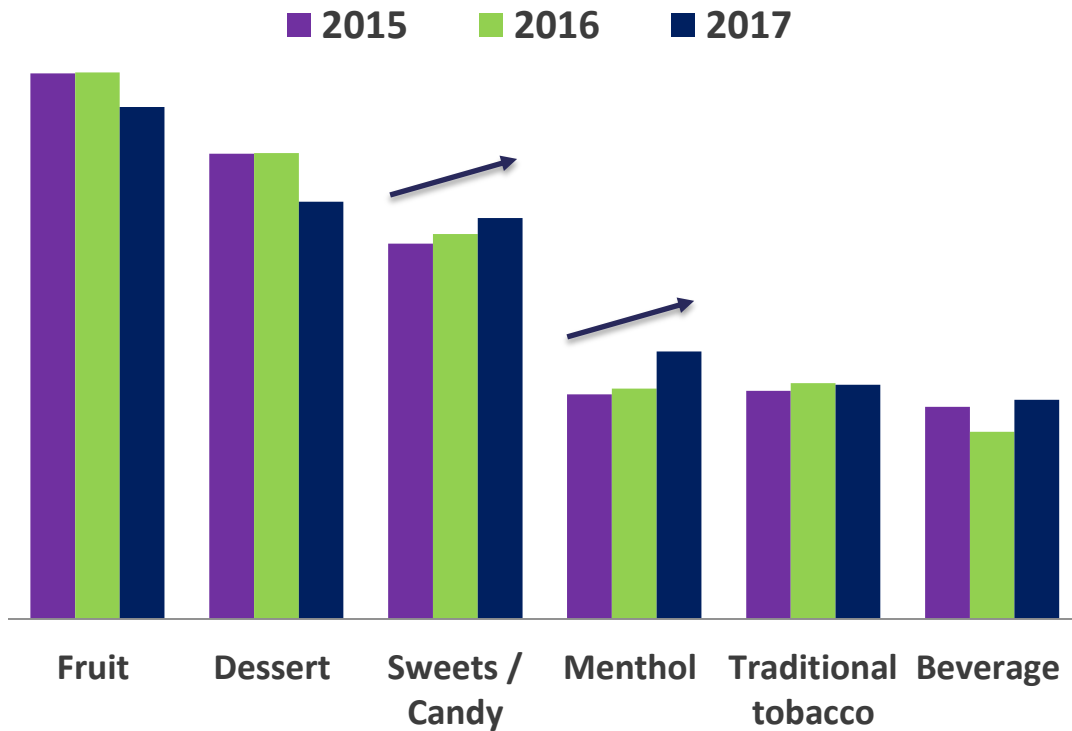
Source: ECigIntelligence, March-April 2018



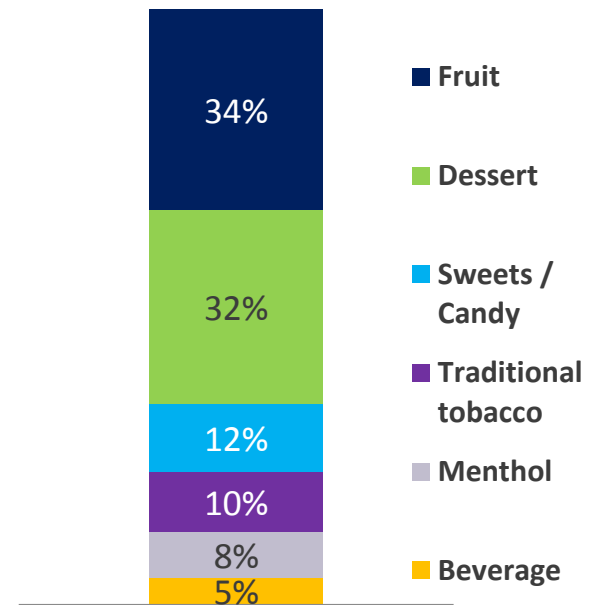
THE PRODUCT – FLAVOUR

- Fruit and dessert flavours leading, sweets and menthol sees increase in popularity over time

Popularity of flavours in vape stores
(based on bottle sales)



Proportion of bottles sold last month by flavours



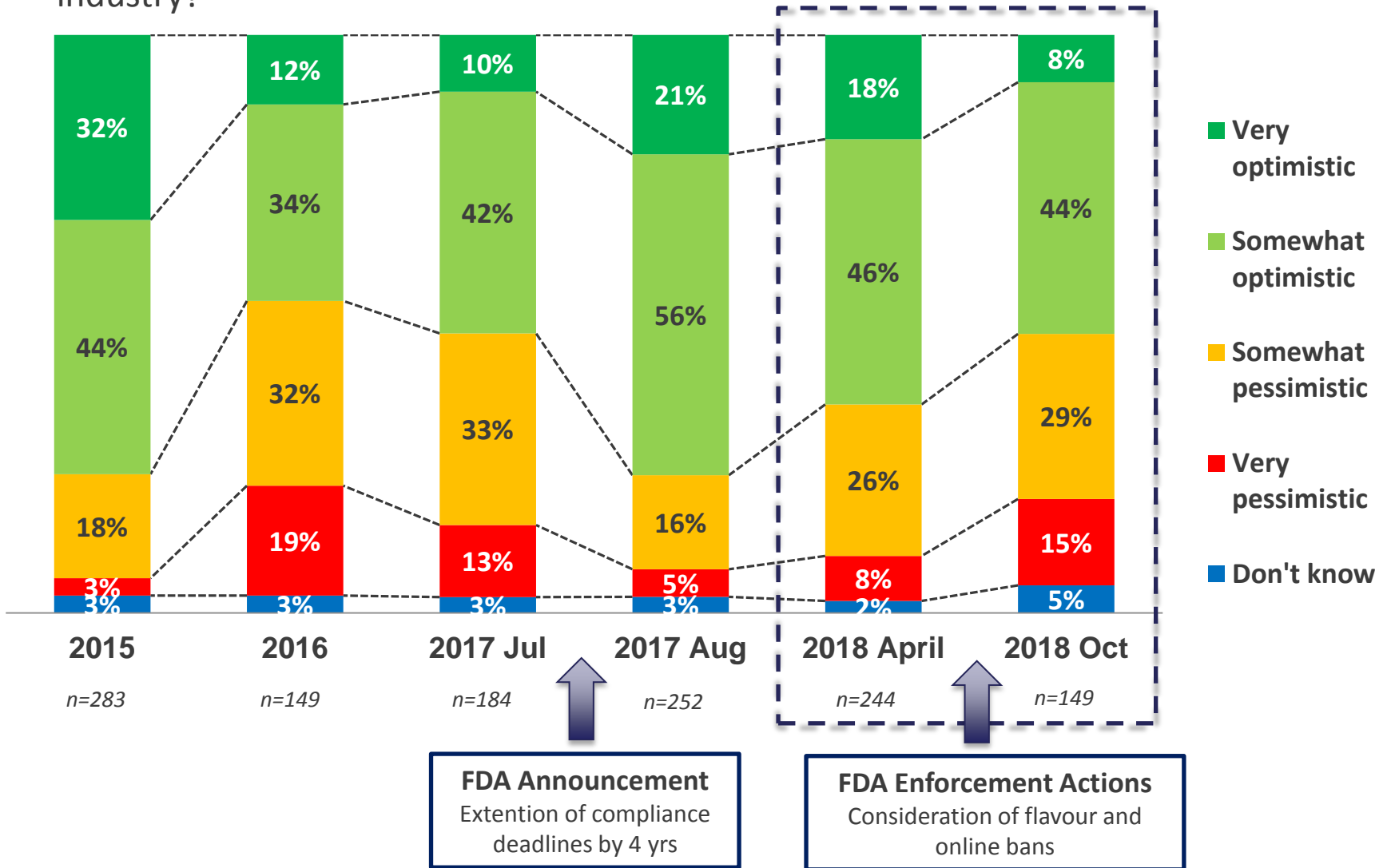
Note: Annual vape store survey; 2015: n=283; 2016: n=163; 2017: n=266; Respondents were asked to rank the popularity from 1 to 6, then the ranks were weighted and turned into a popularity index number

Note: n=31; October 2018



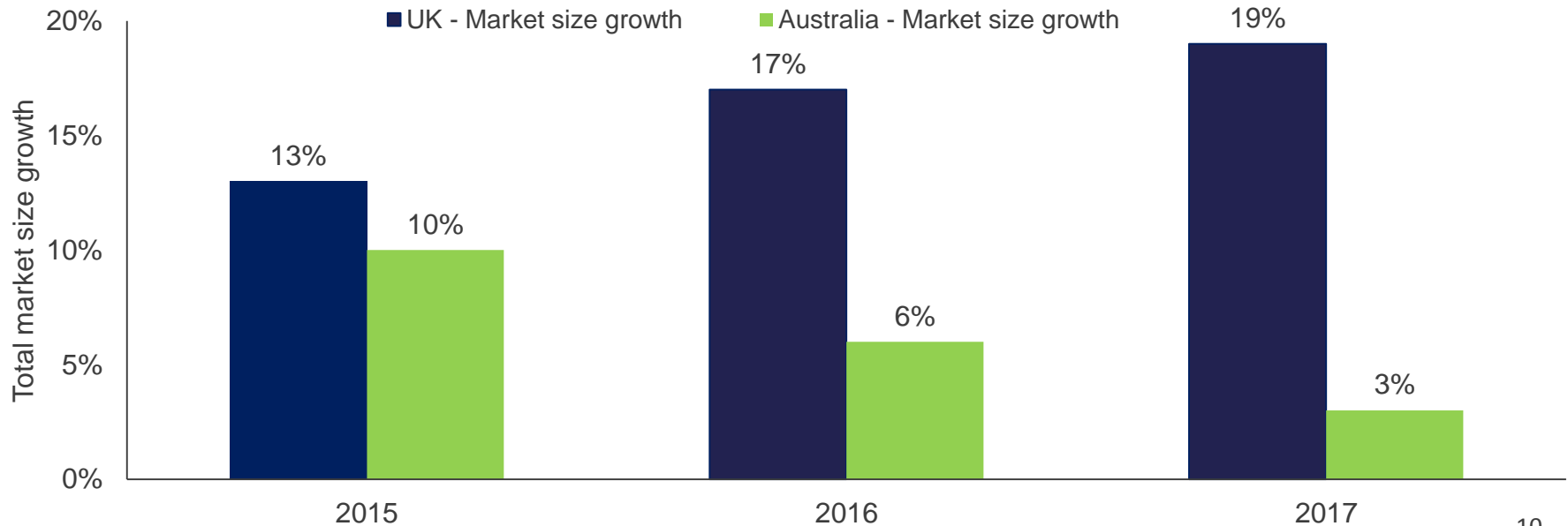
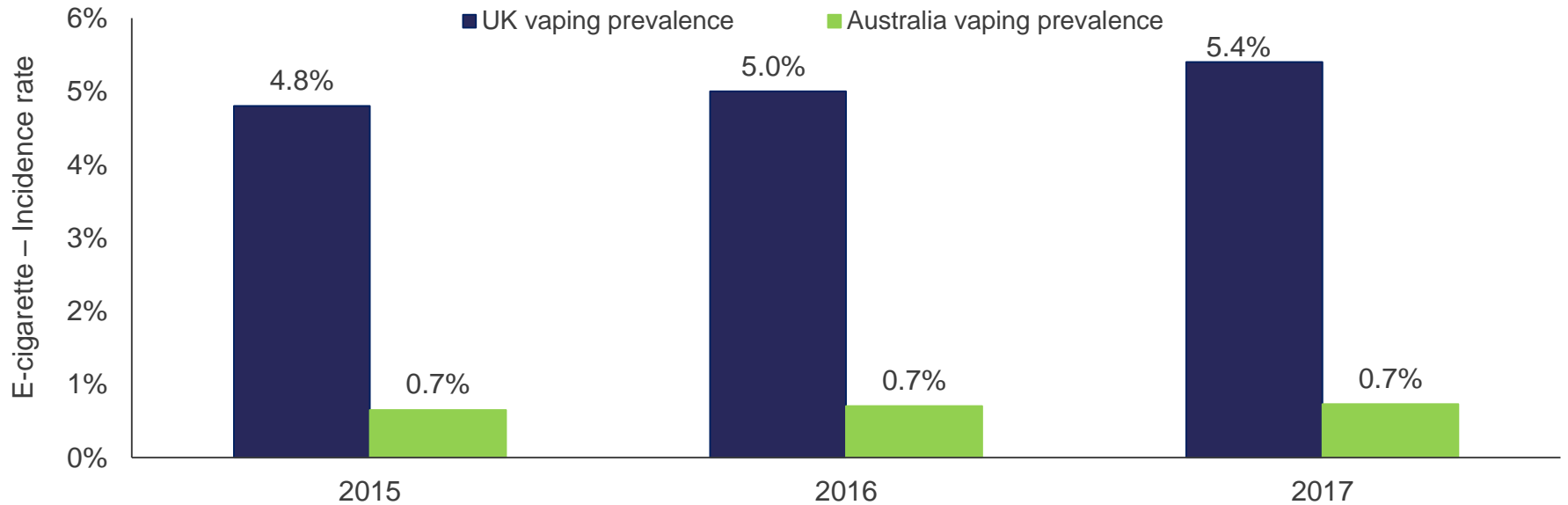
OUTLOOK OF THE INDUSTRY – VAPE STORES

- Q: How would you define your attitude towards the current state of the vapor industry?



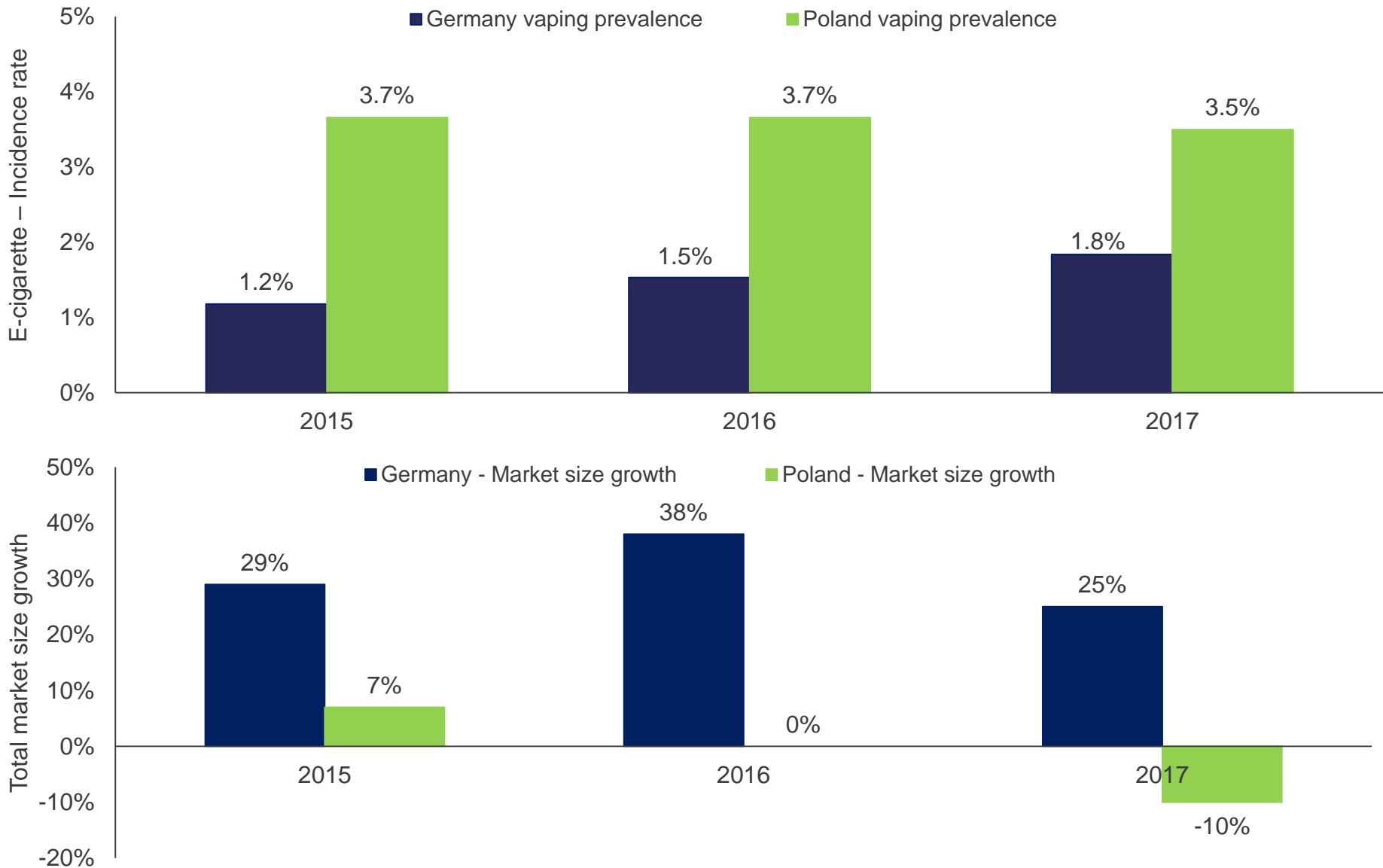


E-cigarettes: United Kingdom (open) vs. Australia (ban)



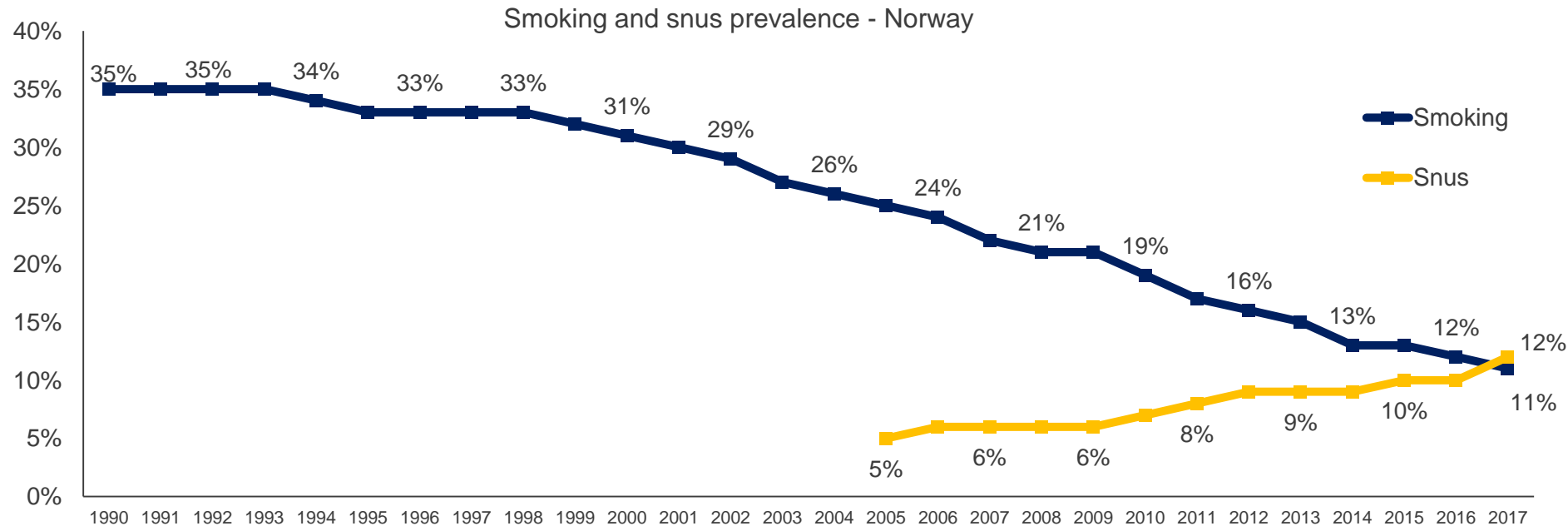
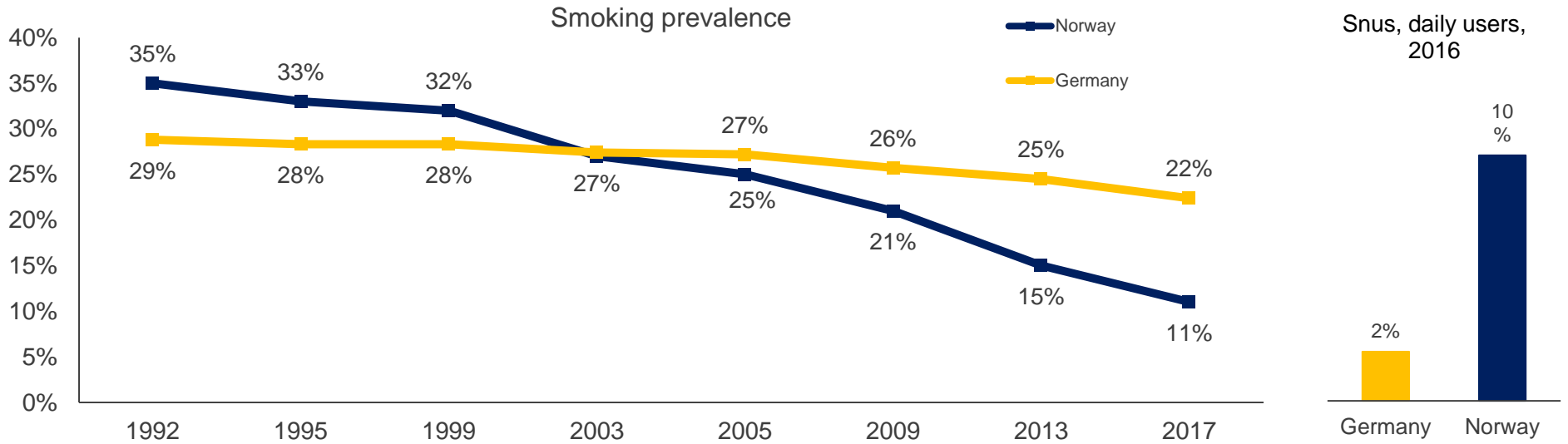


E-cigarettes: Germany (open) vs. Poland (recent restrictions)





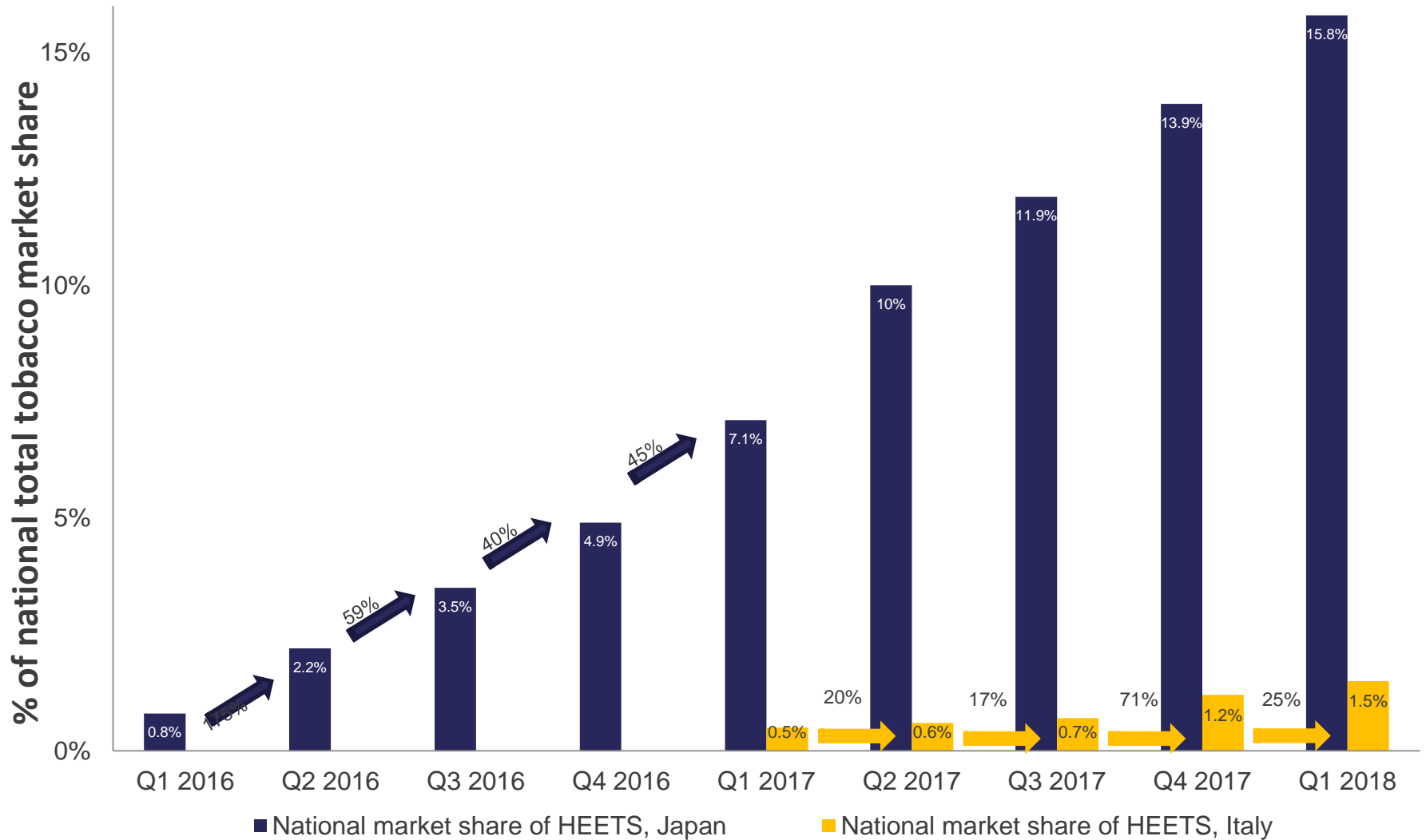
Snus: Norway and Germany: smoking vs snus



Source: Statistics Norway, sbs.no (Adults 16+), destatis.de (Adults 15+), FHI Norway, Eurobarometer



Heated tobacco: Japan (open) vs Italy (more restrictive)



Notes: National market share for heated tobacco units is defined as the total sales volume for heated tobacco units as a percentage of the total estimated sales volume for cigarettes and heated tobacco units

Source: PMI, January 2018

Future change in THR regulation: forwards or backwards?



Future more lenient regulation of THR	Future more restrictive regulation of THR
UK: supportive parliamentary report Aug 2018, UK treasury confirmed no planned tax on vape products, relaxation ad restriction	US: FDA threatened restriction on flavoured e-cig products in convenience/gas-stations
Canada: new regulatory environment; comparative health claims	India: new government guidance bans nic. e-cigs; continuing bans at state level
Philippines: e-cig friendly bill introduced March 2018, with support from House of Rep.	Poland: new tax on e-cigs from Jan 2019; draft bill to increase e-cig inspection and notification processes
New Zealand: ruling against prohibition on import of heated tobacco products; THR products supported by Min. of Health	South Korea: increasing tax/warnings on e-cigs/heated tobacco; equate with cigarettes
Italy: freeze on e-cig tax until end-2018; remove tax entirely?	Israel: new nic. concentration limits; new tax and marketing restrictions on THR

QUESTIONS?

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