

Total U.S. Nicotine Trends

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We welcome your questions! In the GoToWebinar Control Panel, type in any questions you have for the speaker in the questions box under the questions tab.

Notice

This presentation is based solely on an analysis conducted by Management Science Associates Inc. (MSAi) and does not necessarily reflect the opinion of any client. The definitions and analysis used in the presentation are based on general industry knowledge and typically represent the way a tobacco retailer may refer to the broad tobacco and nicotine delivery industry. Further, this presentation refers to tobacco and non-tobacco categories, that are often reported as cigarette only, cigars and pipe tobacco only, loose leaf only and electronic and other delivery systems only.

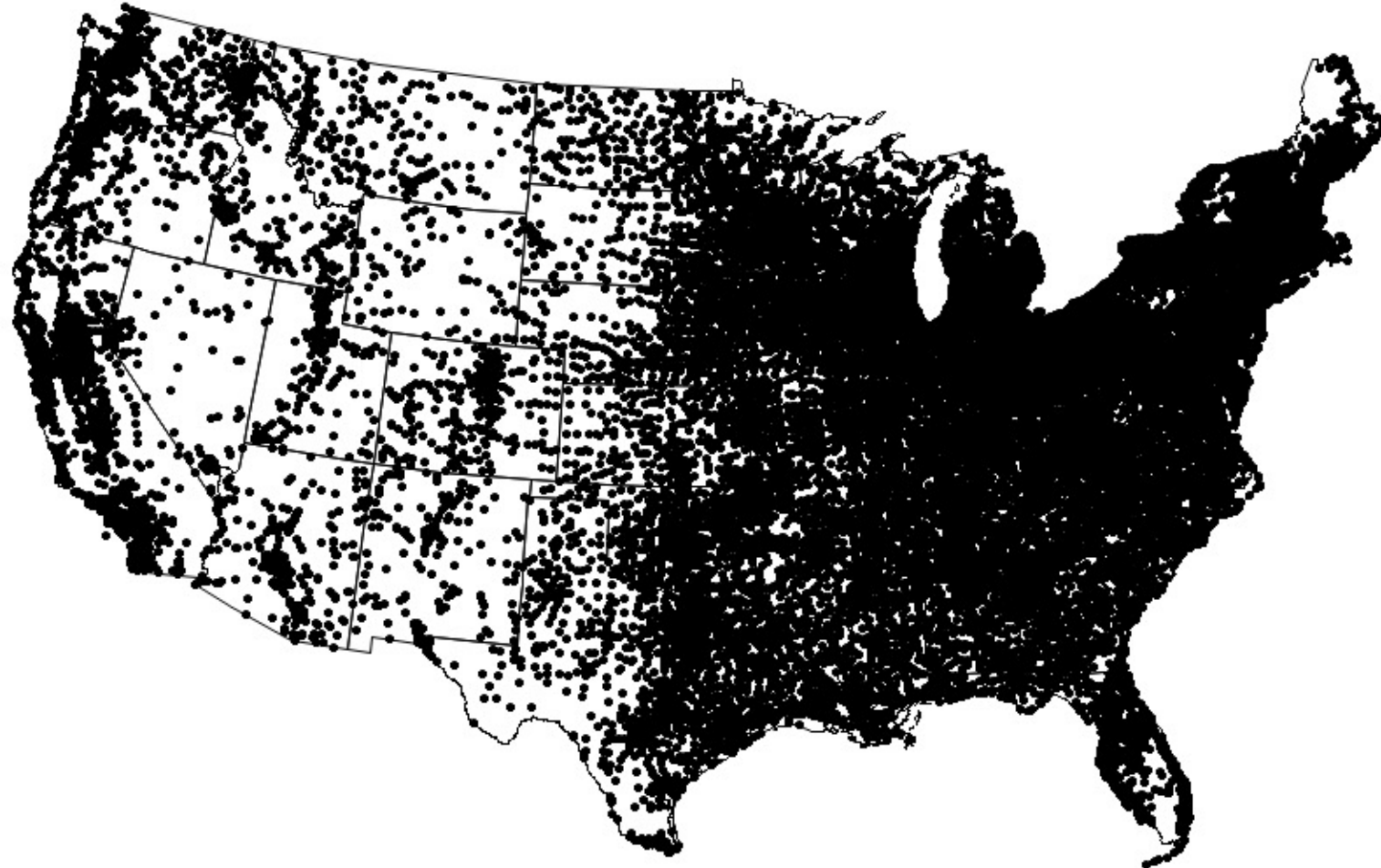
For purposes of this presentation, all of these categories are often referred to as one category using the phrase “nicotine delivery systems”, as that is a category grouping, that in MSAi’s experience, is used by most retail establishments. This presentation’s reference to “nicotine delivery systems” is in that context of the broadest retailer categorization of these various items.

Agenda

- **Total U.S. Nicotine Trends**
- **Growth and Decline of Nicotine Categories**
- **Impact of Pandemic**
- **Trade Channel Analysis – Dollar Store**
- **Trends Analysis:**
 - **Flavored Vapor**
- **Impact of:**
 - **Cigarette SET Increases**
 - **Massachusetts Flavor Ban**
- **Distributor Analysis**

Data Coverage

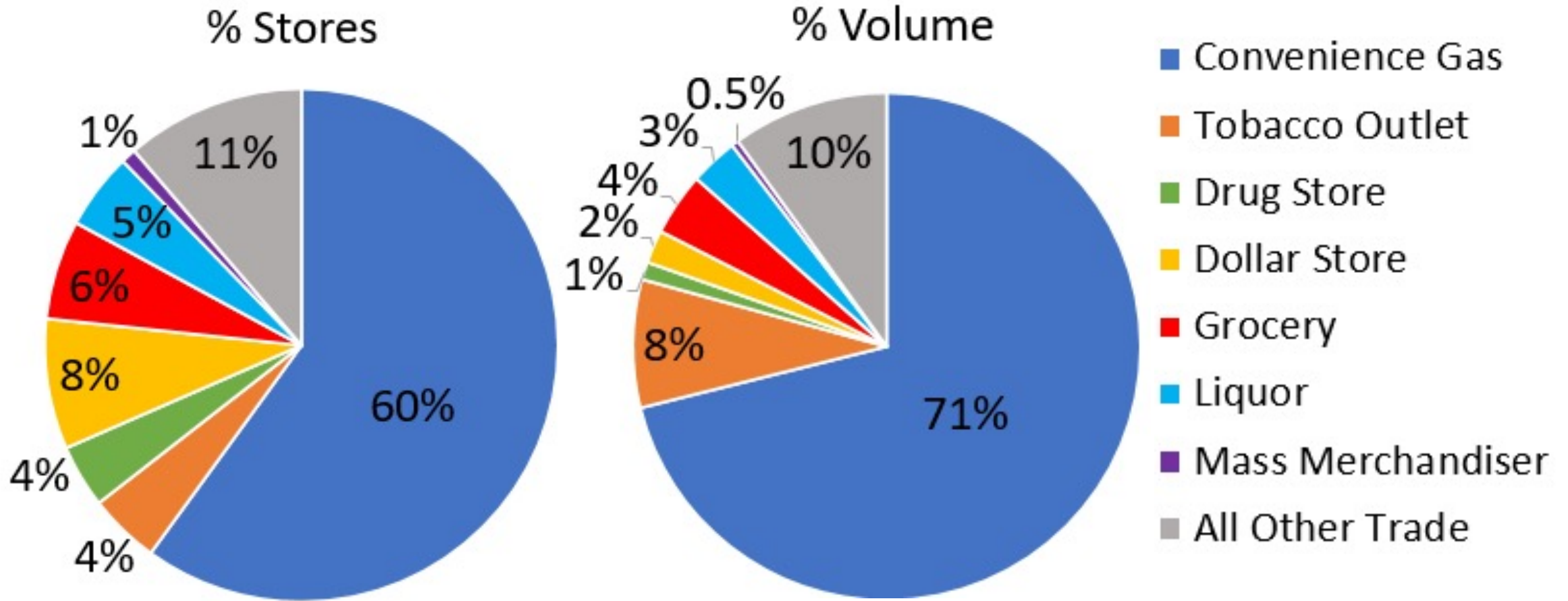
The following slides highlighting the Total US Nicotine Trends use just over 300,000 stores summarizing shipment-to-retail volume for these stores.



Total US Nicotine Trends

Nicotine Distribution by Trade Class for US

52 Weeks Ending Q2-2022



Total US Nicotine Trends

% Change 52 Weeks Ending Q2-2022 vs. 52 Weeks Ending Q2-2021

	All Outlets	Convenience Gas	Tobacco Outlets	Drug Stores	Dollar Stores	Grocery	Liquor	Mass Merch
Consumer Units	-7.6%	-8.0%	-6.4%	-20.6%	-4.9%	-11.7%	-11.6%	-24.7%
Servings	-7.2%	-7.2%	-6.2%	-22.3%	-5.9%	-11.3%	-10.6%	-25.0%
Distribution	0.7%	-0.5%	1.8%	5.9%	-0.1%	-5.4%	-2.4%	-11.9%
Item Count	-7.4%	-3.6%	-7.3%	-3.7%	7.2%	-1.0%	-1.9%	0.6%

Included Categories

- ◆ Cigarettes
- ◆ Papers/Tubes/Wraps
- ◆ Little/Filtered Cigars
- ◆ Modern Oral Nicotine
- ◆ Moist
- ◆ Large Cigars
- ◆ Roll Your Own
- ◆ Vapor
- ◆ Pipe Tobacco
- ◆ Snus

Total US Nicotine Share – Servings

Share of Nicotine 52 Weeks Ending Q2-2022 vs. 52 Weeks Ending Q2-2021

	Shr Q2-2021	Shr Q2-2022	Shr Change
Cigarettes	78.1%	76.0%	-2.1
Moist	7.3%	7.3%	No Change
Vapor	5.8%	7.4%	+1.6
Large Cigars	3.2%	3.2%	No Change
Papers/Tubes/Wraps	3.1%	2.9%	-0.2
Modern Oral	1.2%	1.9%	+0.7
Little/Filtered Cigars	1.0%	1.0%	No Change
Snus	0.3%	0.3%	No Change
Pipe Tobacco	0.01%	0.01%	No Change
Roll Your Own	0.001%	0.001%	No Change

*Volume in
Serving
Units*

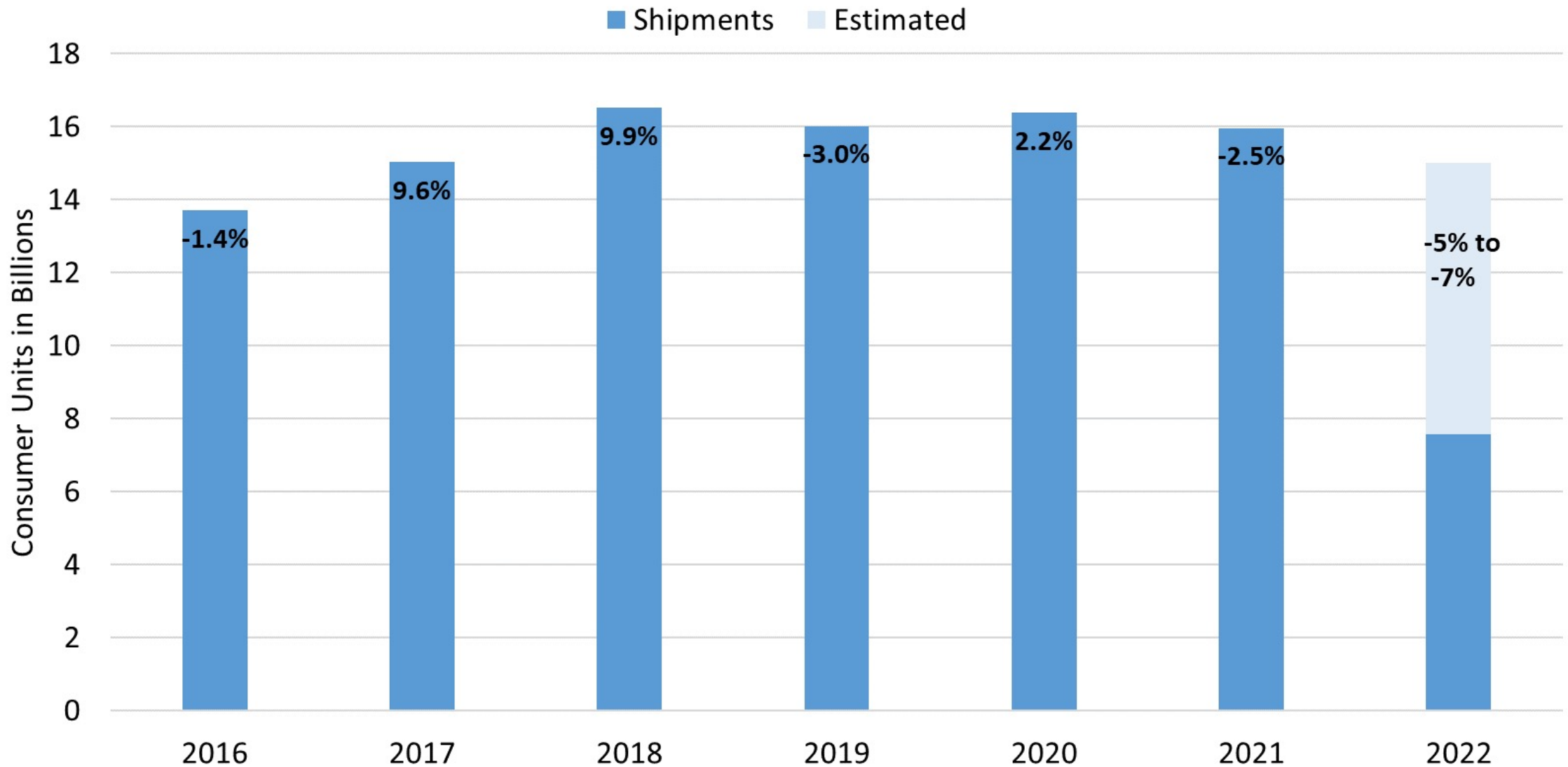
Total US Nicotine Share – Consumer Units

Share of Nicotine 52 Weeks Ending Q2-2022 vs. 52 Weeks Ending Q2-2021

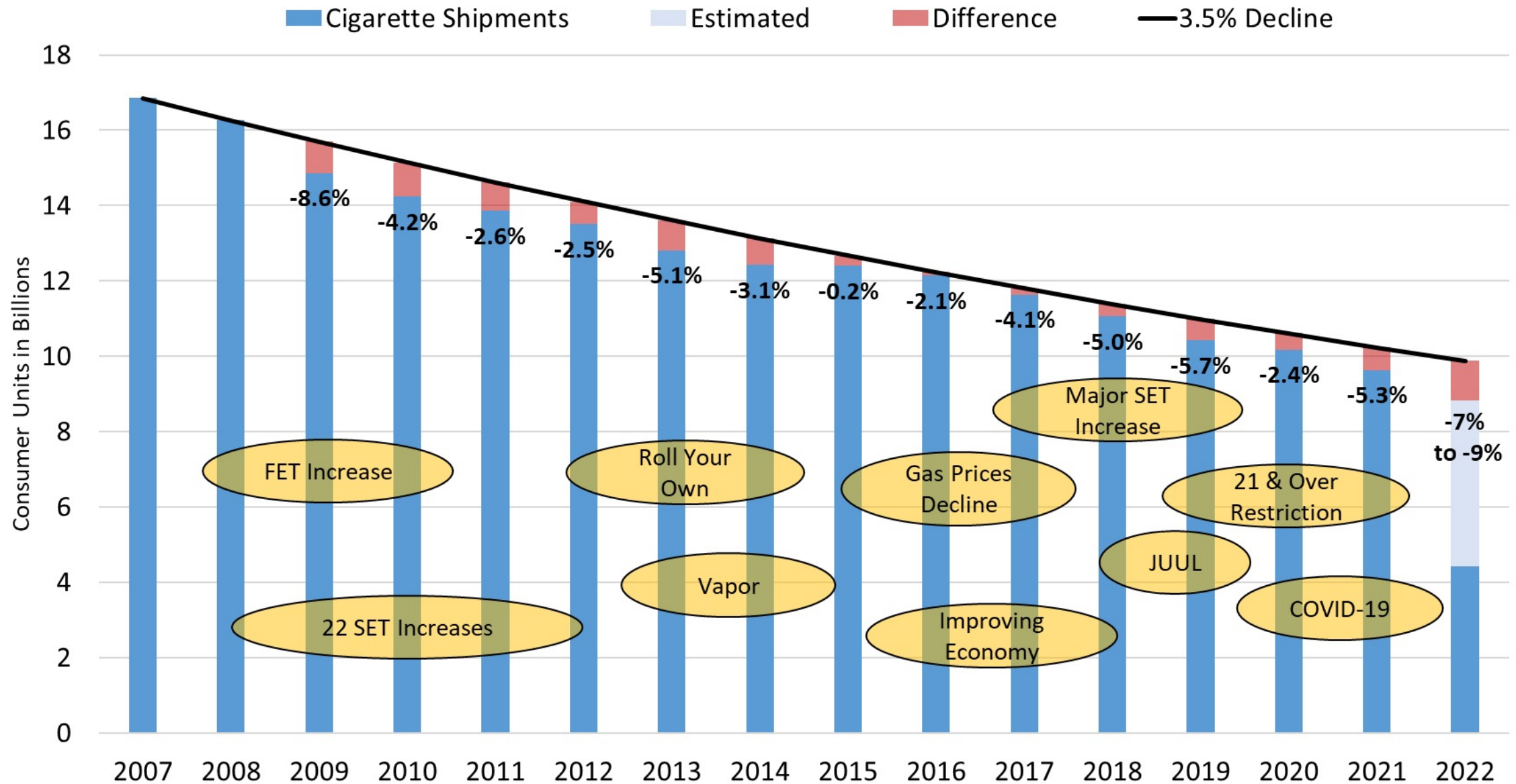
	Shr Q2-2021	Shr Q2-2022	Shr Change
Cigarettes	61.5%	60.1%	-1.4
Large Cigars	23.3%	23.7%	+0.4
Moist	8.8%	8.8%	No Change
Papers/Tubes/Wraps	2.1%	2.2%	+0.1
Vapor	1.6%	1.8%	+0.2
Modern Oral	1.2%	1.8%	+0.7
Little/Filtered Cigars	0.8%	0.8%	No Change
Snus	0.3%	0.3%	No Change
Pipe Tobacco	0.2%	0.2%	No Change
Roll Your Own	0.1%	0.1%	No Change

*Volume in
Consumer
Units*

Overall Total US Nicotine Trends



Overall Total US Cigarette Trends



Overall Total US Cigarette Trends

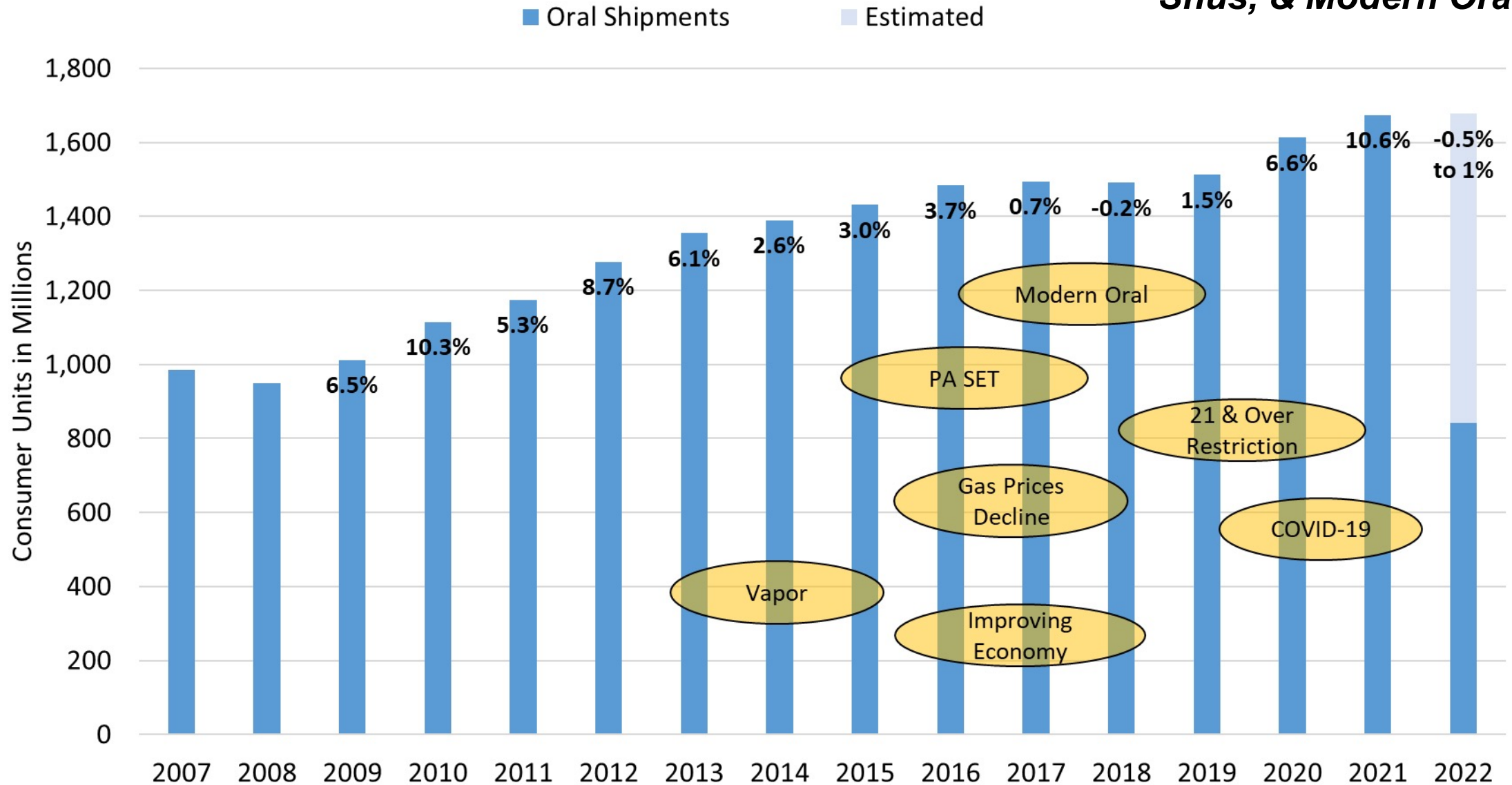
% Change 52 Weeks Ending Q2-2022 vs. 52 Weeks Ending Q2-2021

	All Outlets	Convenience	Tobacco Outlets	Drug Stores	Dollar Stores	Grocery	Liquor	Mass Merch
Volume								
Cigarettes	-9.7%	-9.9%	-7.0%	-23.7%	-6.5%	-12.5%	-12.9%	-26.9%
Menthol	-11.1%	-11.4%	-7.7%	-25.9%	-9.1%	-13.6%	-15.3%	-26.5%
Non-Menthol	-8.9%	-9.0%	-6.6%	-22.4%	-5.3%	-11.9%	-11.4%	-27.0%
Distribution								
Cigarettes	-0.7%	-0.5%	2.9%	-5.1%	3.8%	-3.5%	-1.8%	-14.3%
Menthol	-1.0%	-1.2%	2.7%	-5.9%	3.4%	-3.9%	-2.6%	-14.9%
Non-Menthol	-0.7%	-0.5%	3.0%	-5.0%	3.8%	-3.4%	-1.8%	-14.4%

Volume in Consumer Units

Overall Total US Oral Trends

'Oral' includes Moist, Snus, & Modern Oral



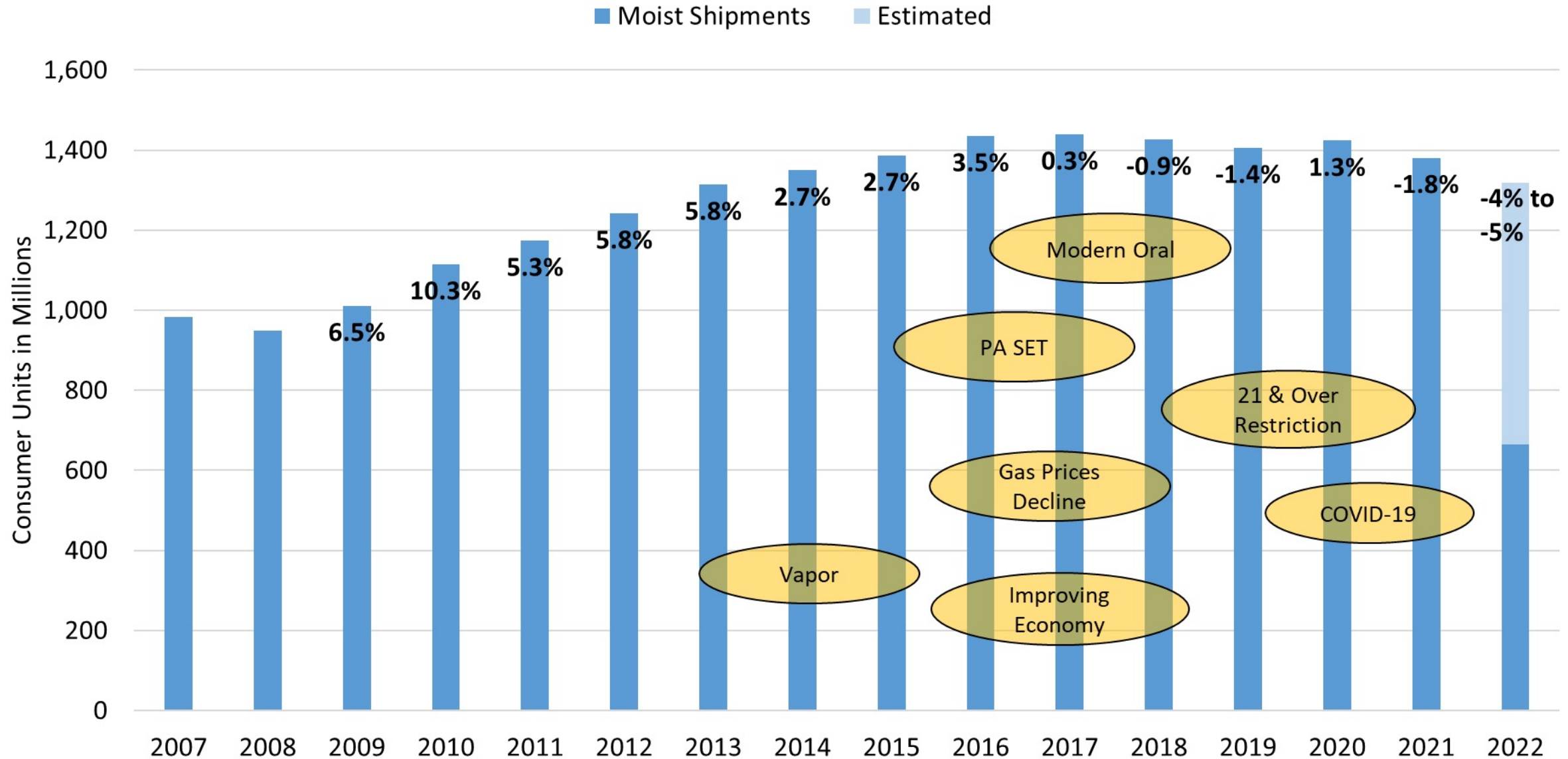
Overall Total US Cigar Trends

% Change 52 Weeks Ending Q2-2022 vs. 52 Weeks Ending Q2-2021

	All Outlets	Convenience Gas	Tobacco Outlets	Drug Stores	Dollar Stores	Grocery	Liquor	Mass Merch
Volume								
Large Cigars	-6.0%	-7.2%	-7.3%	9.5%	-0.7%	-11.4%	-11.0%	-25.1%
Little/Filtered Cigars	-6.9%	-9.7%	-4.0%	-9.8%	4.6%	-6.6%	-10.3%	-15.6%
Distribution								
Large Cigars	-0.1%	-1.5%	-0.6%	-3.8%	-0.3%	-6.2%	-5.4%	-10.9%
Little/Filtered Cigars	-2.8%	-4.6%	-1.1%	-1.8%	-1.8%	-13.0%	-8.2%	-47.7%

Volume in Consumer Units

Overall Total US Moist Trends



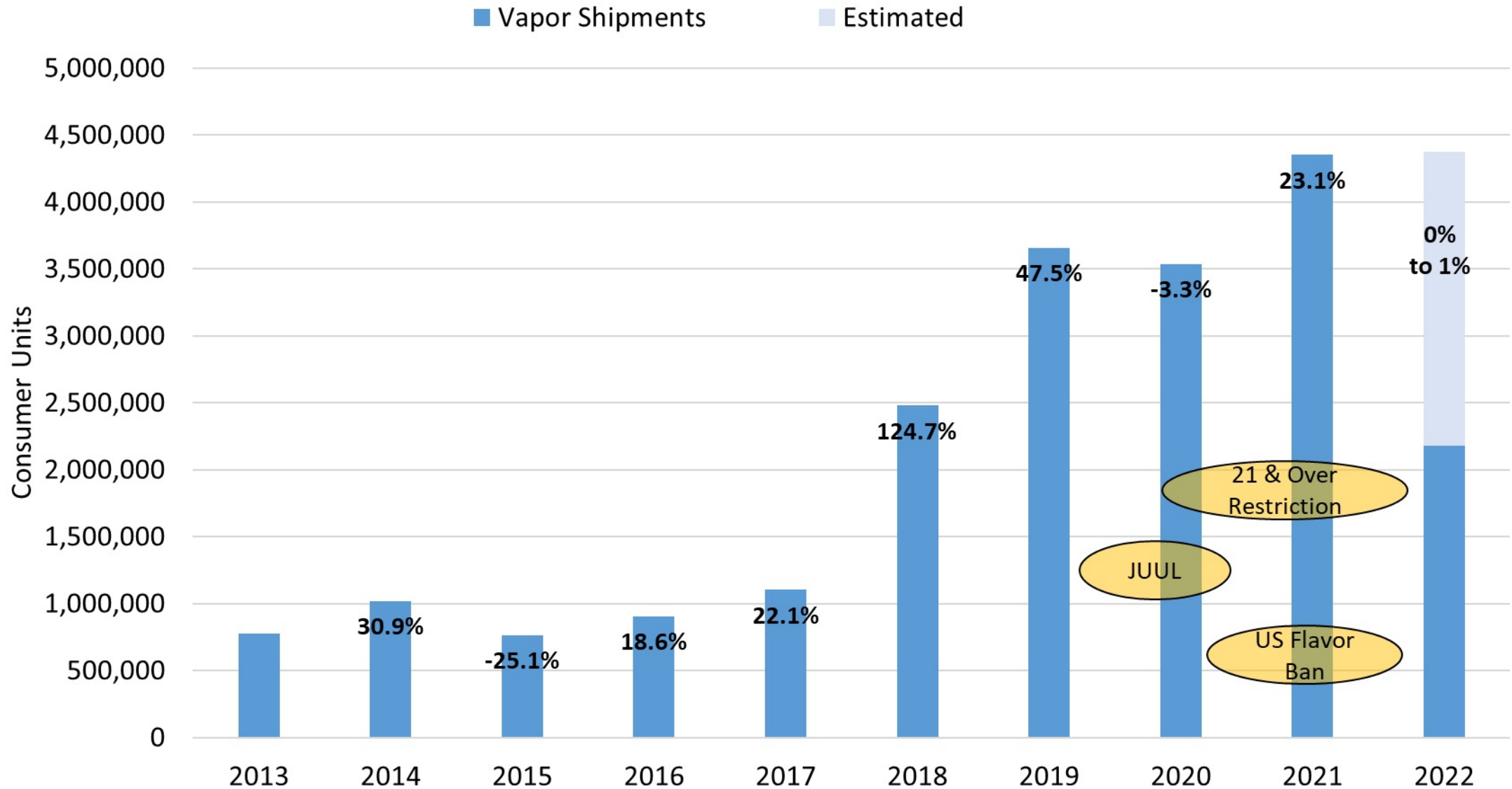
Overall Total US Vapor Trends – Servings

% Change 52 Weeks Ending Q2-2022 vs. 52 Weeks Ending Q2-2021

	All Outlets	Convenience	Tobacco Outlets	Drug Stores	Dollar Stores	Grocery	Liquor	Mass Merch
Volume								
Cartridges	3.5%	2.8%	4.6%	6.2%	-291.1%	9.0%	-2.9%	23.8%
Disposables	20.3%	19.4%	22.3%	---	102.7%	73.3%	22.2%	132.4%
Kits	292.2%	+++	239.8%	---	---	143.3%	193.7%	---
e-Liquid	15.0%	14.3%	-0.6%	-247.6%	N/A	-5.5%	67.5%	N/A
Distribution								
Cartridges	1.6%	0.8%	3.3%	-47.0%	-79.3%	-12.9%	-2.8%	-47.0%
Disposables	5.2%	2.7%	6.9%	-52.4%	22.2%	10.8%	16.3%	-39.3%
Kits	7.8%	6.6%	3.8%	-59.2%	N/A	15.3%	43.6%	-16.7%
e-Liquid	-40.0%	-43.6%	-34.8%	-99.2%	N/A	-59.6%	-37.0%	N/A

Volume in Serving Units

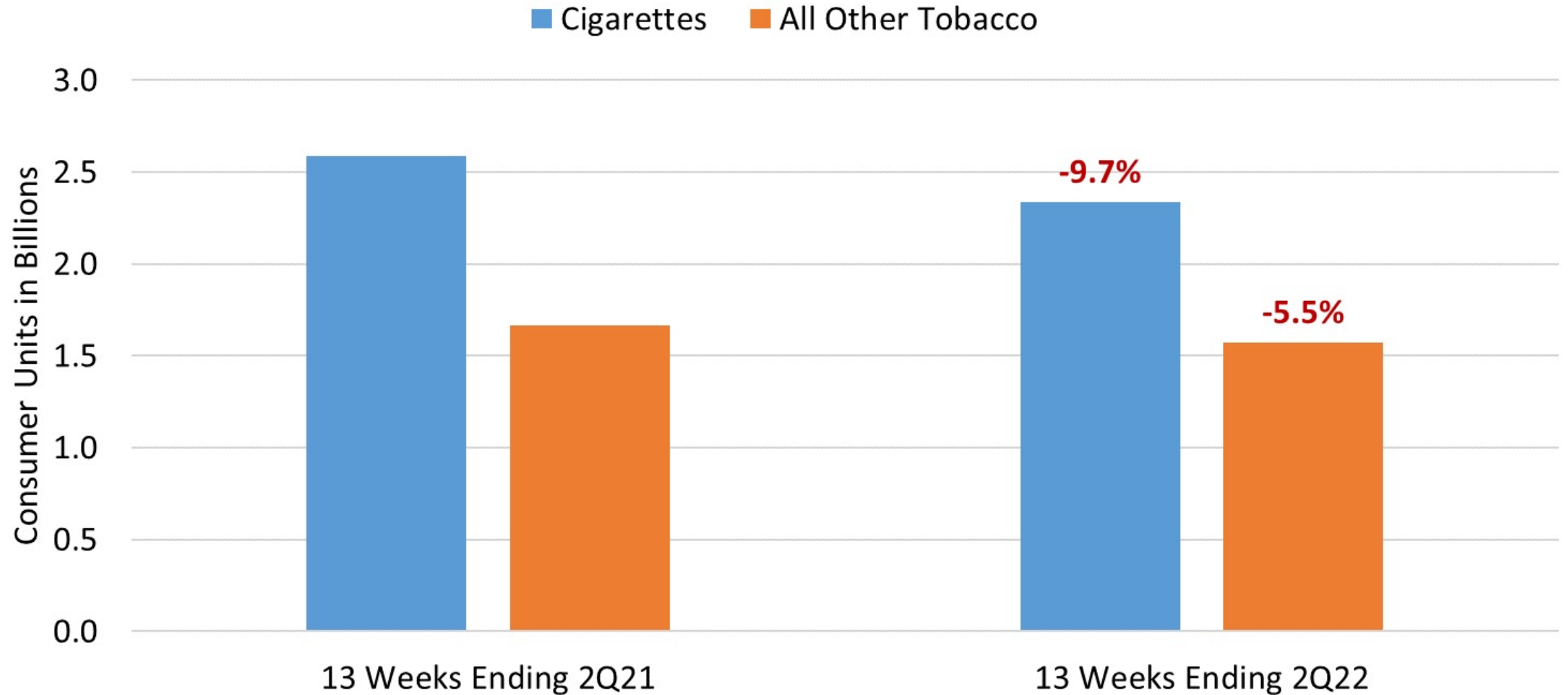
Overall Total US Vapor Trends



Growth & Decline of Nicotine Categories

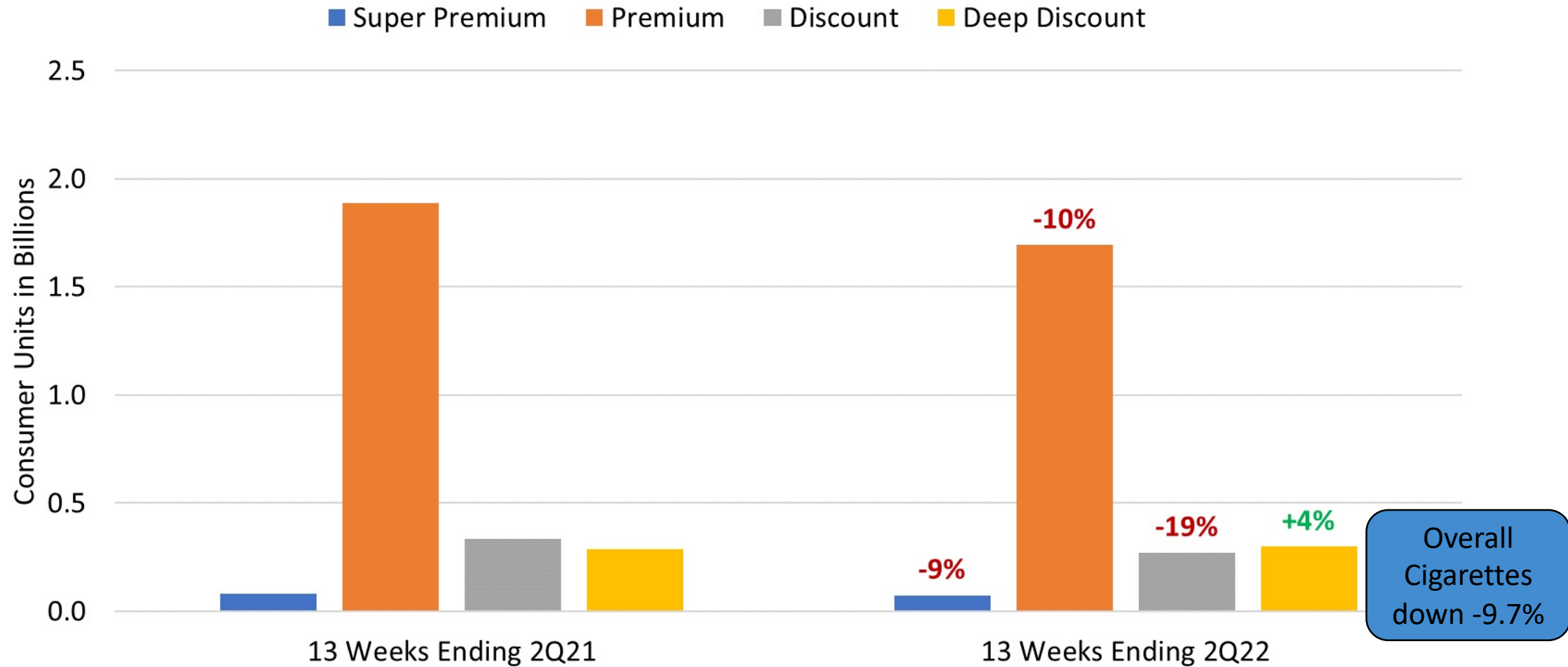
Cigarettes vs. All Other Tobacco

13 Weeks Ending Q2-2022 vs YAGO



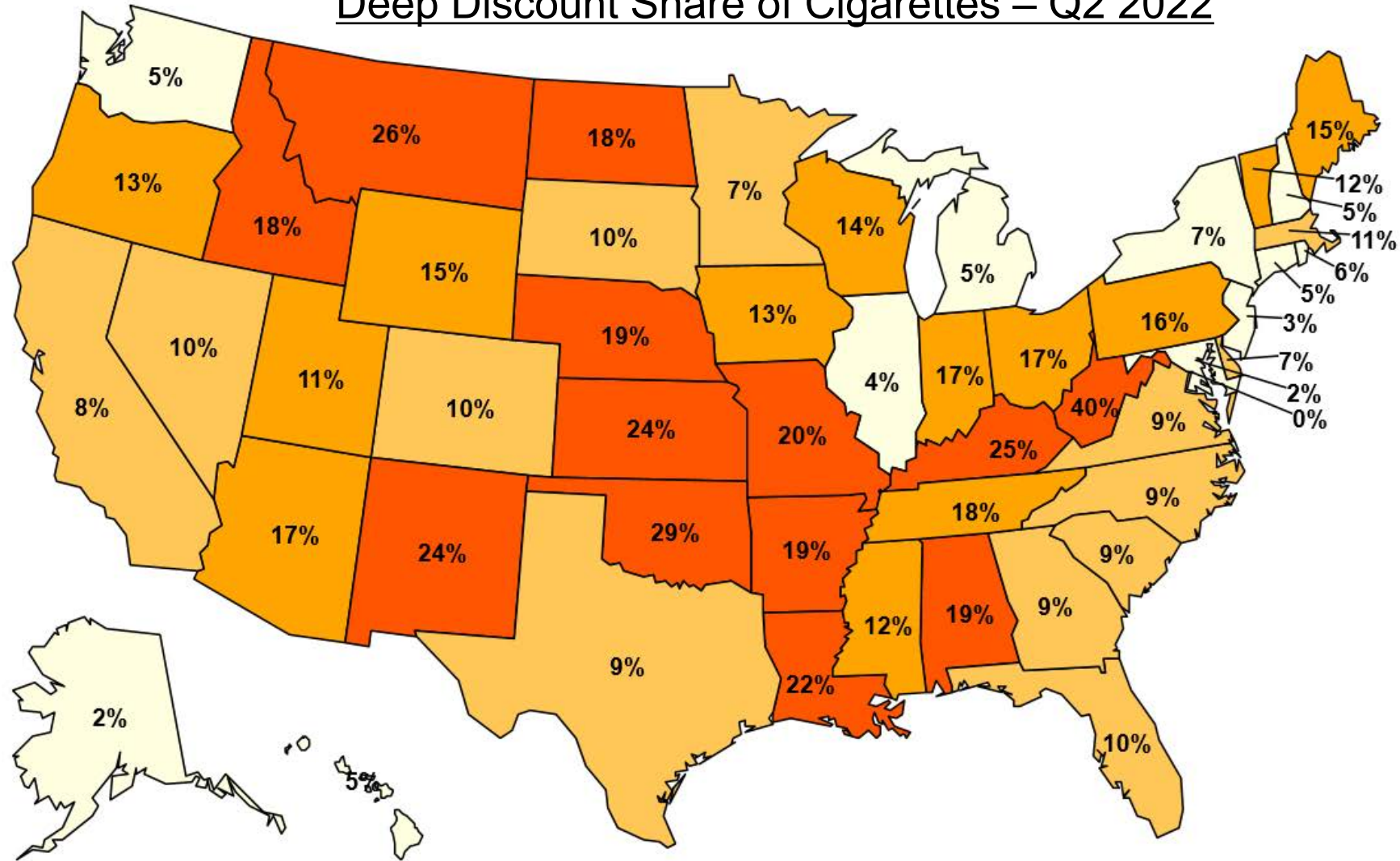
Overall Total US Cigarette Trends

Cigarette Price Tiers - 13 Weeks Ending Q2-2022 vs. YAGO



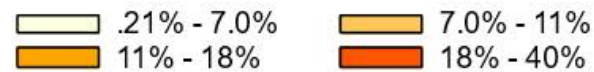
Deep Discount Share of Total Cigarettes by State

Deep Discount Share of Cigarettes – Q2 2022



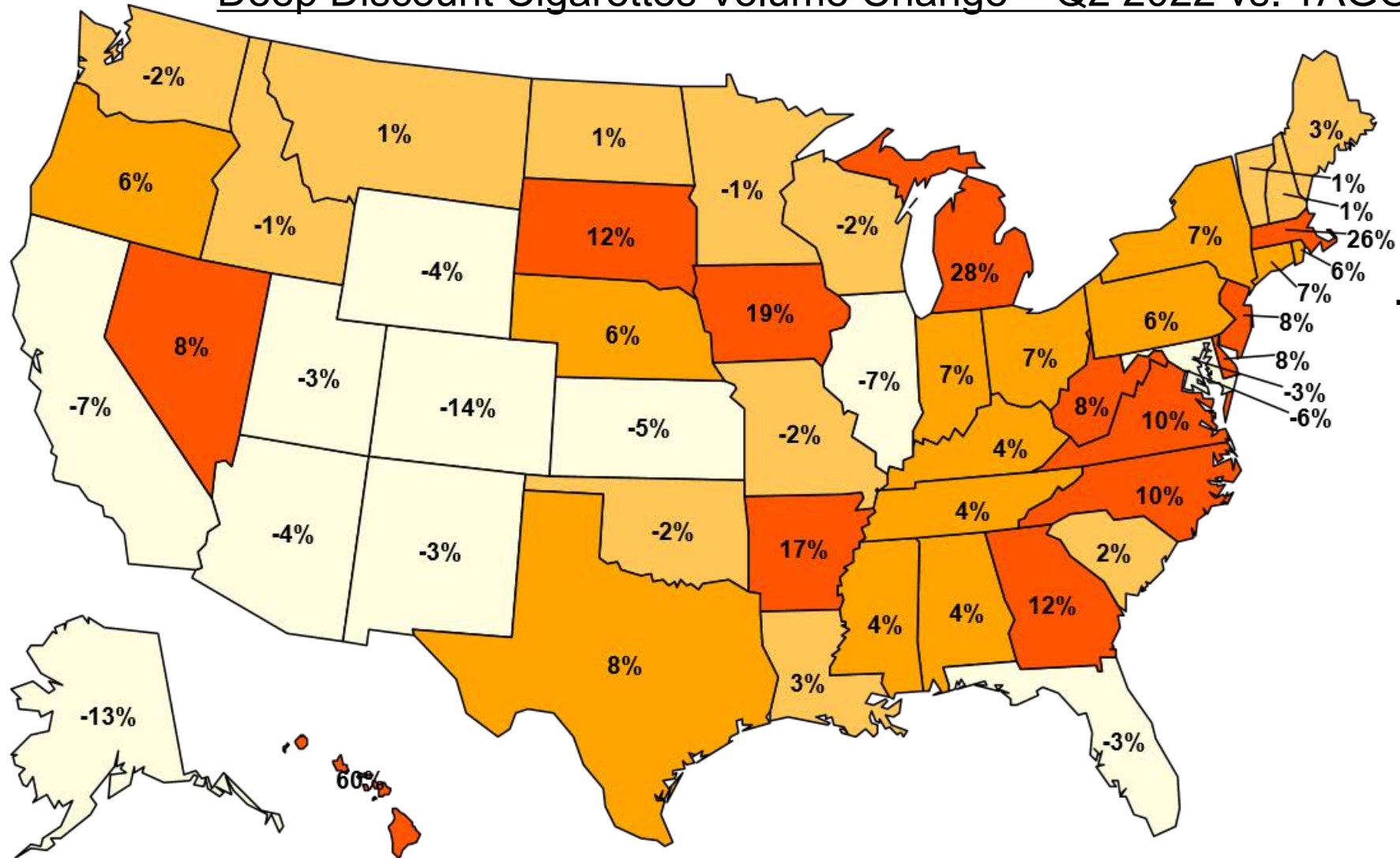
Total US: 13%

Deep Discount Share of Total Cigarettes by State



Deep Discount Cigarettes Change in Volume by State

Deep Discount Cigarettes Volume Change – Q2 2022 vs. YAGO



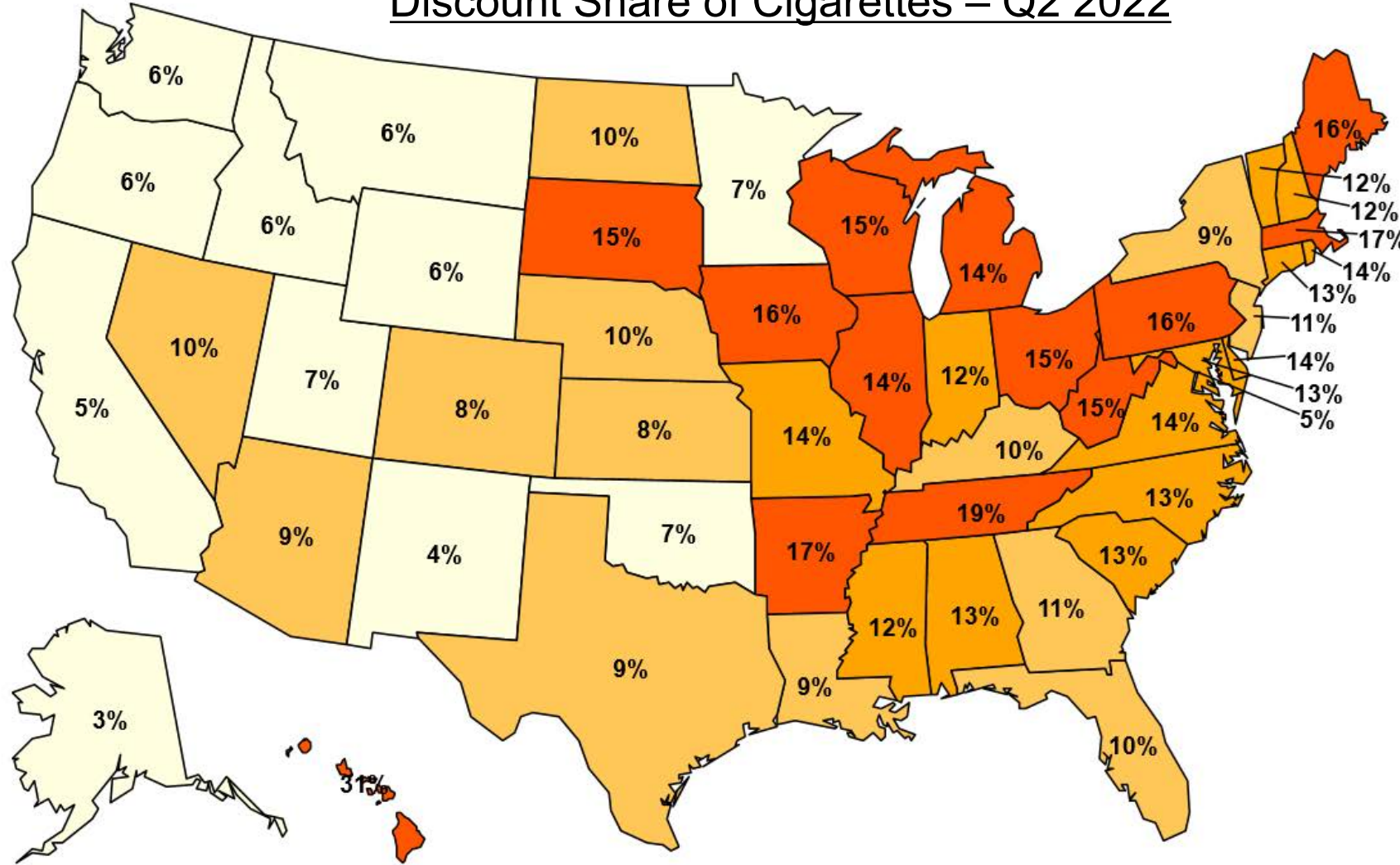
Total US: 3.9%

% Change in Deep Discount Cigarettes Volume



Discount Share of Total Cigarettes by State

Discount Share of Cigarettes – Q2 2022



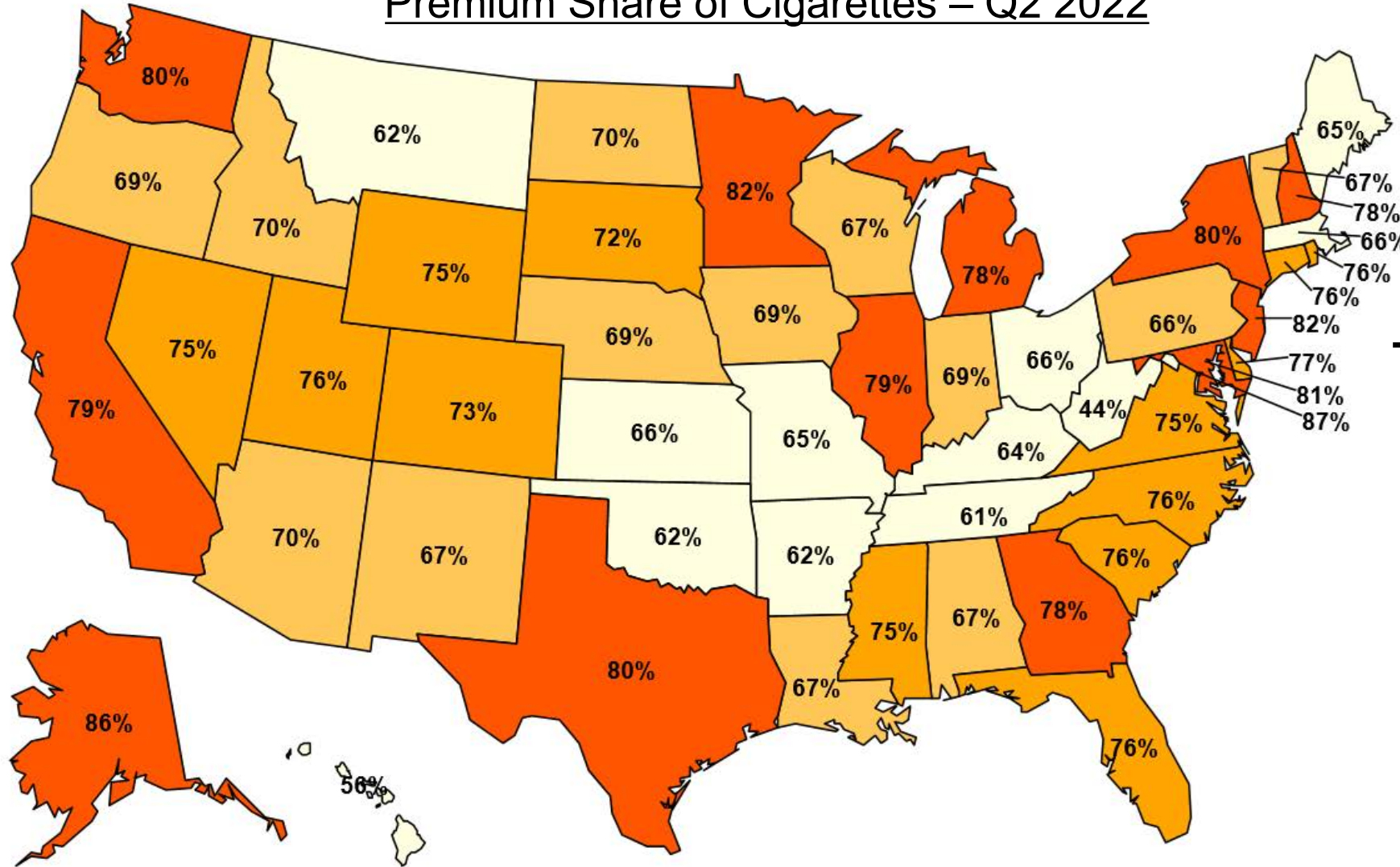
Total US: 12%

Discount Share of Total Cigarettes by State



Premium Share of Total Cigarettes by State

Premium Share of Cigarettes – Q2 2022



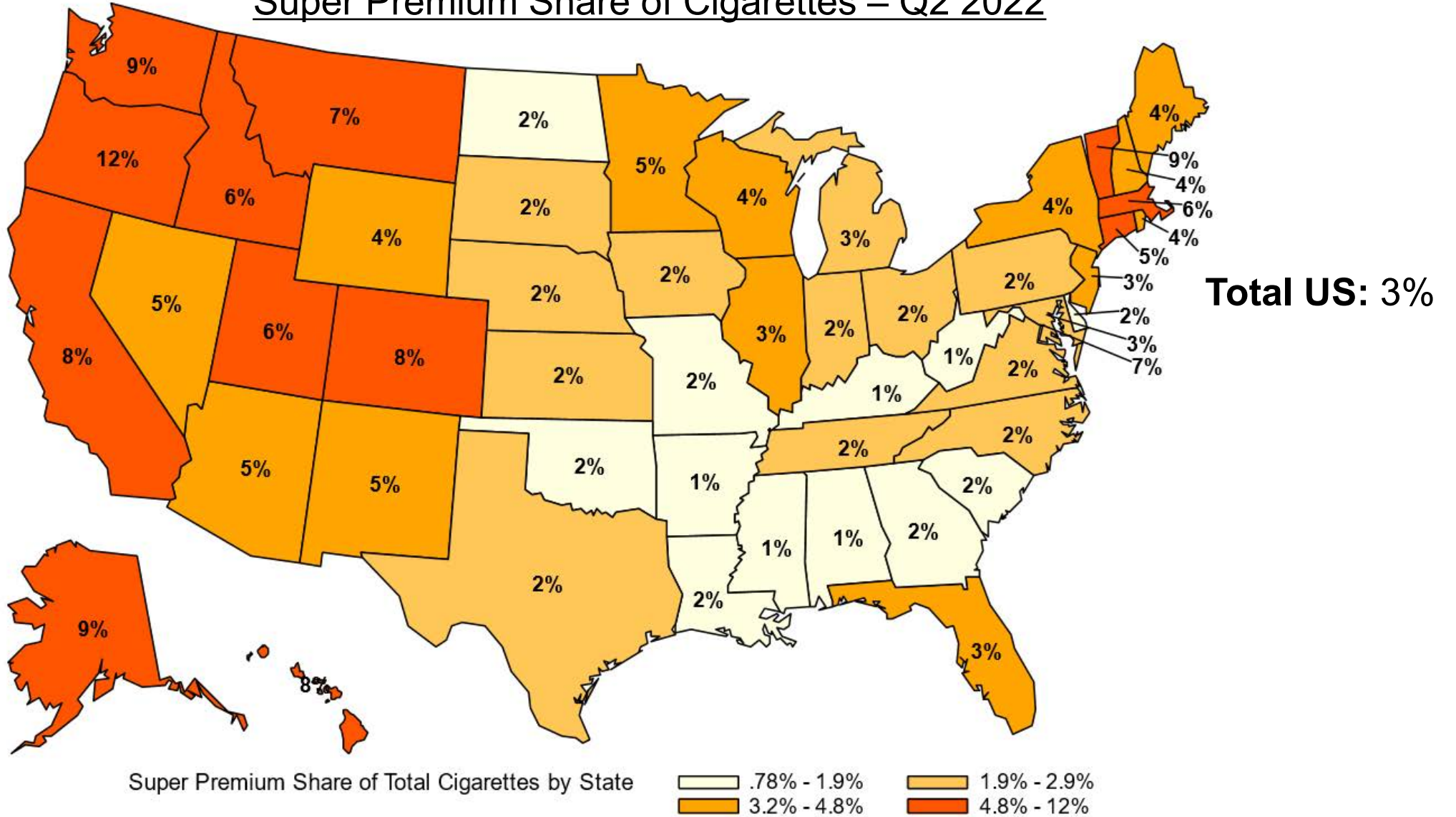
Total US: 72%

Premium Share of Total Cigarettes by State

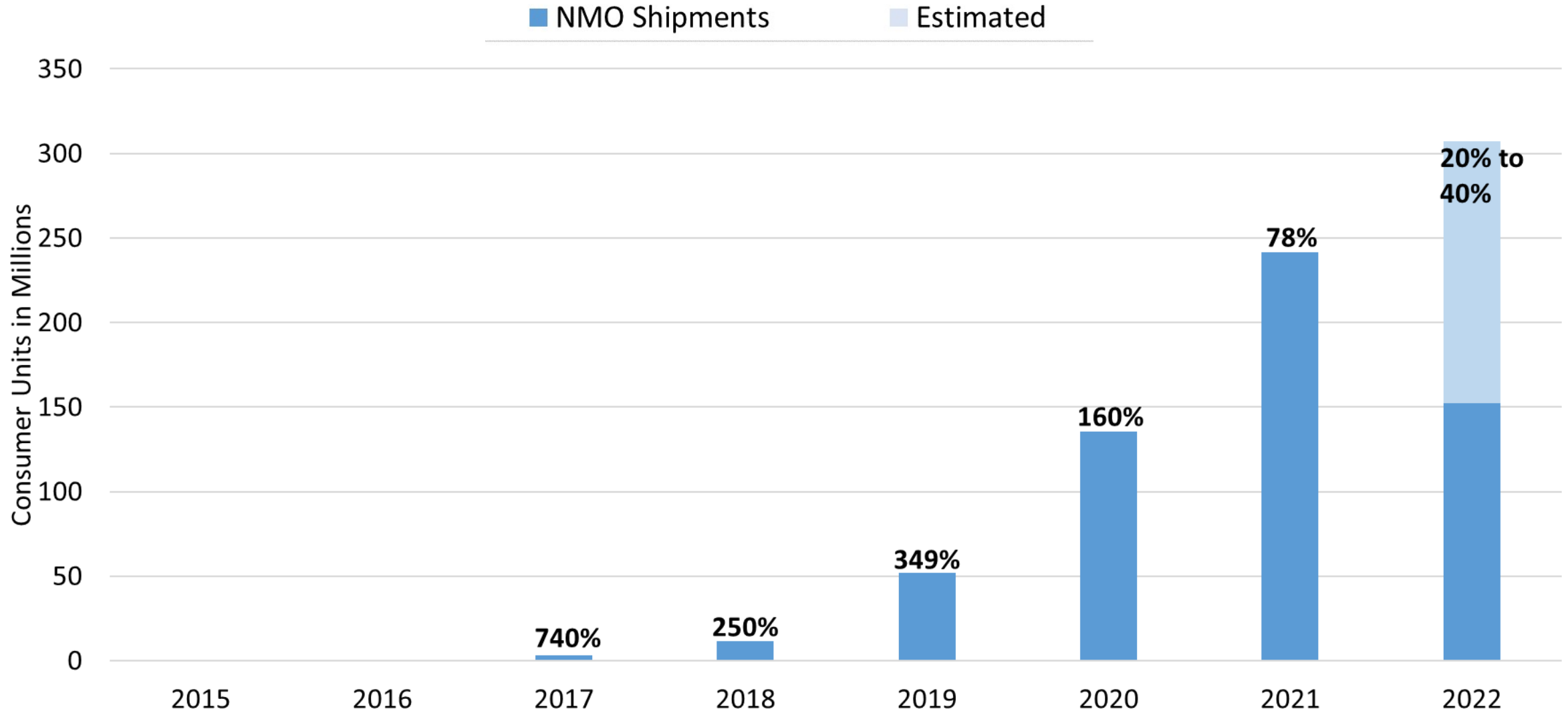


Super Premium Share of Total Cigarettes by State

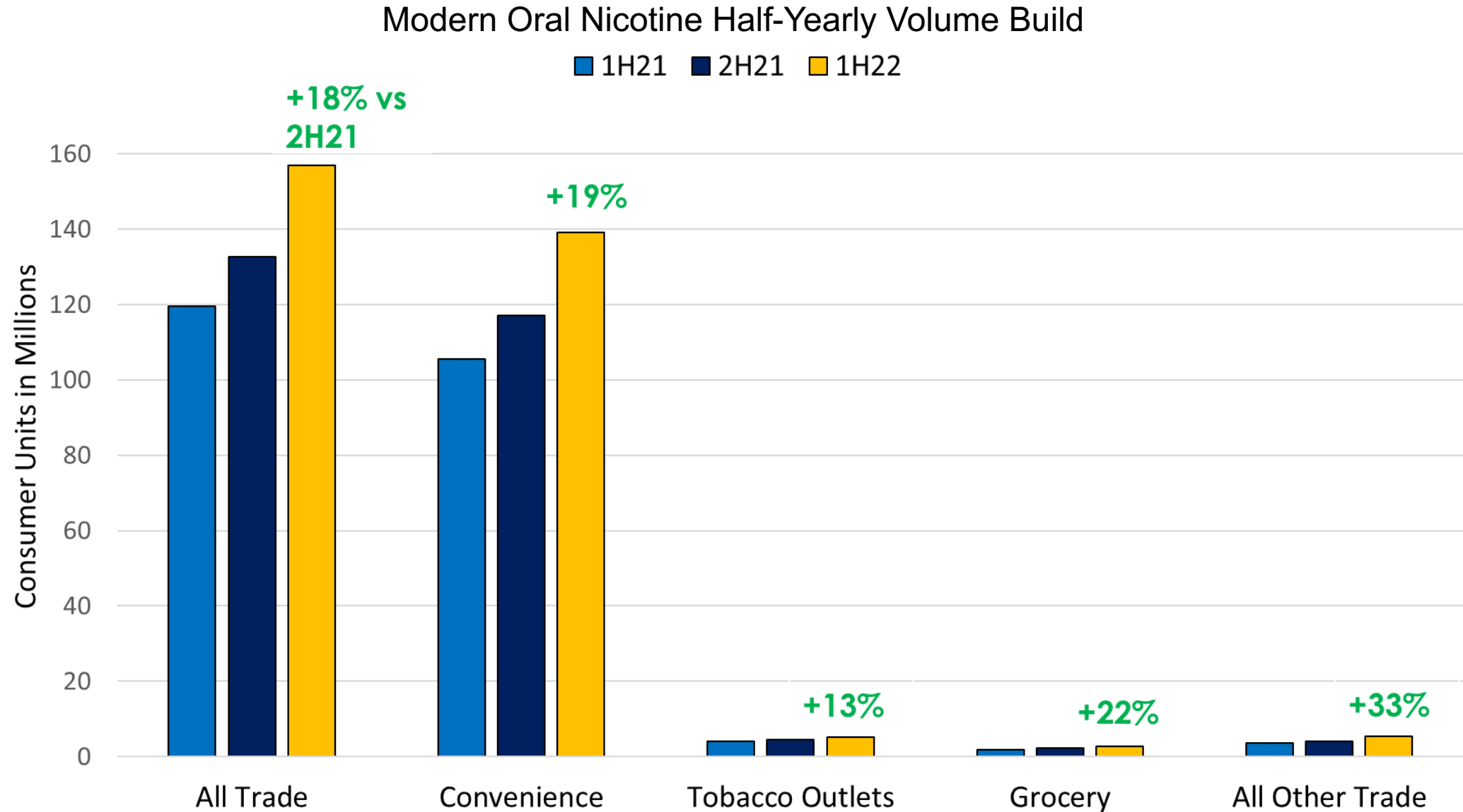
Super Premium Share of Cigarettes – Q2 2022



Overall Total US Modern Oral Trends

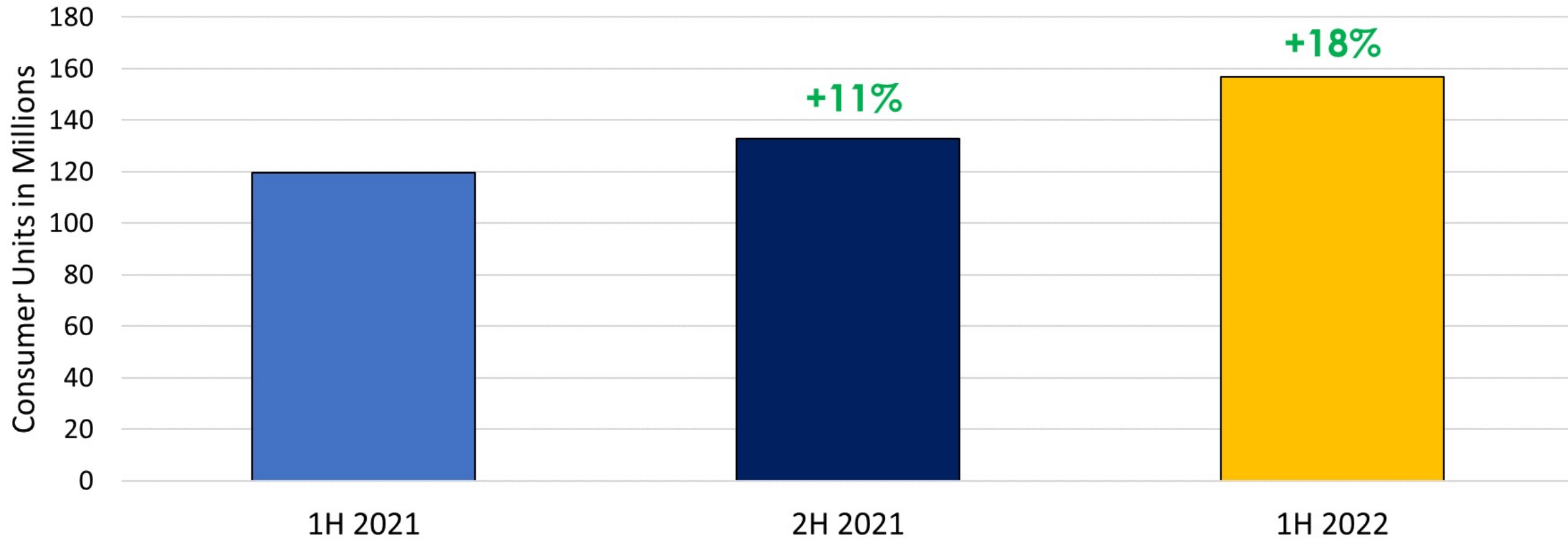


Modern Oral Nicotine Trend by Trade Channel



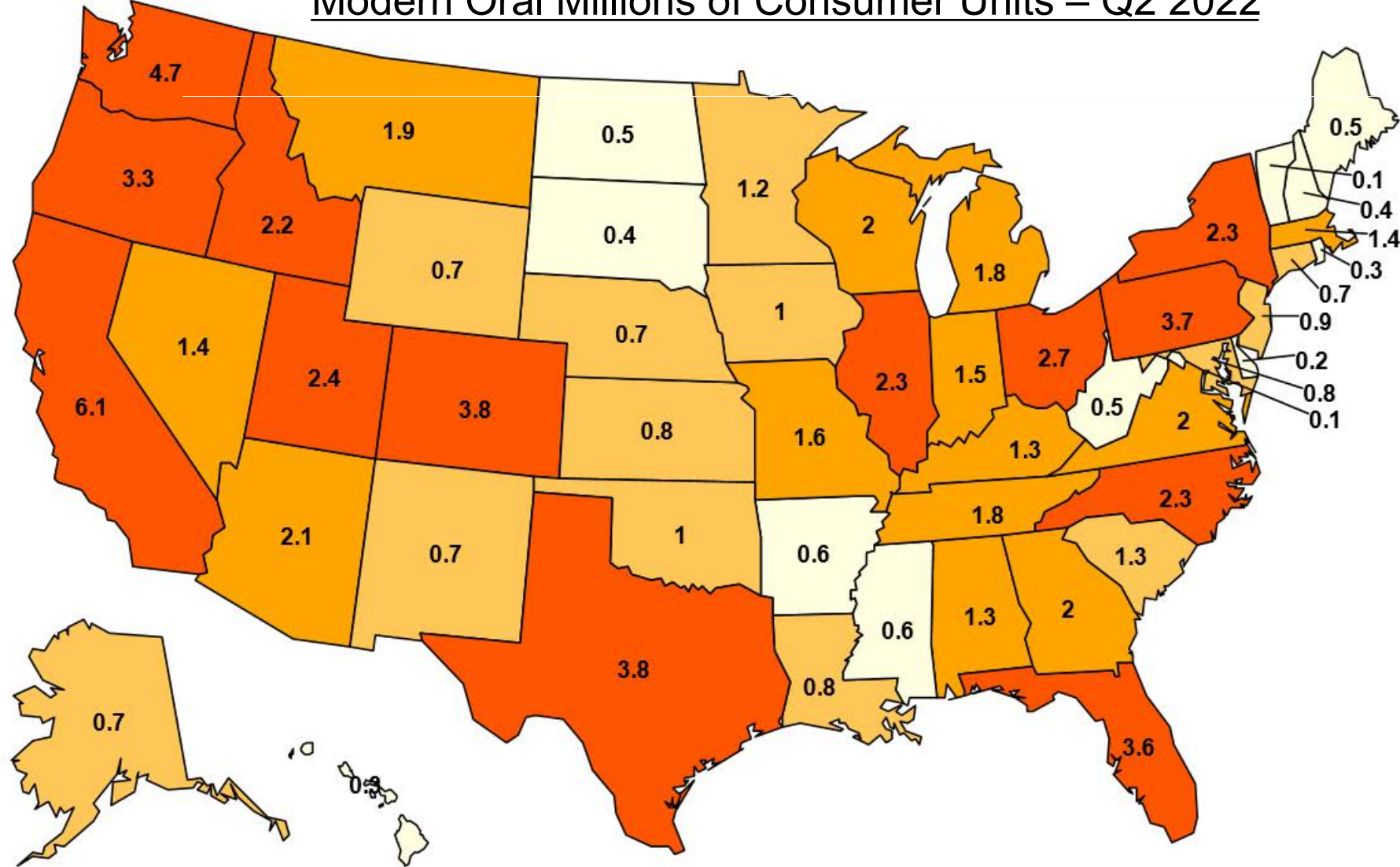
Modern Oral Nicotine Trend – Same Stores

Modern Oral Nicotine Half-Yearly Volume Build
Same Stores Only



Modern Oral Nicotine Volume by State

Modern Oral Millions of Consumer Units – Q2 2022

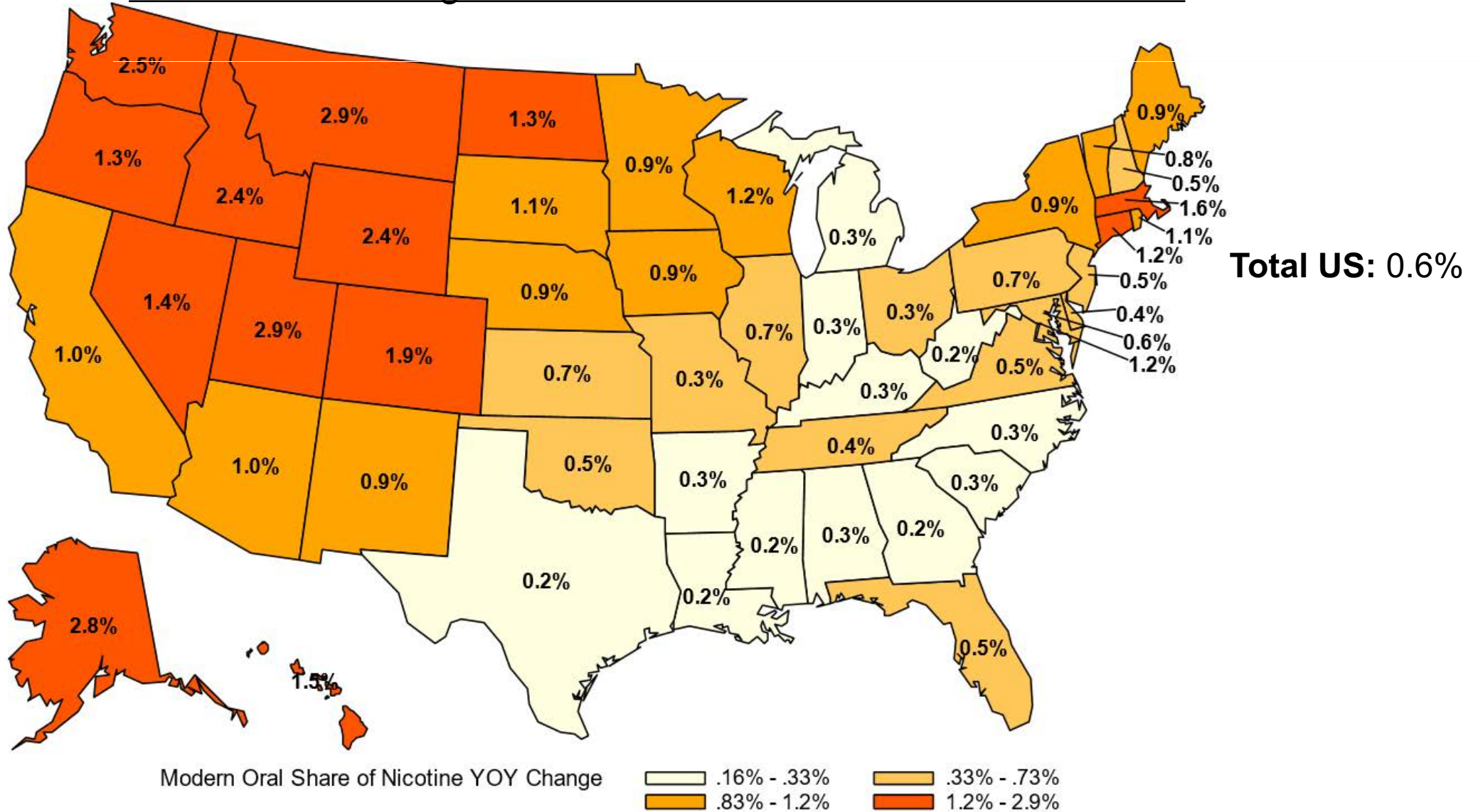


Total US: 81.1

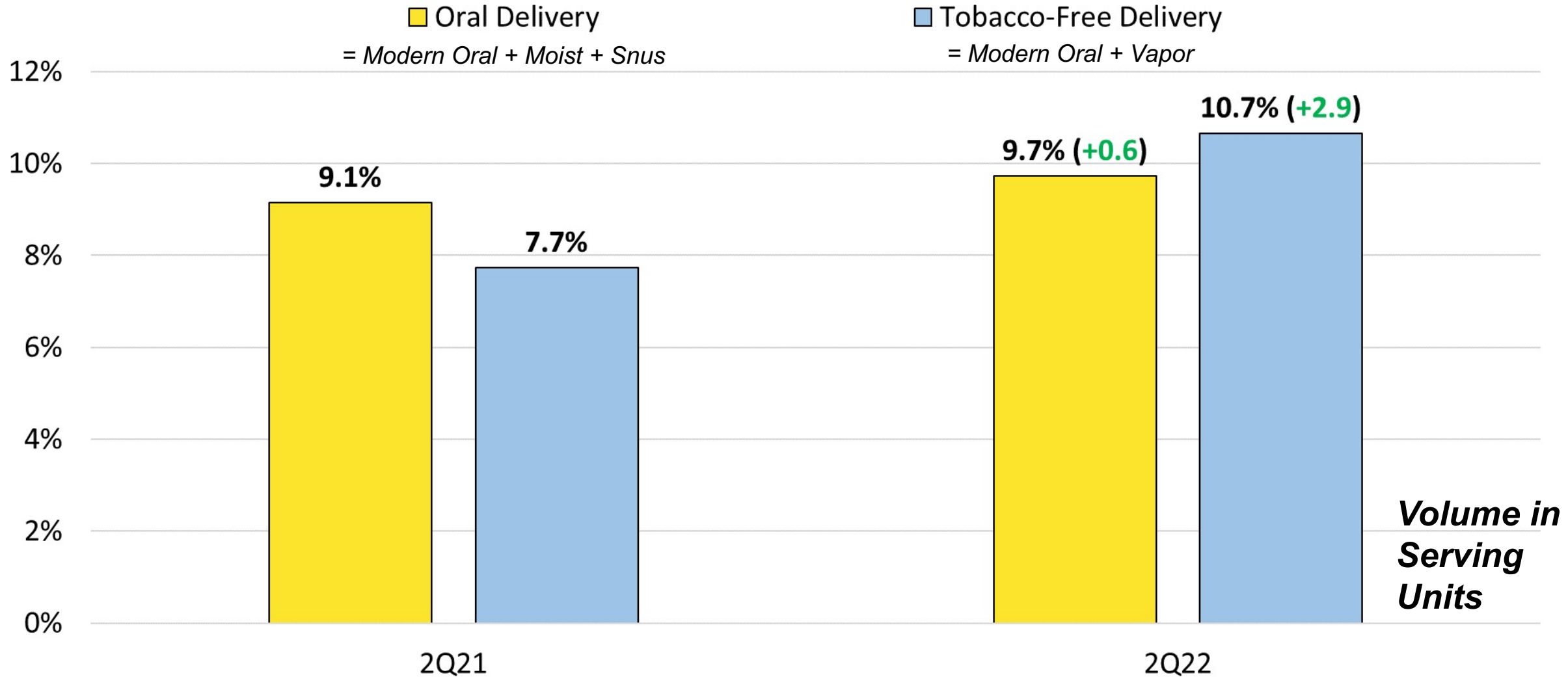
Modern Oral Consumer Units (Millions) 0.05 - 0.63 0.67 - 1.29 1.29 - 2.14 2.19 - 6.13

Modern Oral Nicotine Growth by State

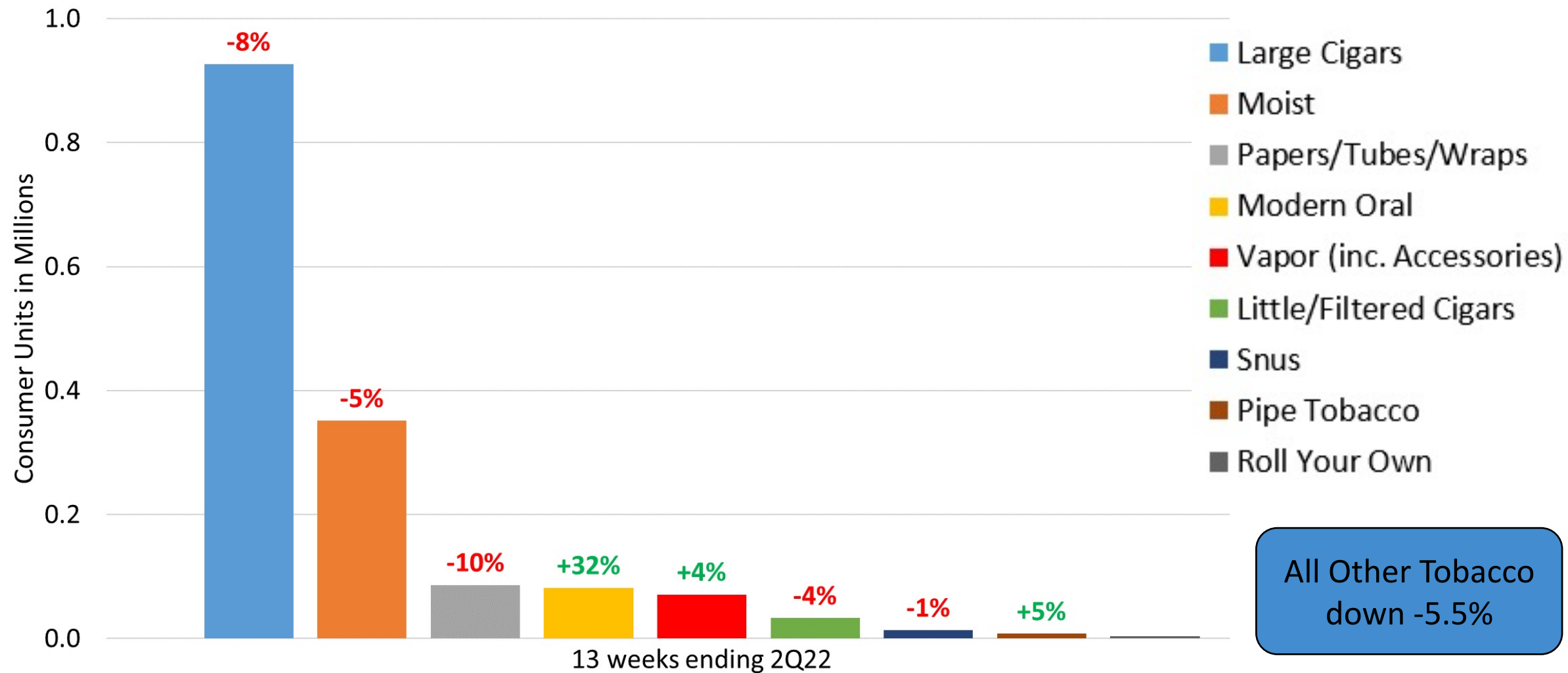
Modern Oral Change in Share of Nicotine – Q2 2022 vs. YAGO



Oral and Tobacco-Free Delivery Change in Share of Nicotine

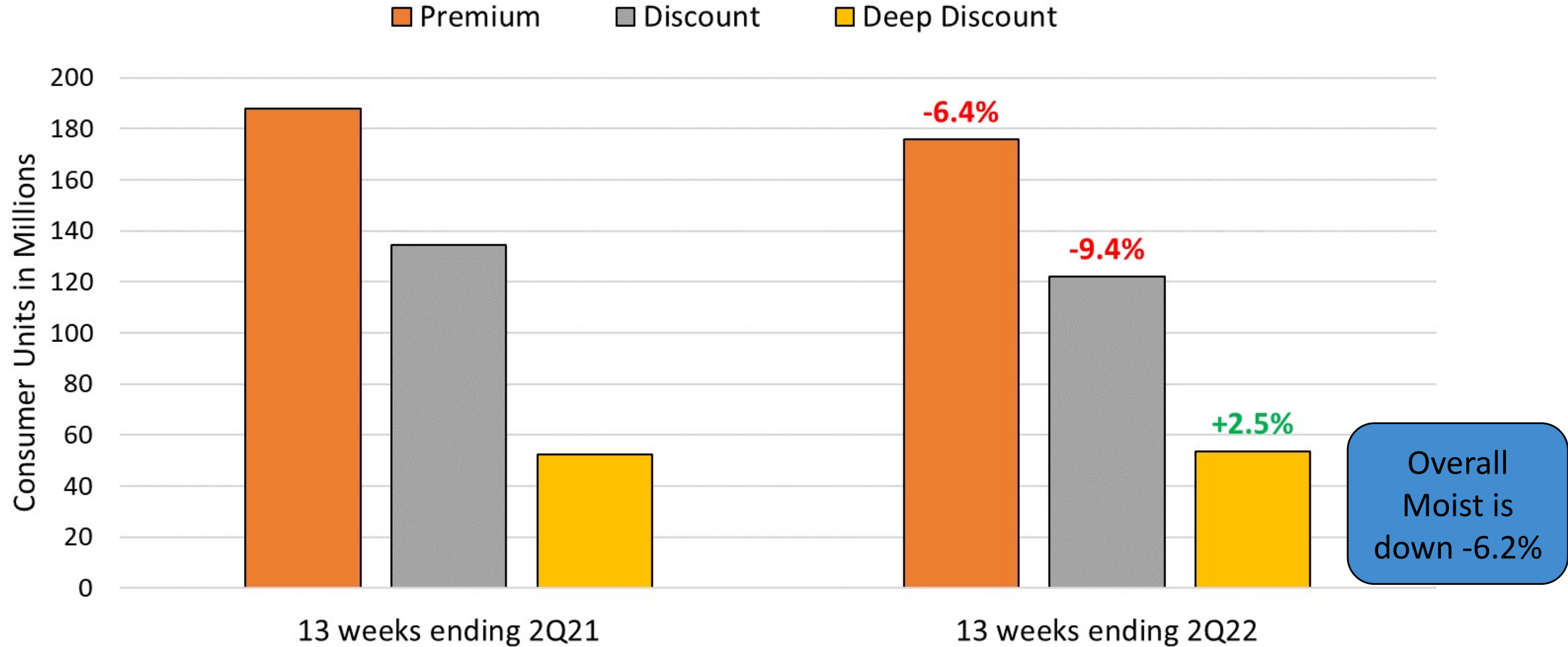


Breakdown of All Other Tobacco - % Change vs. YAGO



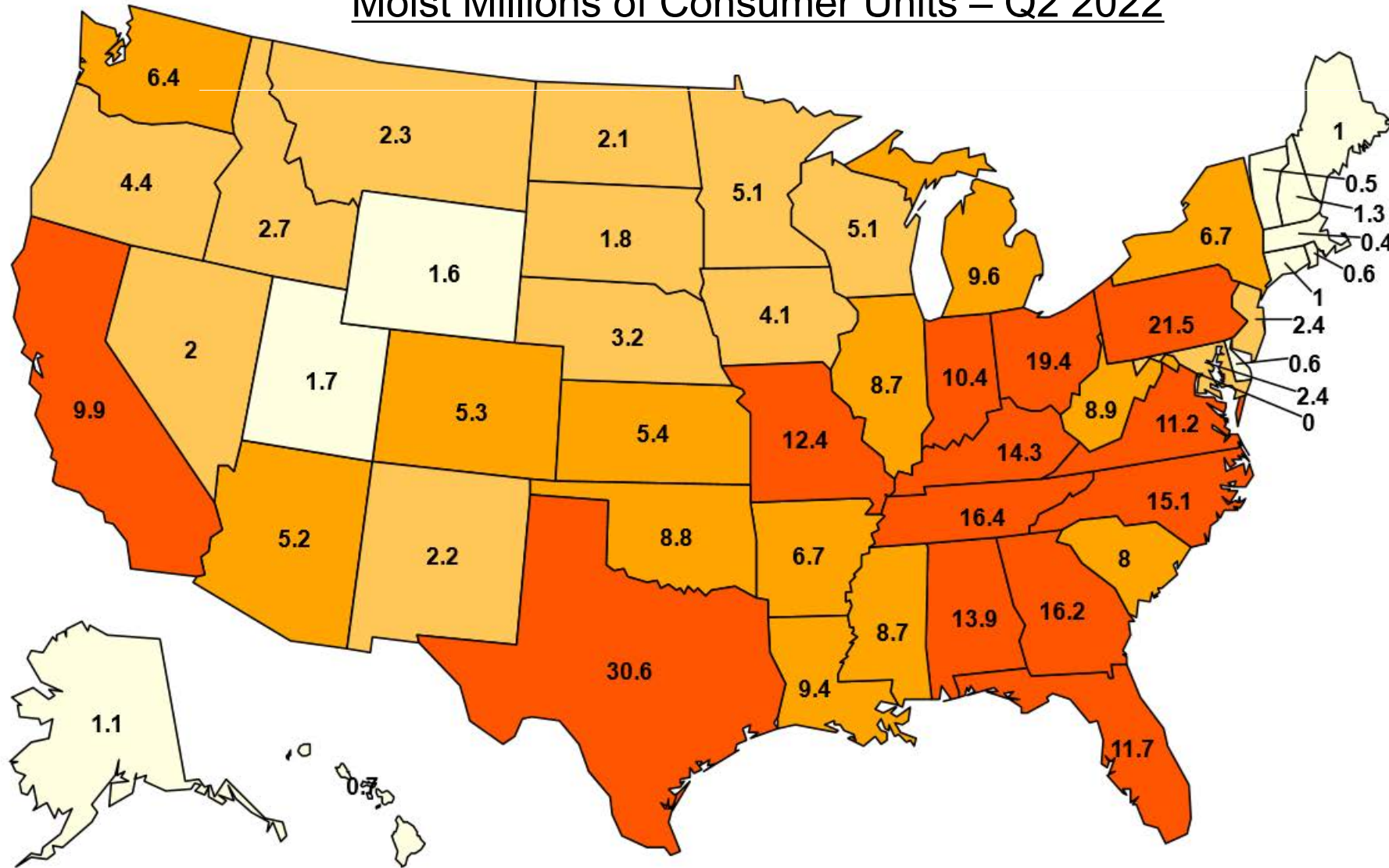
Overall Total US Moist Trends

13 Weeks Ending Q2-2022 vs. YAGO



Moist Volume by State

Moist Millions of Consumer Units – Q2 2022

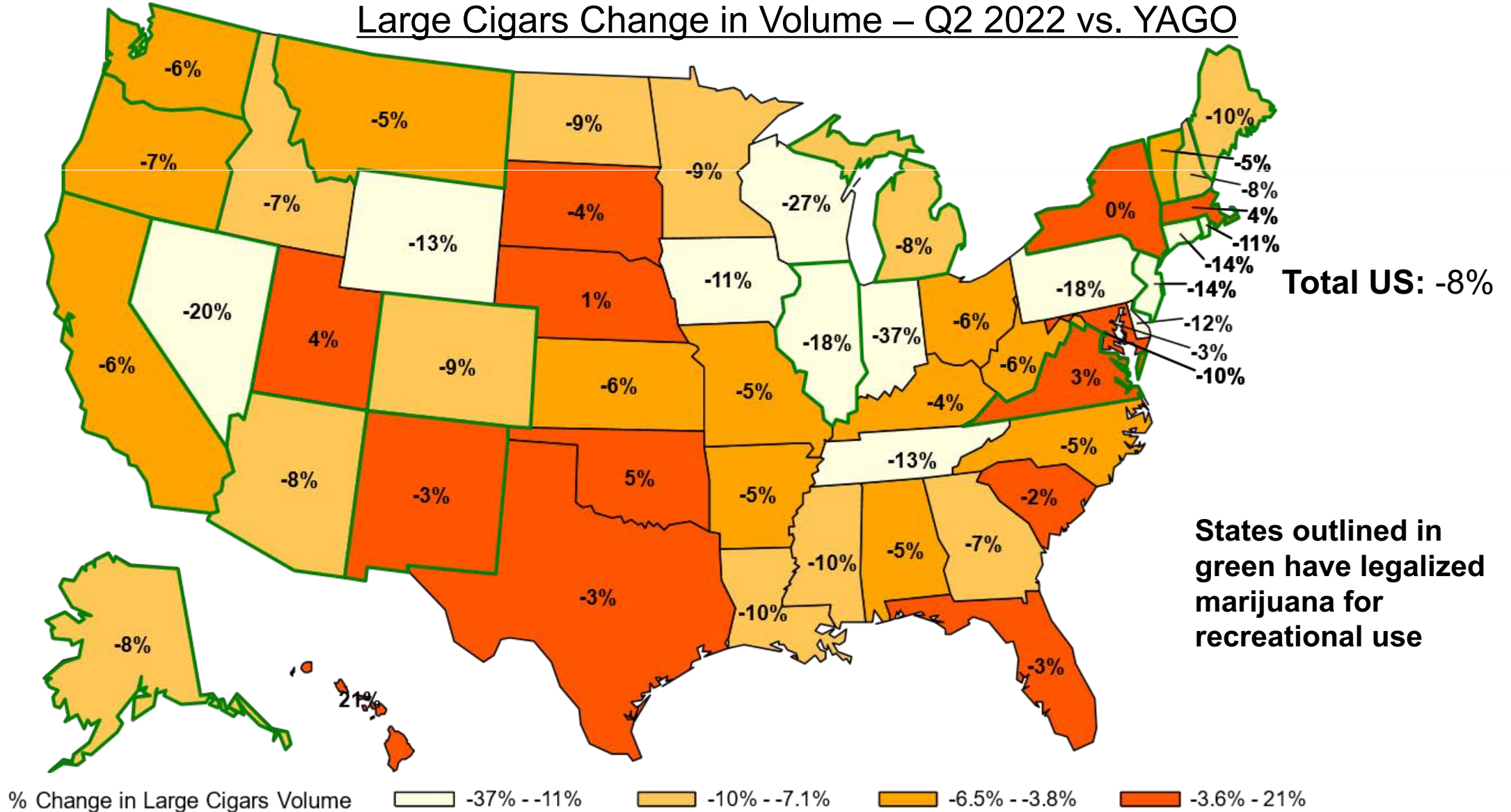


Total US: 350.8

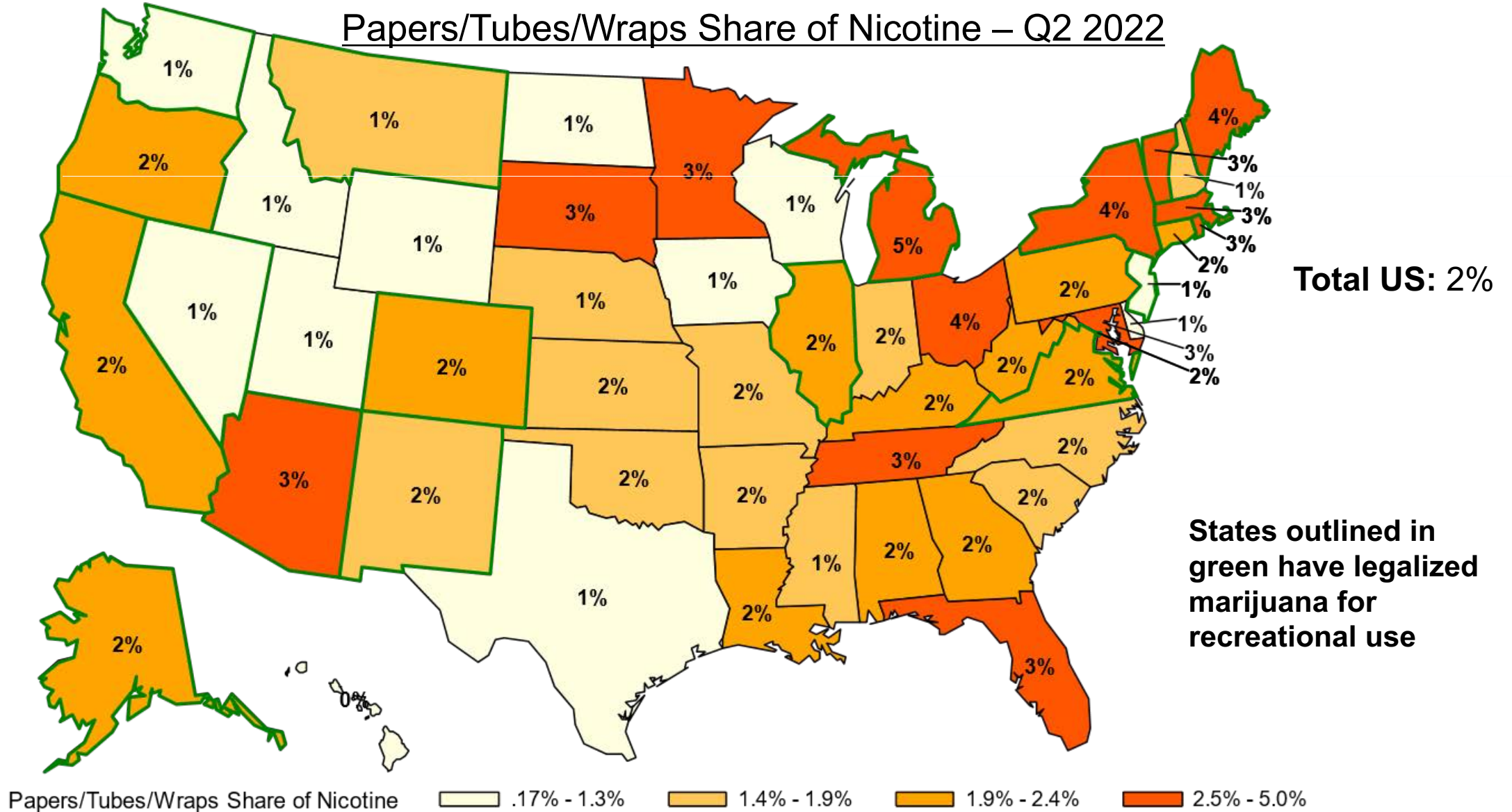
Moist Consumer Units (Millions) 0.03 - 1.67 1.75 - 5.09 5.23 - 9.59 9.91 - 30.6

Large Cigars Volume Change by State

Large Cigars Change in Volume – Q2 2022 vs. YAGO

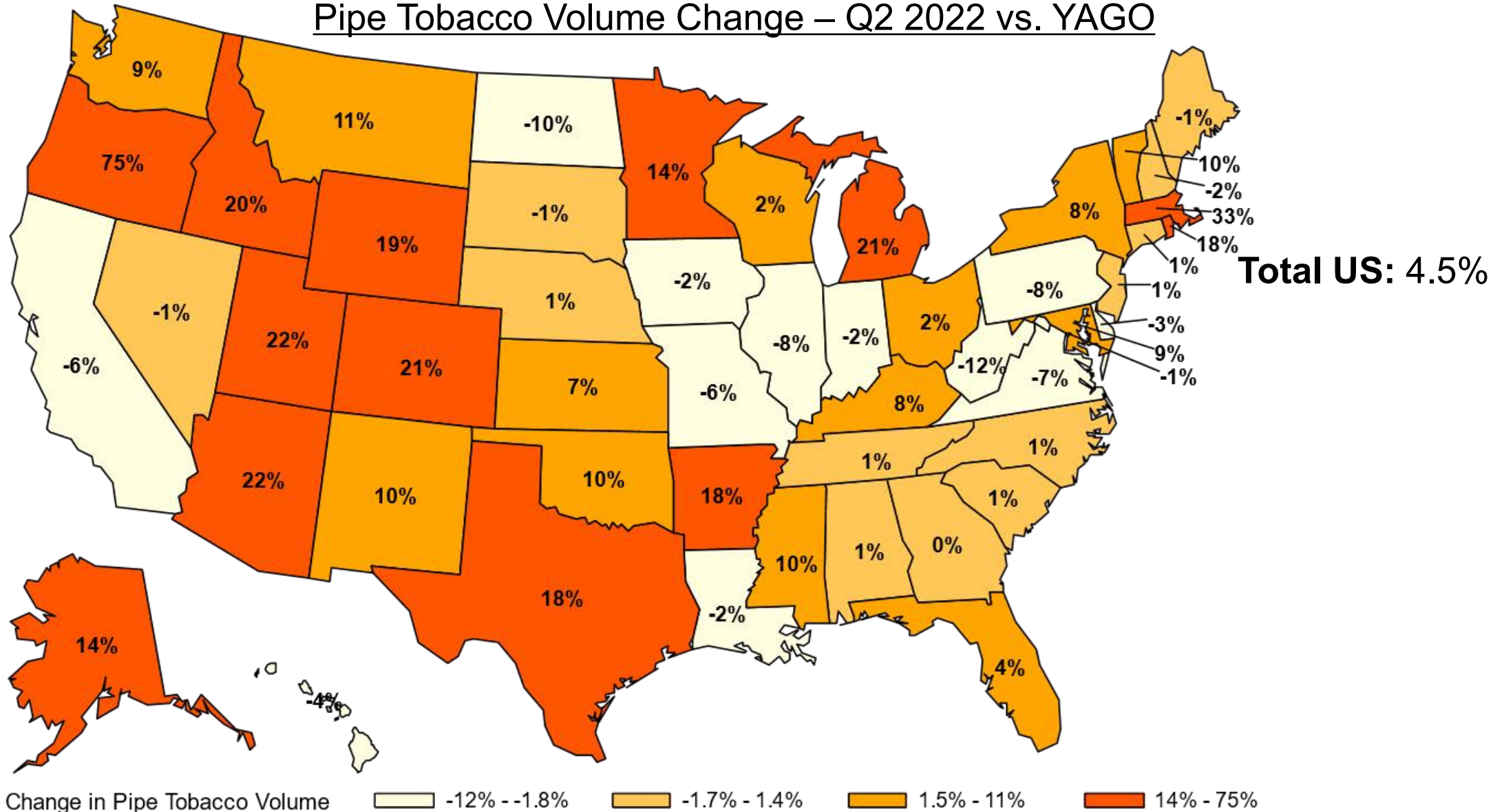


Papers/Tubes/Wraps Share of Nicotine by State



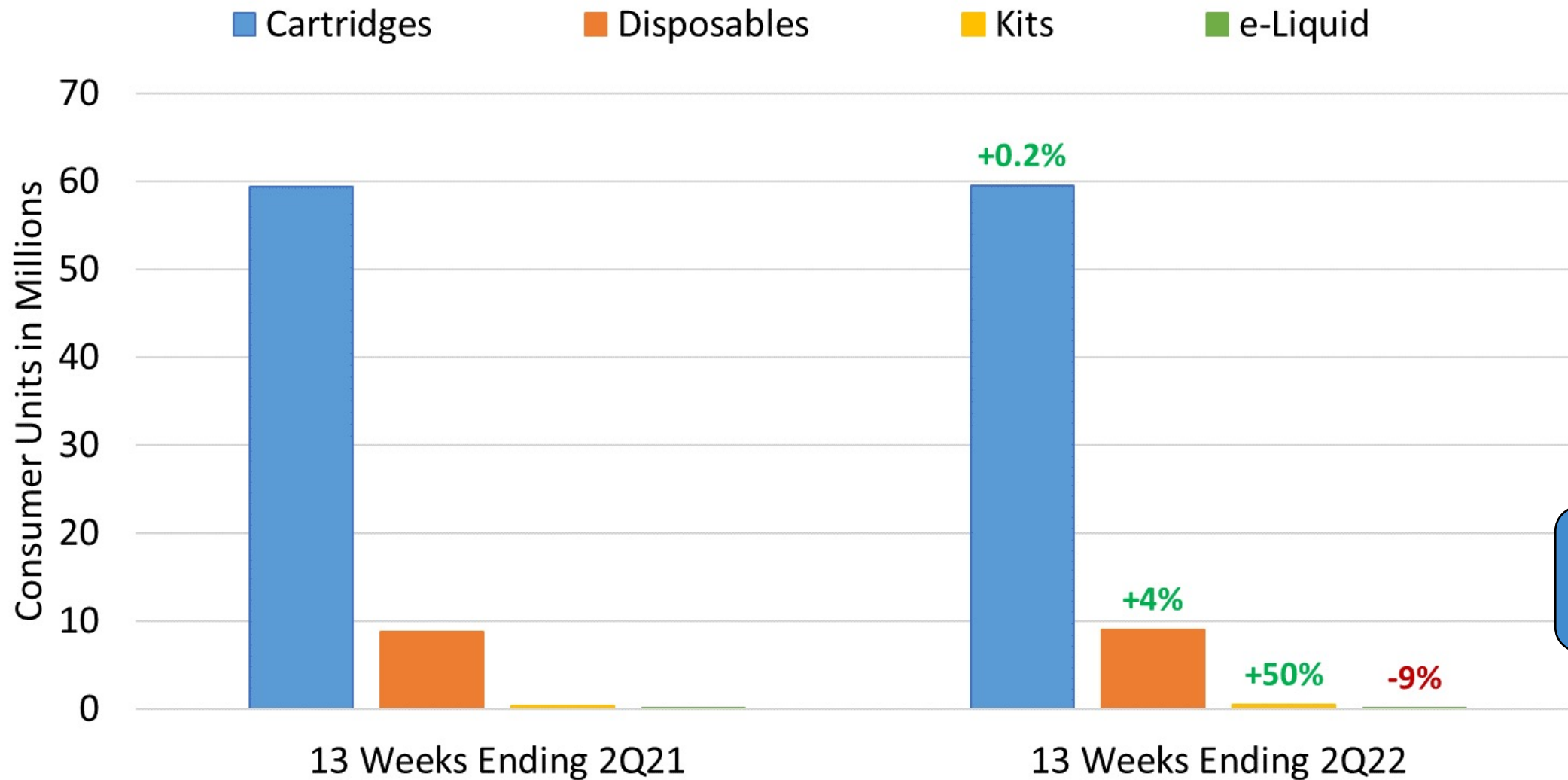
Pipe Tobacco Change in Volume by State

Pipe Tobacco Volume Change – Q2 2022 vs. YAGO



Overview of Vapor Category

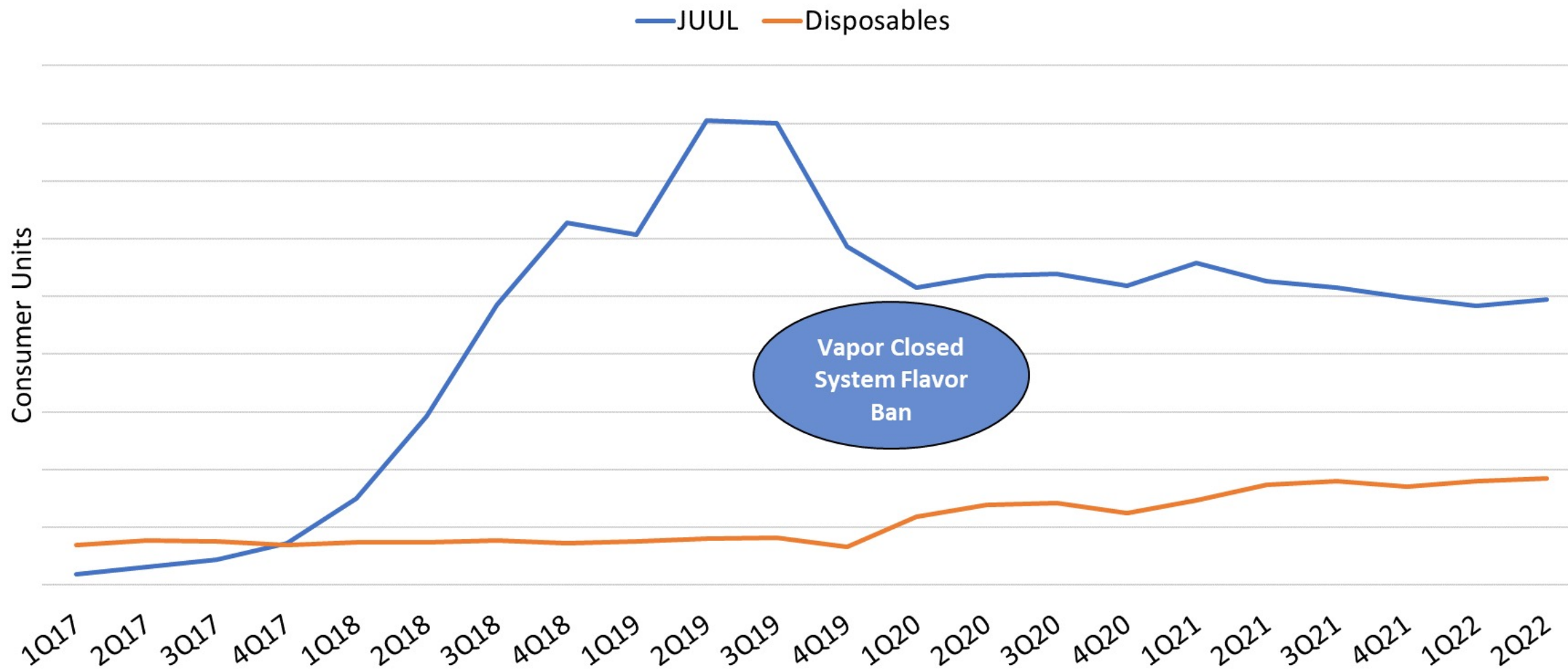
13 Weeks Ending Q2-2022 vs. YAGO



Total Vapor up 5.1%

Overview of Vapor Category

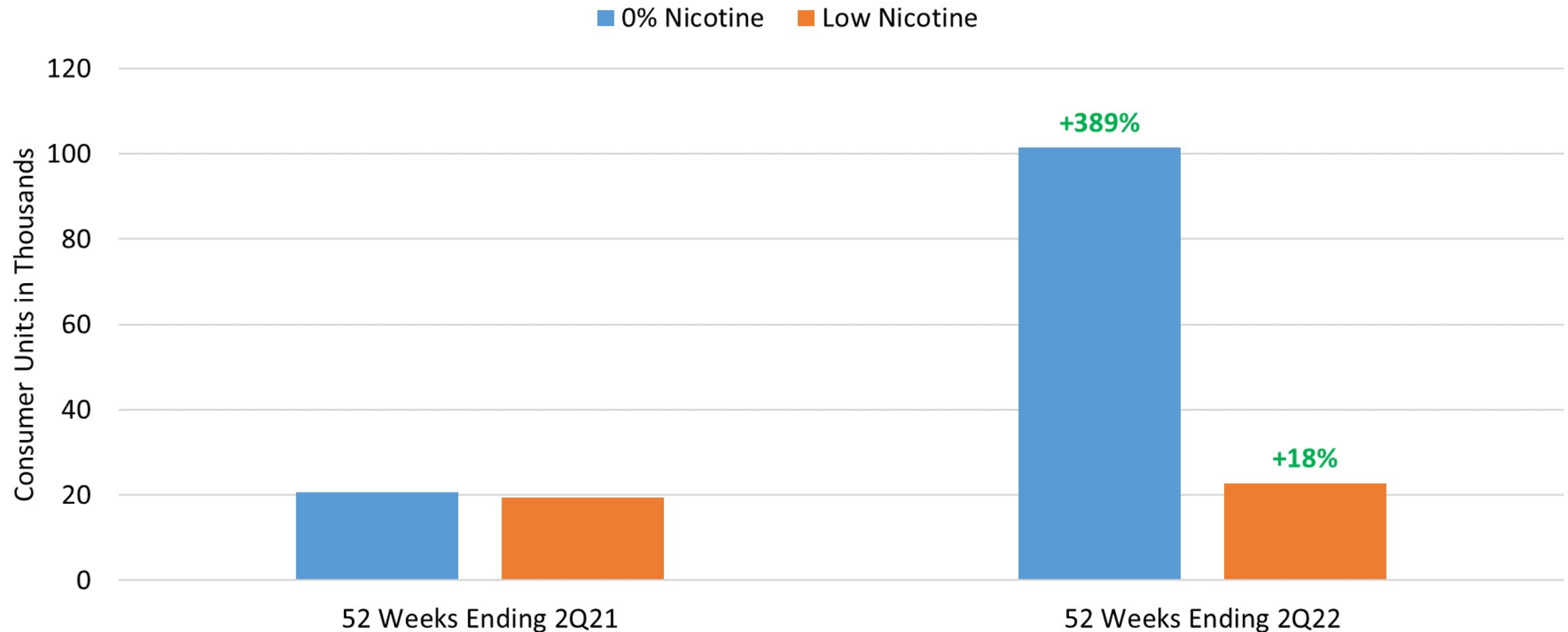
JUUL vs. Disposables Trend



Low/No Nicotine Vapor Growth

- Low Nicotine includes all Vapor with 0.1% Nicotine and lower, not including 0%.

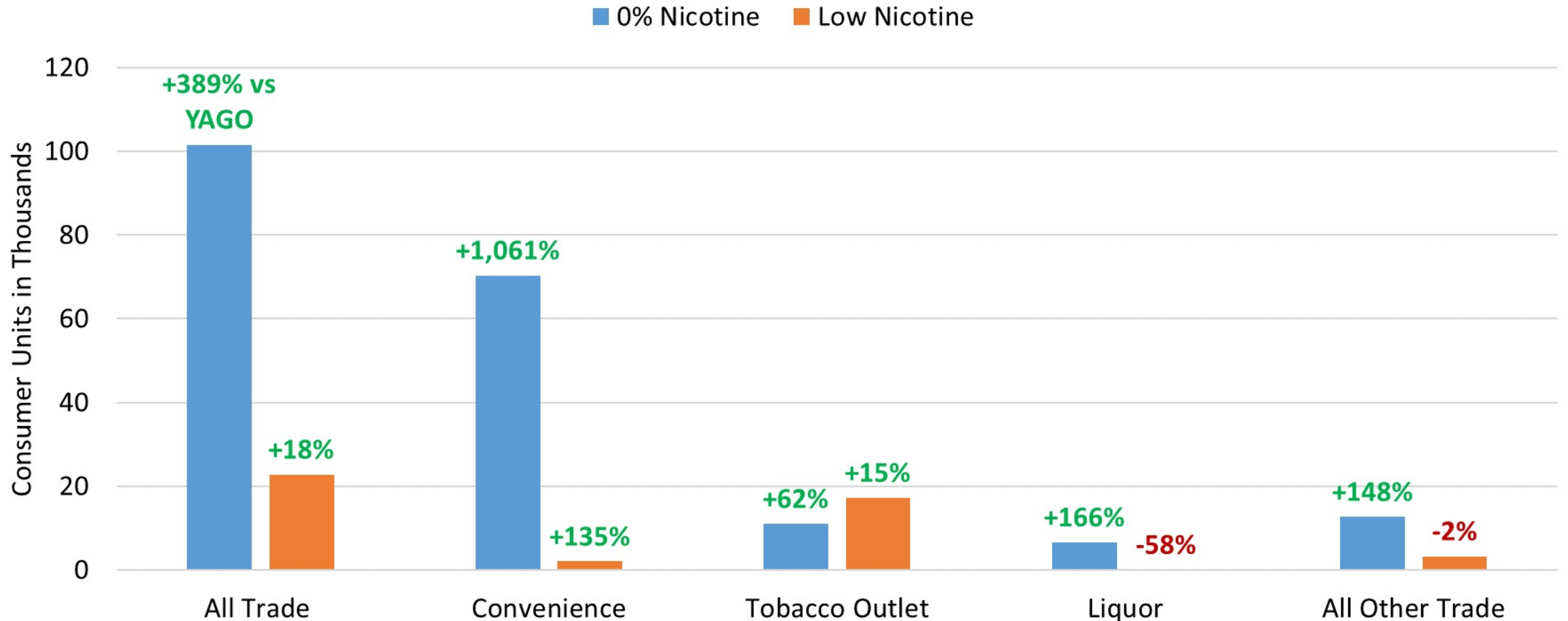
Low/No Nicotine Vapor Volume Growth



Low/No Nicotine Vapor Growth by Trade

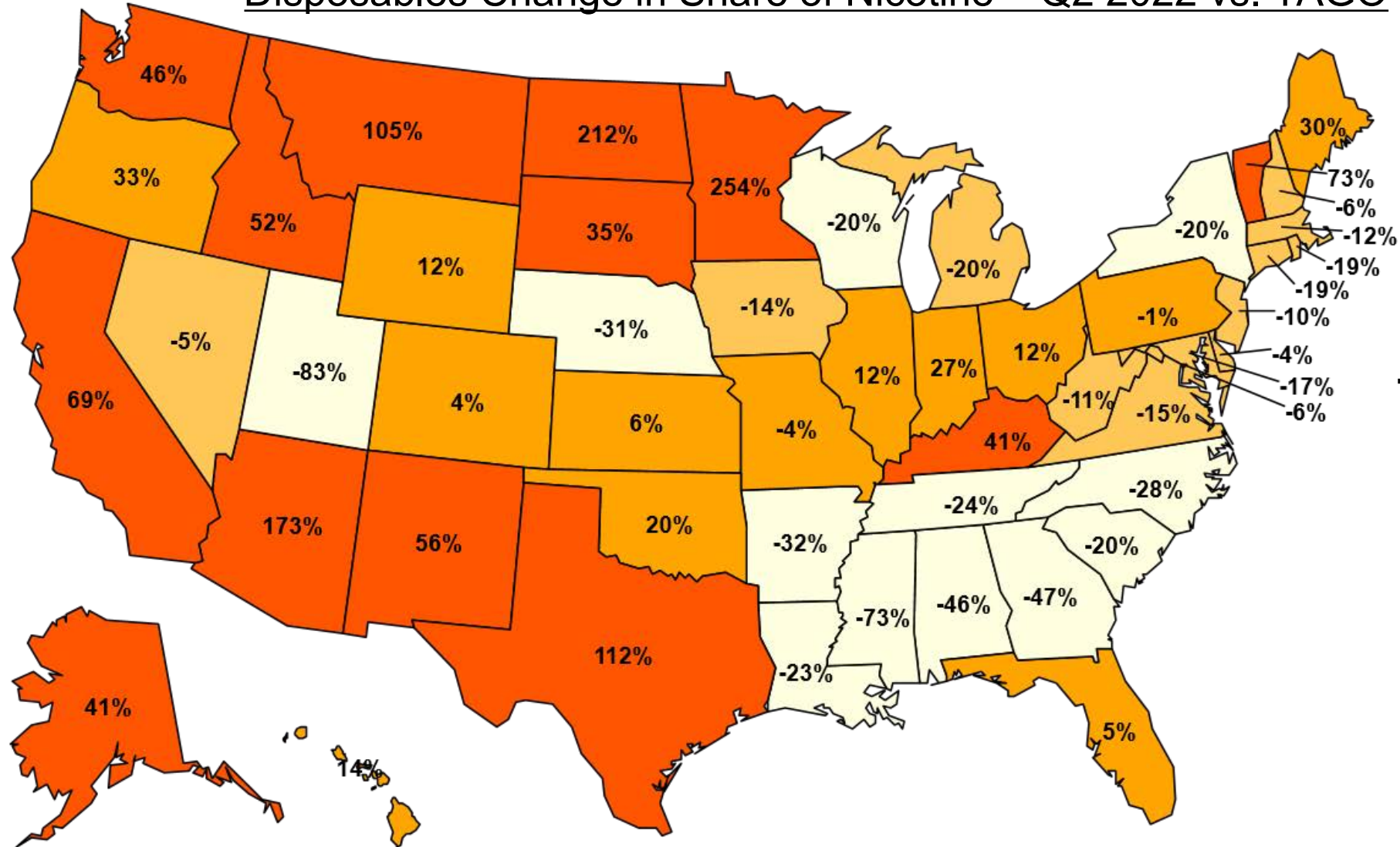
- Low Nicotine includes all Vapor with 0.1% Nicotine and lower, not including 0%.

Low/No Nicotine Vapor Volume - 52 Weeks Ending 2Q22 vs. YAGO



Disposables Volume Change by State

Disposables Change in Share of Nicotine – Q2 2022 vs. YAGO



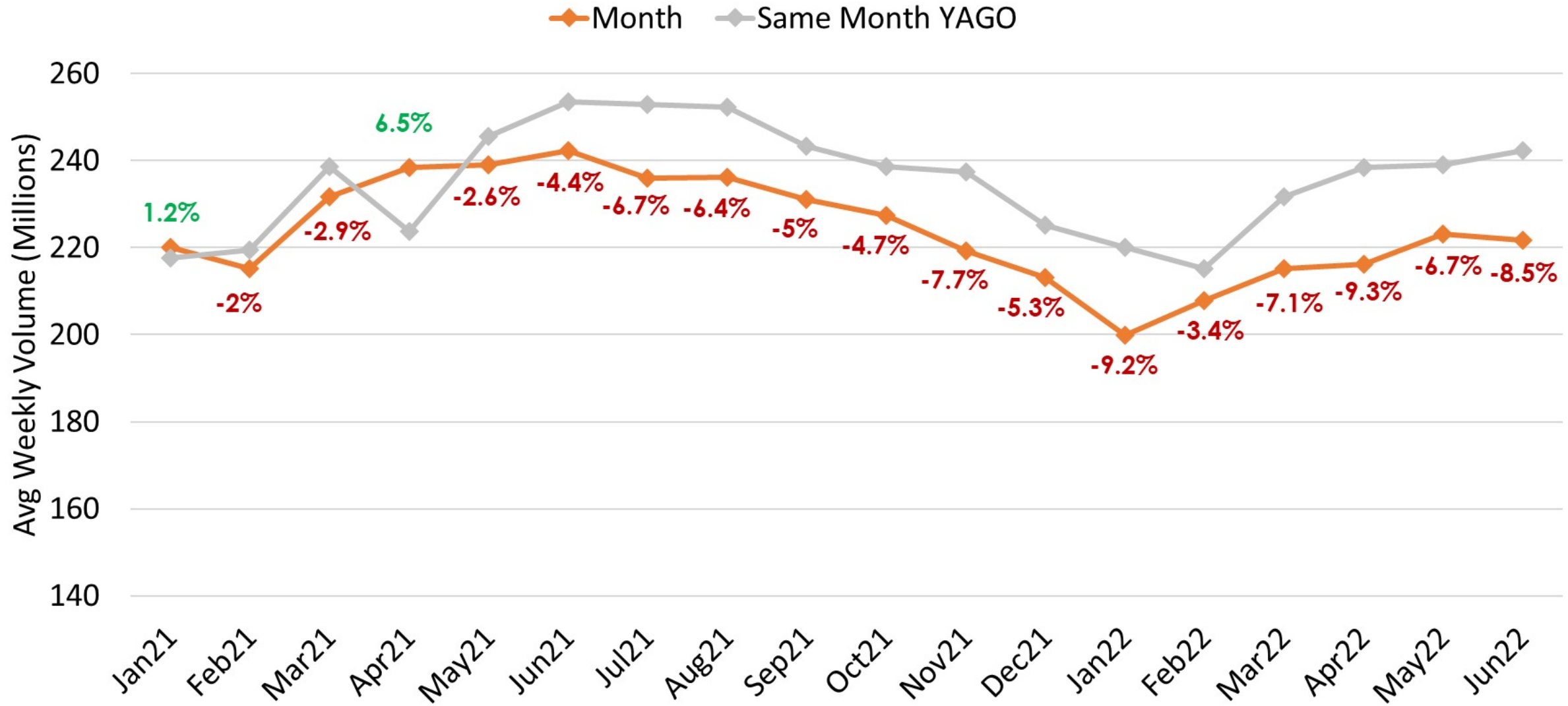
Total US: 5.7%

% Change in Disposables Volume

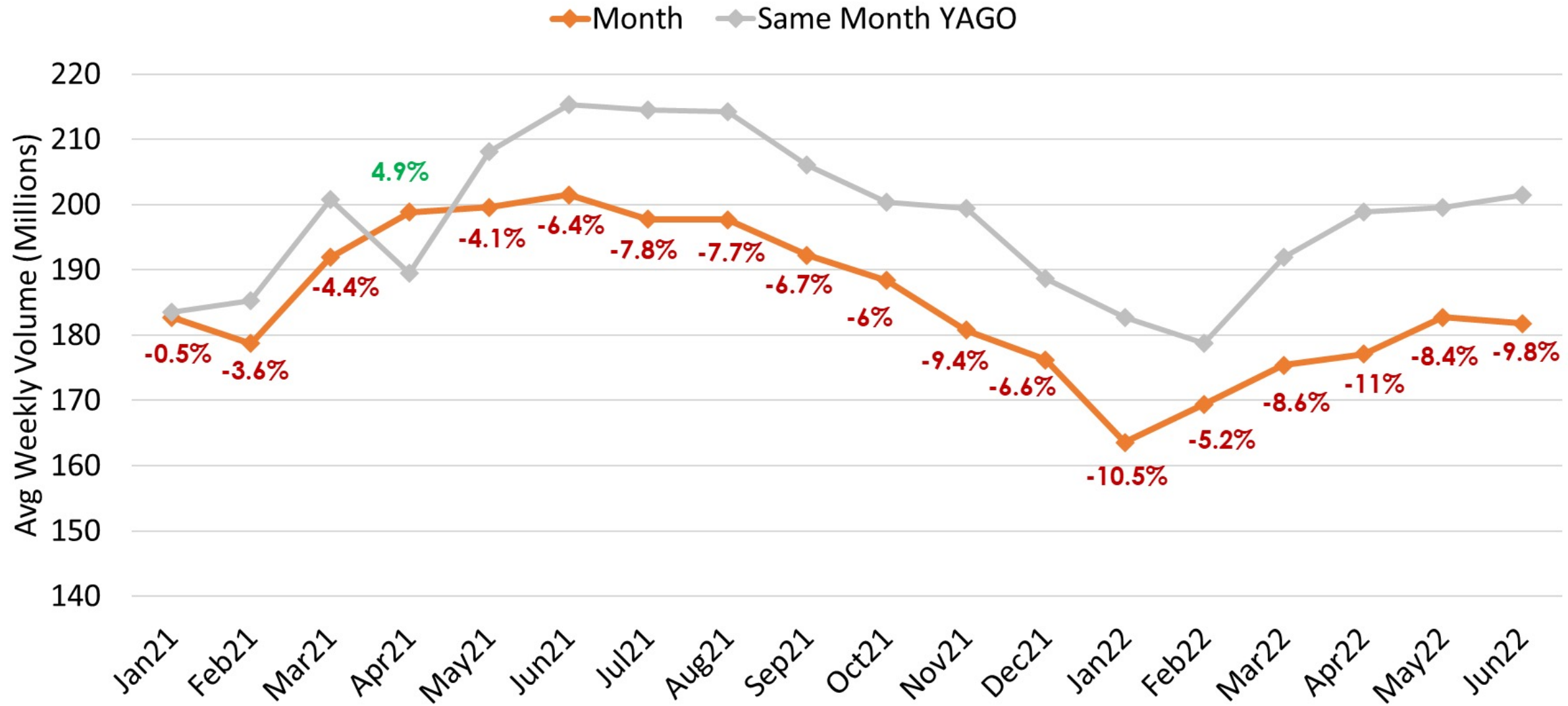


Impact of Pandemic

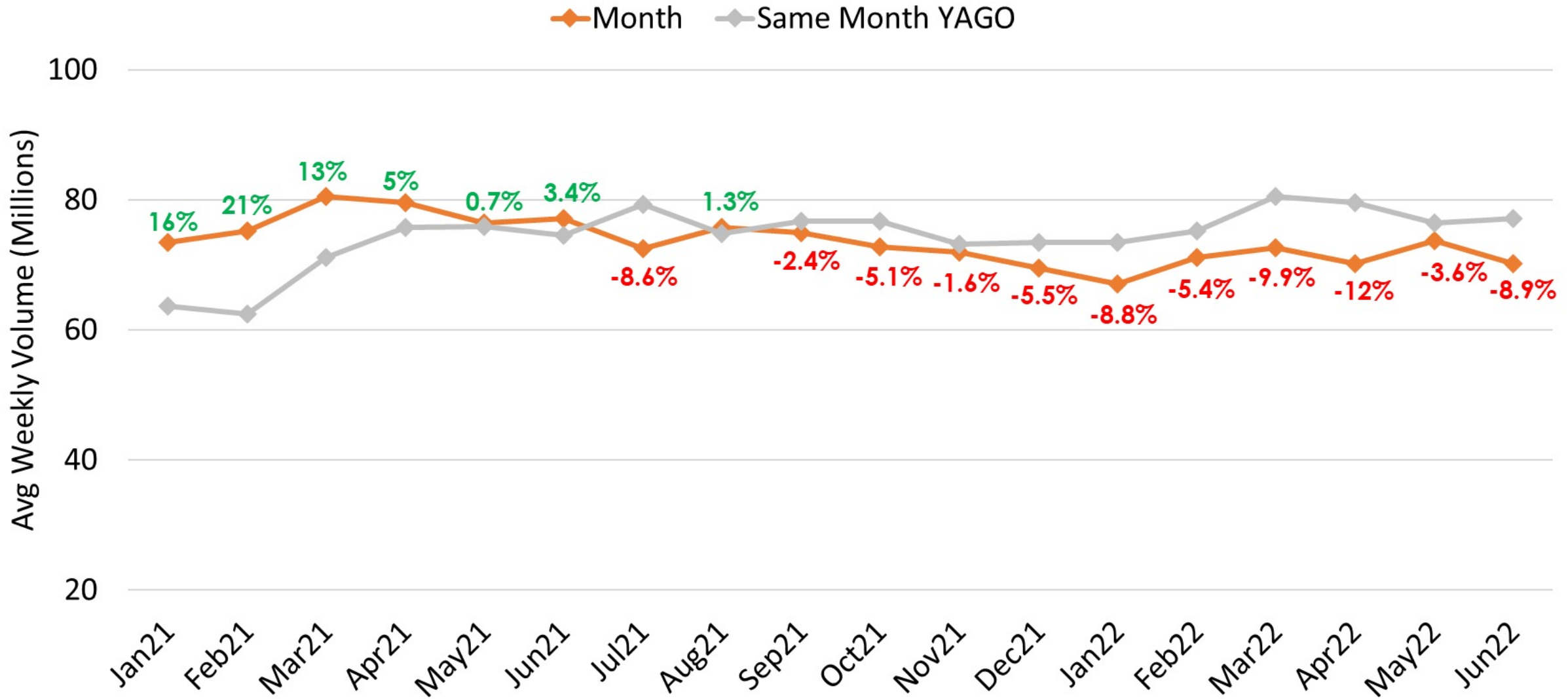
All Tobacco



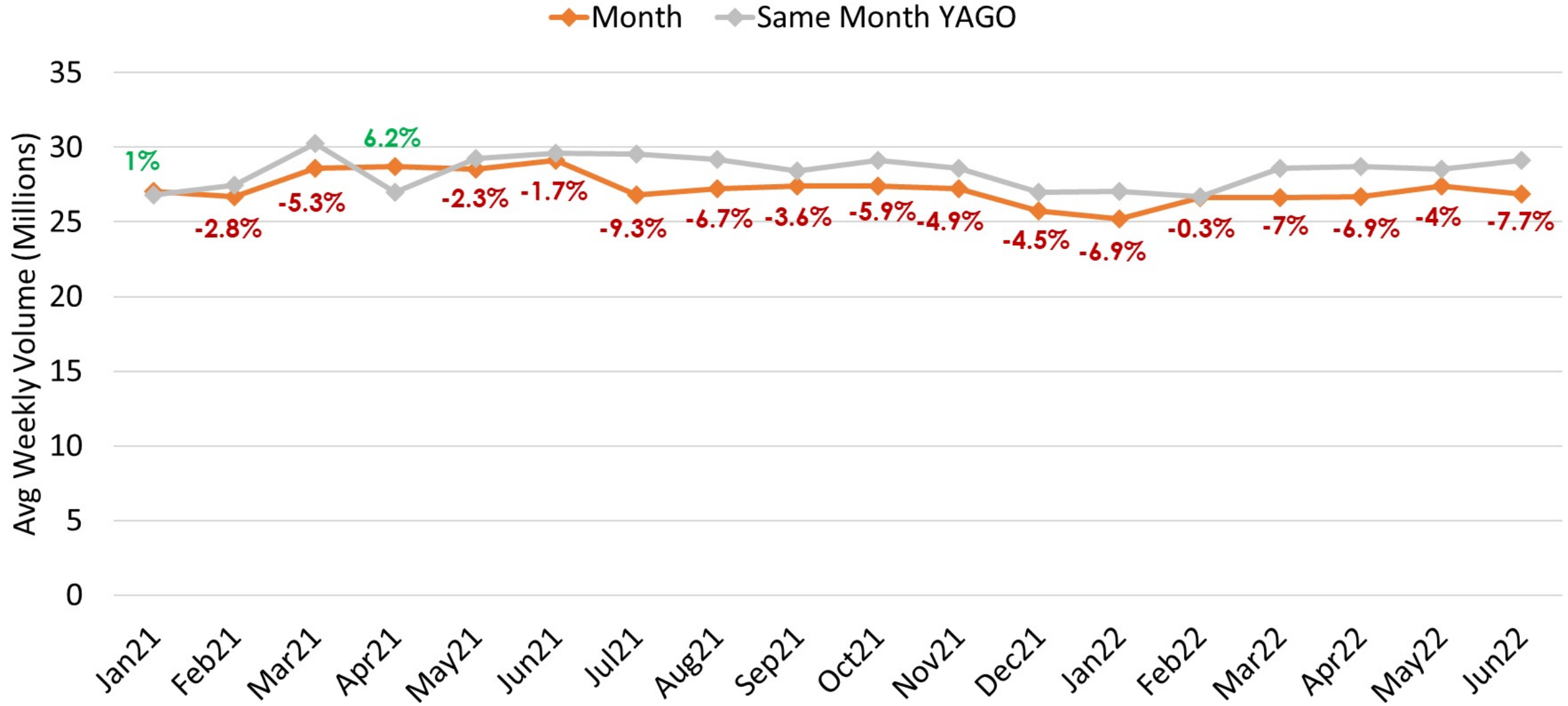
Cigarettes



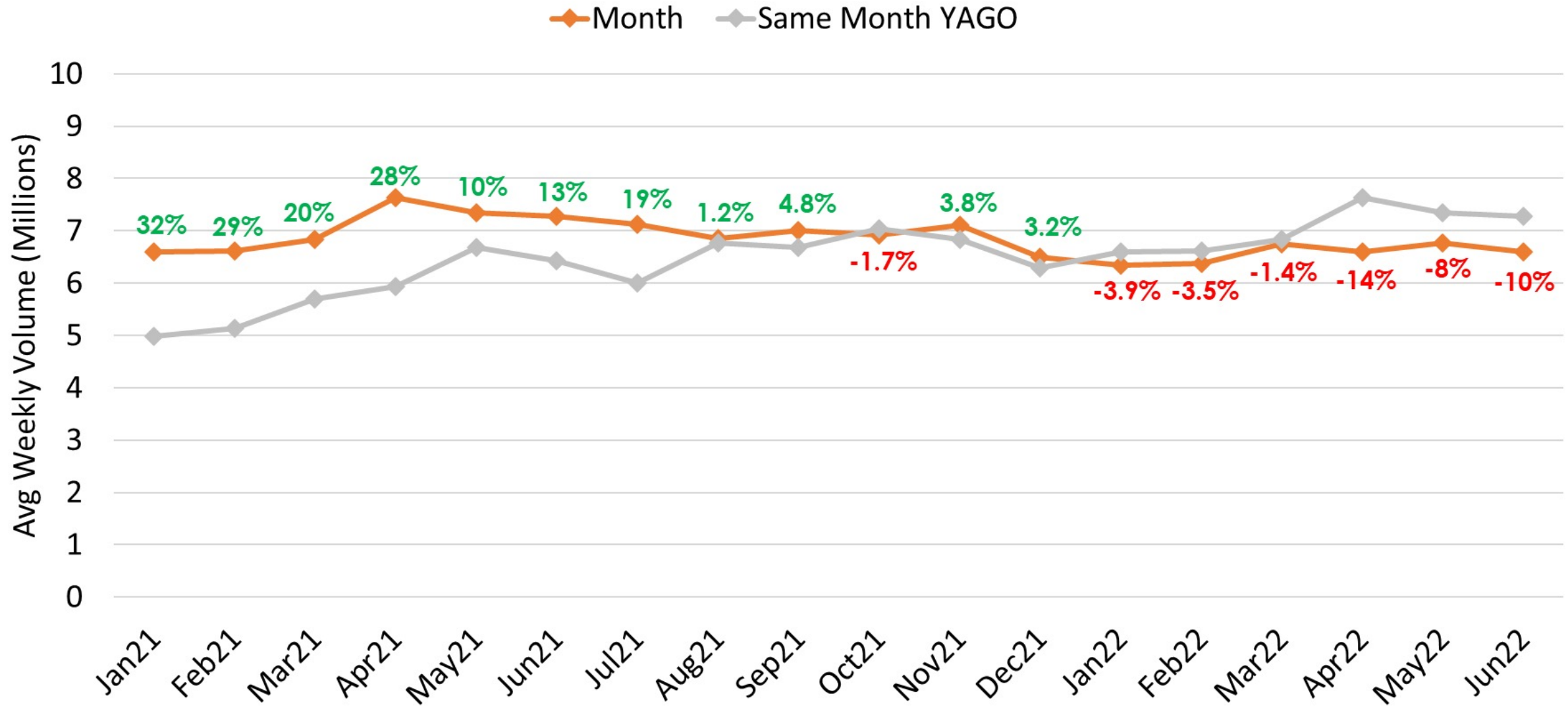
Large Cigars



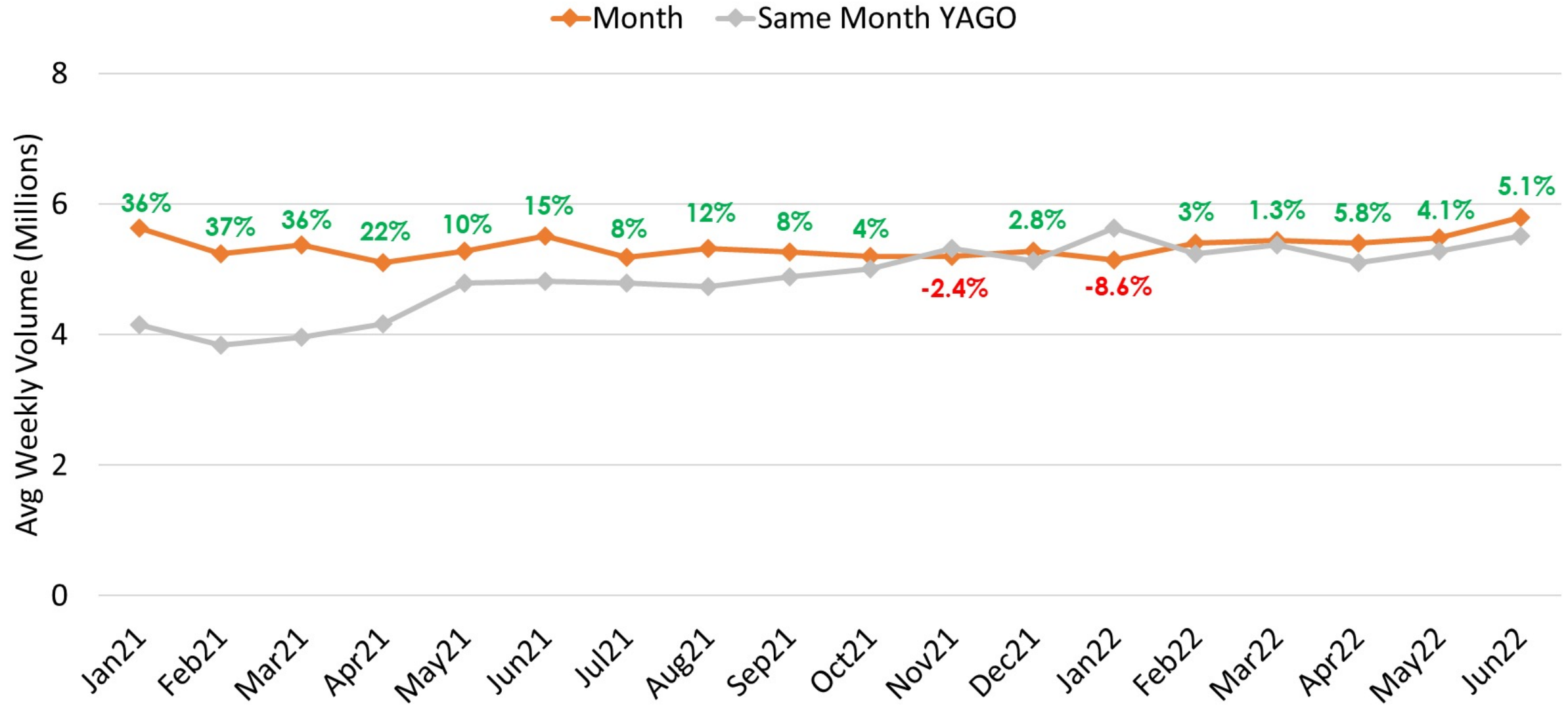
Moist



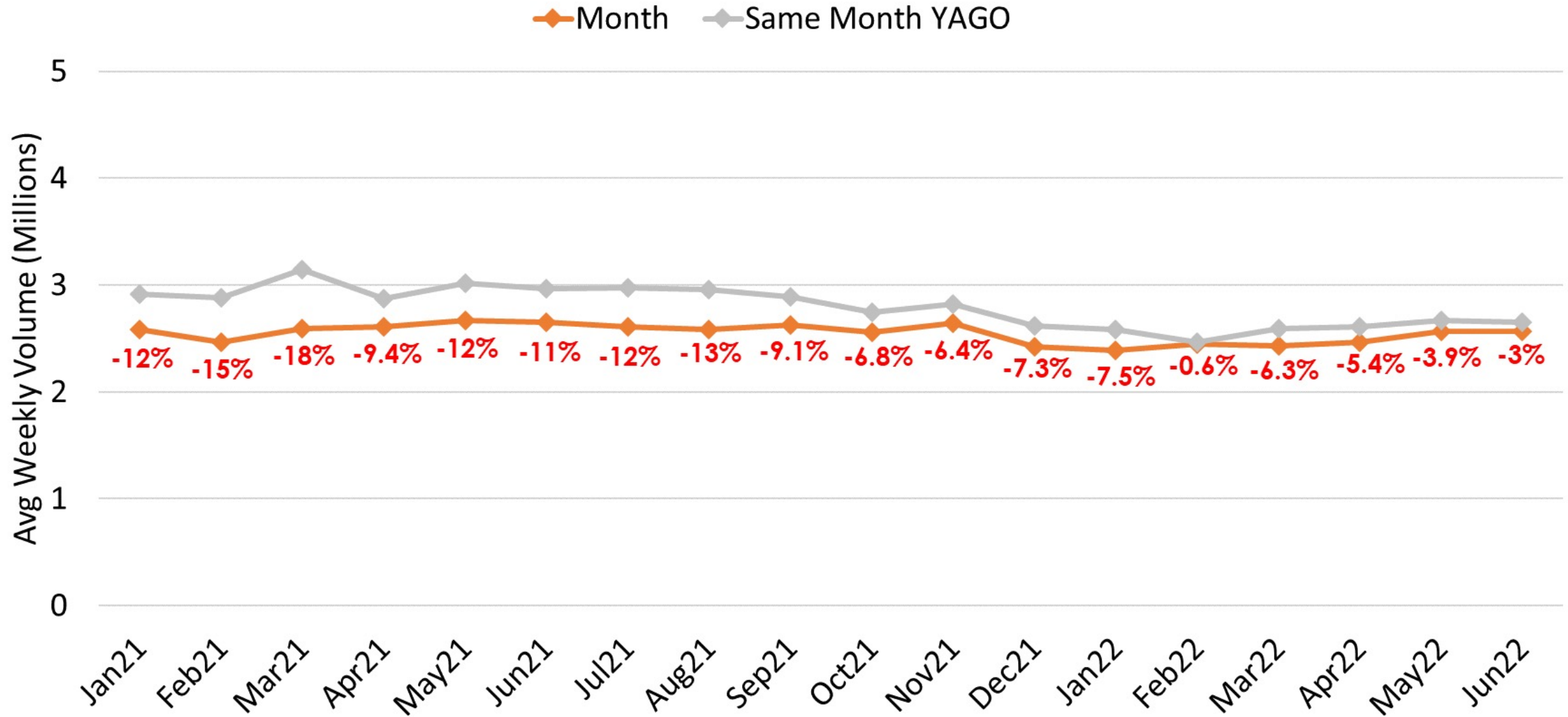
Papers/Tubes/Wraps



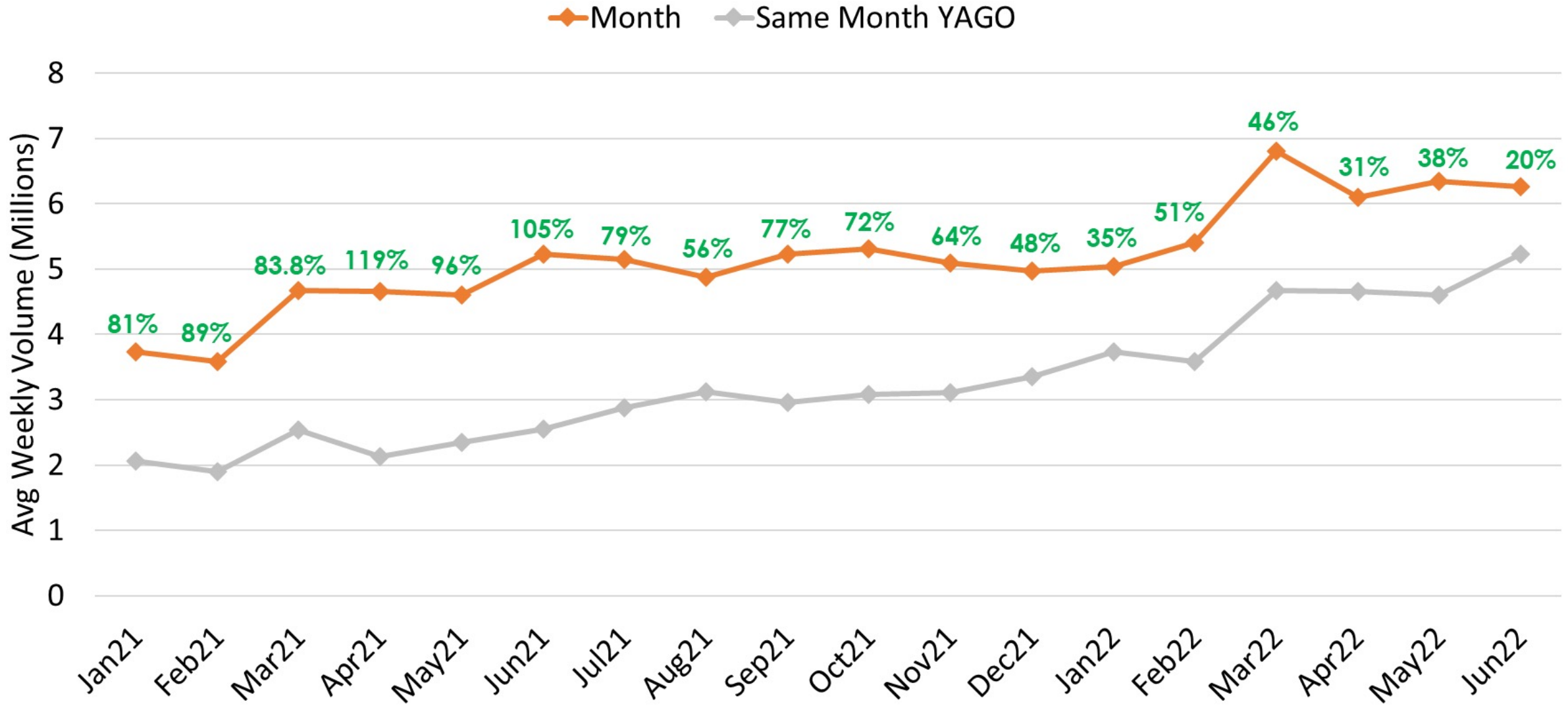
Vapor



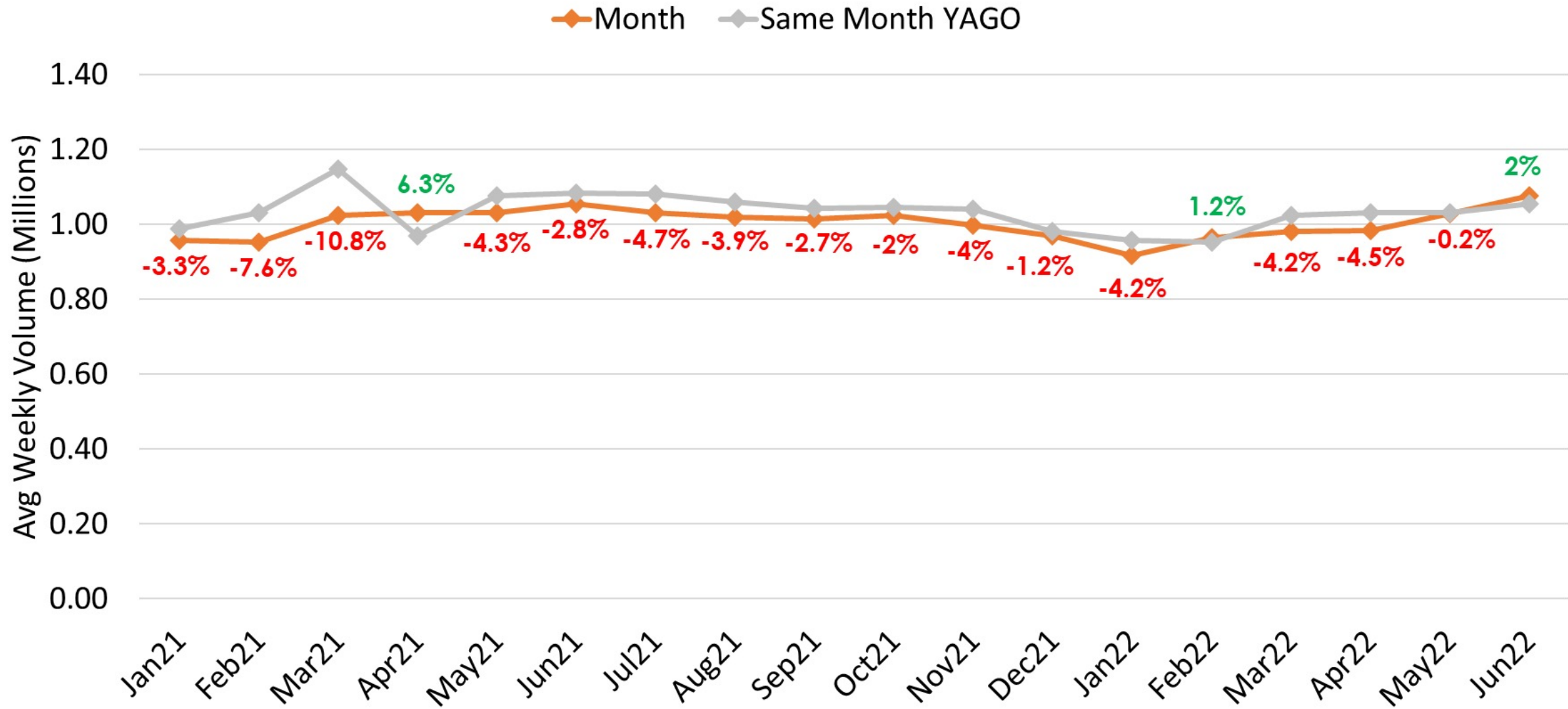
Little/Filtered Cigars



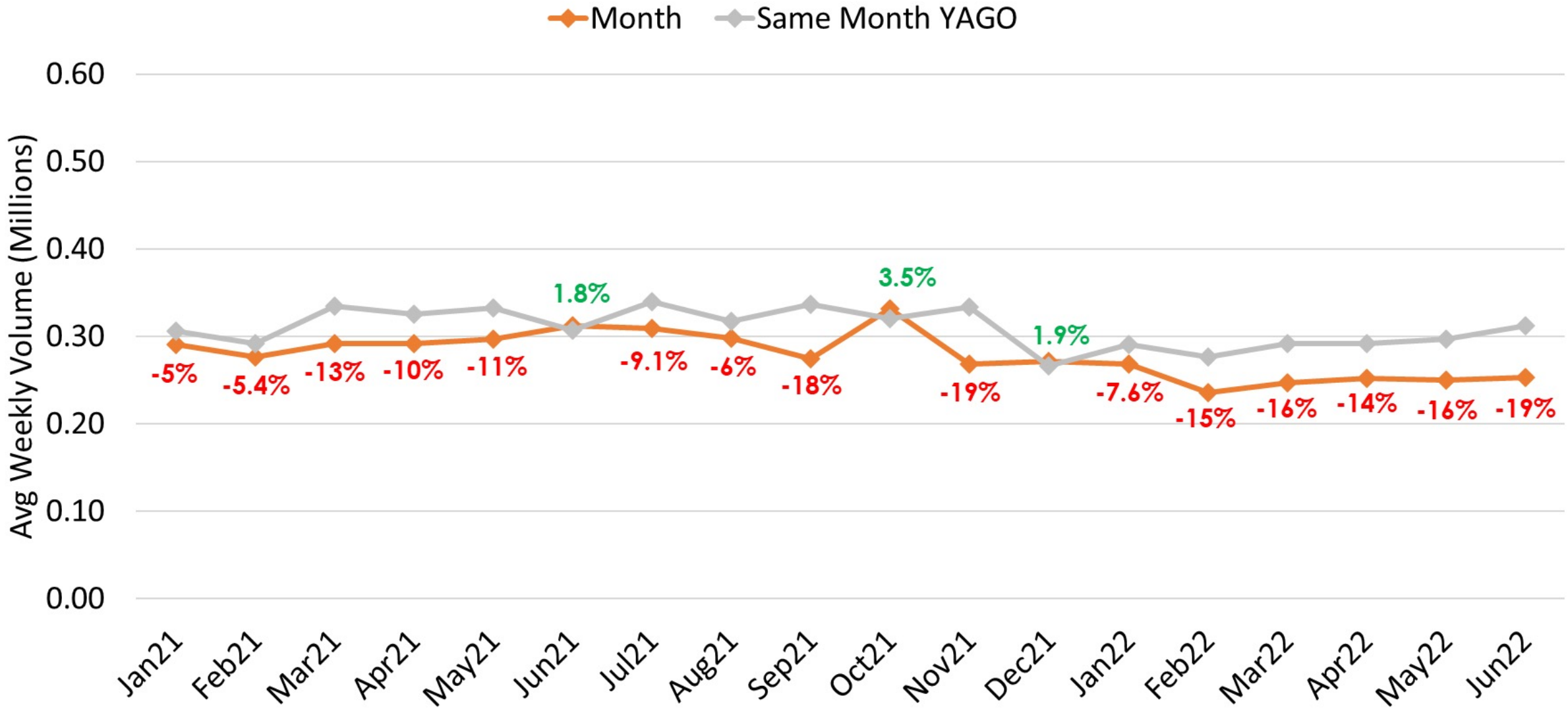
Modern Oral



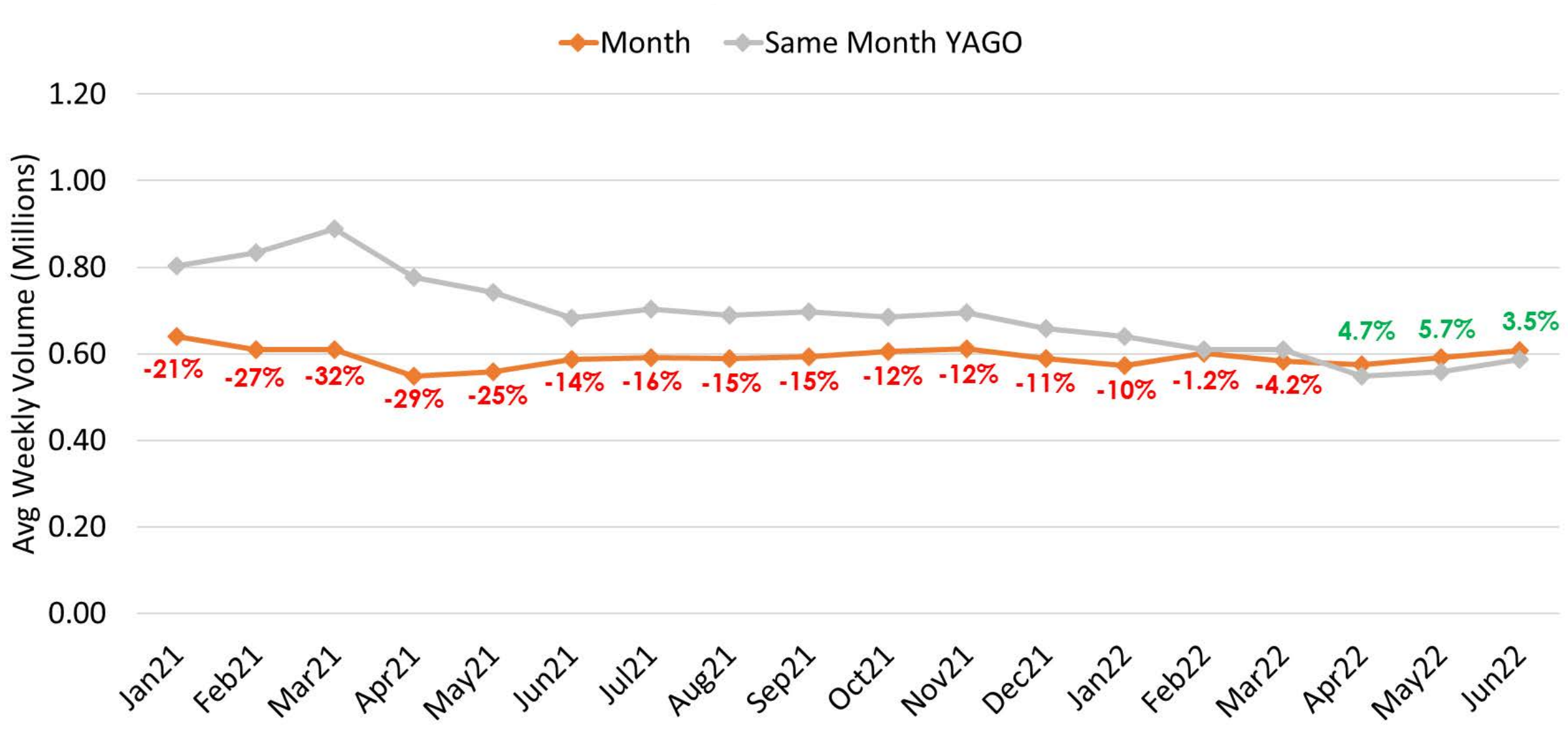
Snus



Roll Your Own



Pipe Tobacco



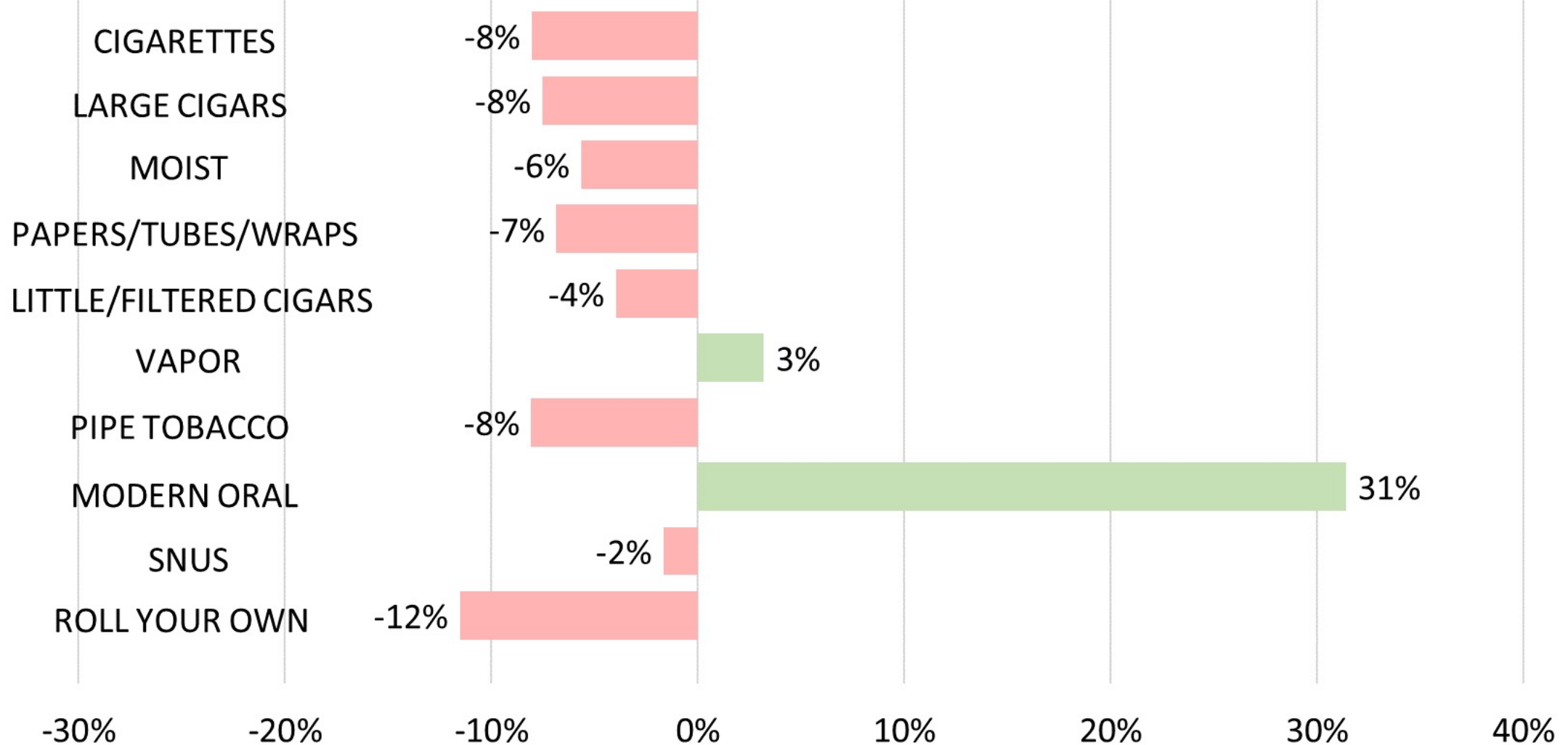
Trade Channel Analysis – Tobacco Outlets

Tobacco Outlets – Same Store Growth & Decline

% Change in Tobacco Outlet Volume, 52 Weeks Ending Q2-2022 vs. YAGO

Same Stores Only

Categories Ranked by Most Volume (top) to Least (bottom)

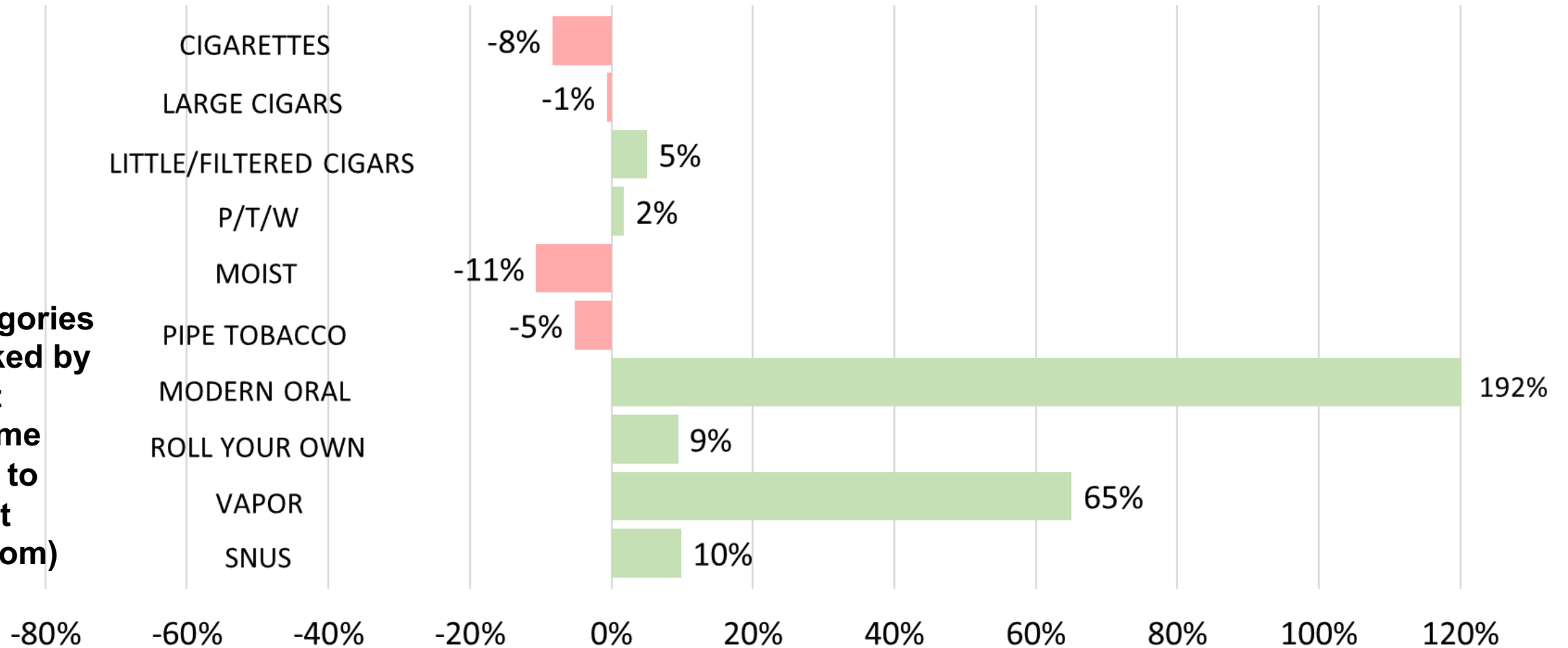


Trade Channel Analysis – Dollar Store

Dollar Store – Same Store Growth & Decline

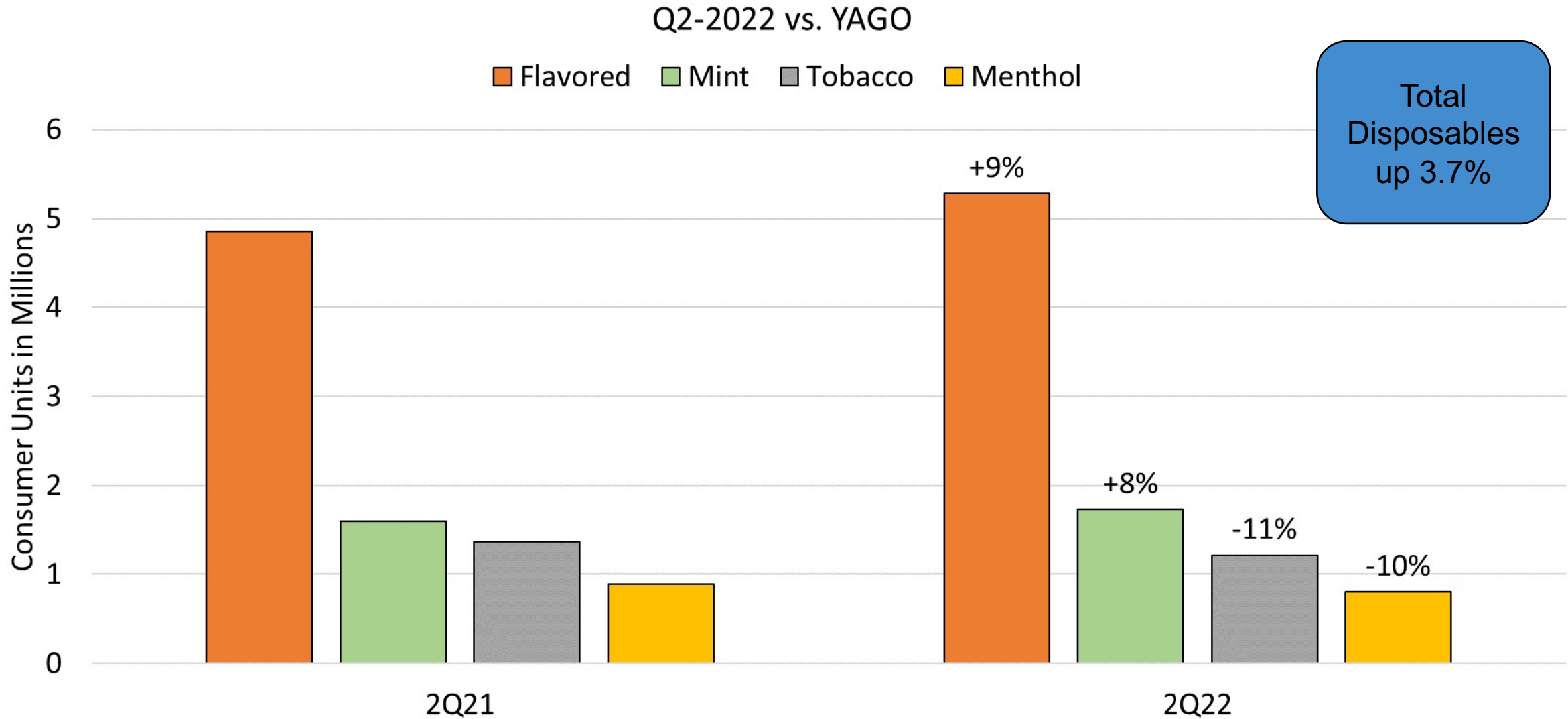
% Change in Dollar Store Volume, 52 Weeks Ending Q2-2022 vs. YAGO
Same Stores Only

Categories
Ranked by
Most
Volume
(top)
to
Least
(bottom)



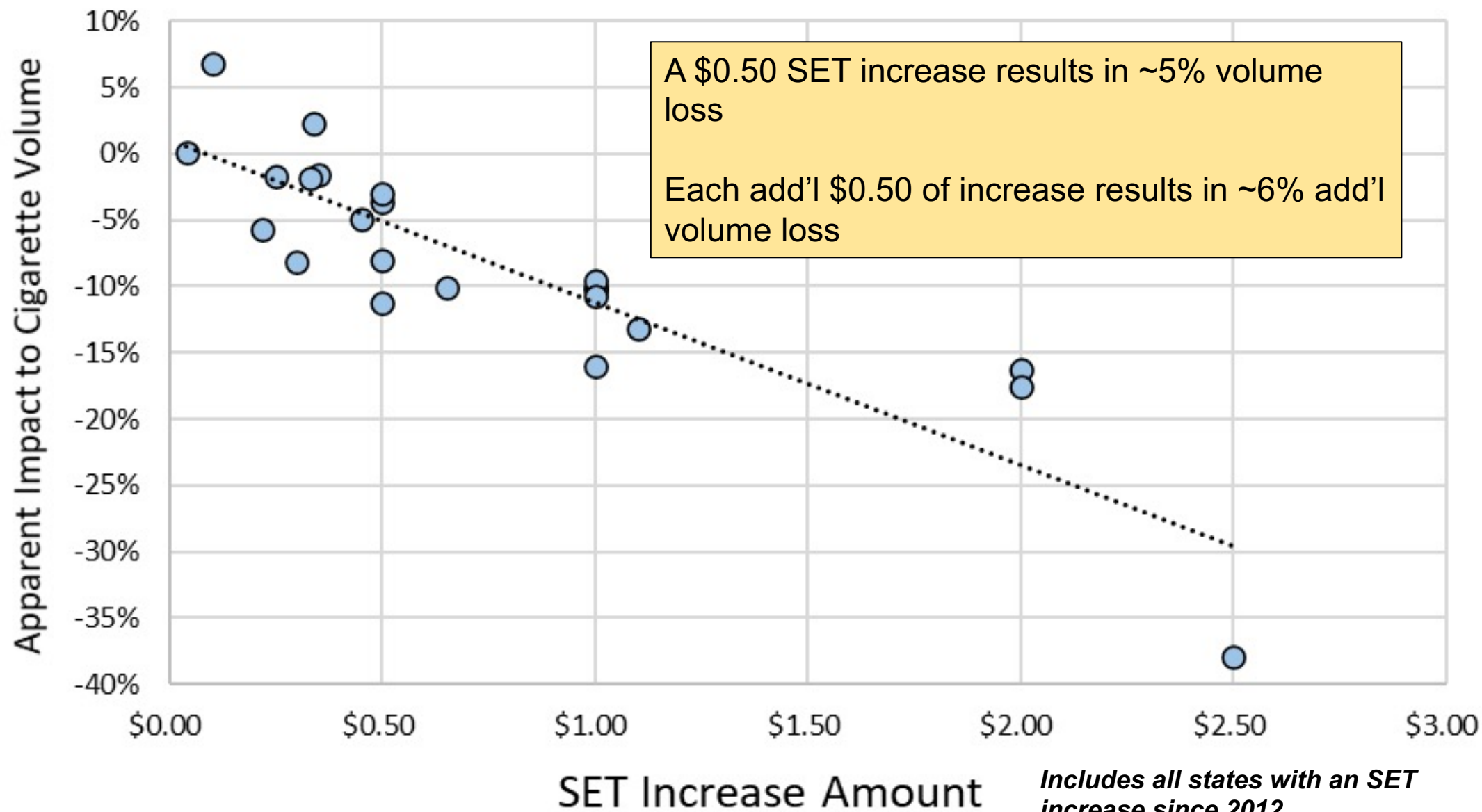
Flavored Vapor Trends Analysis

Disposable Volume by Flavor Type

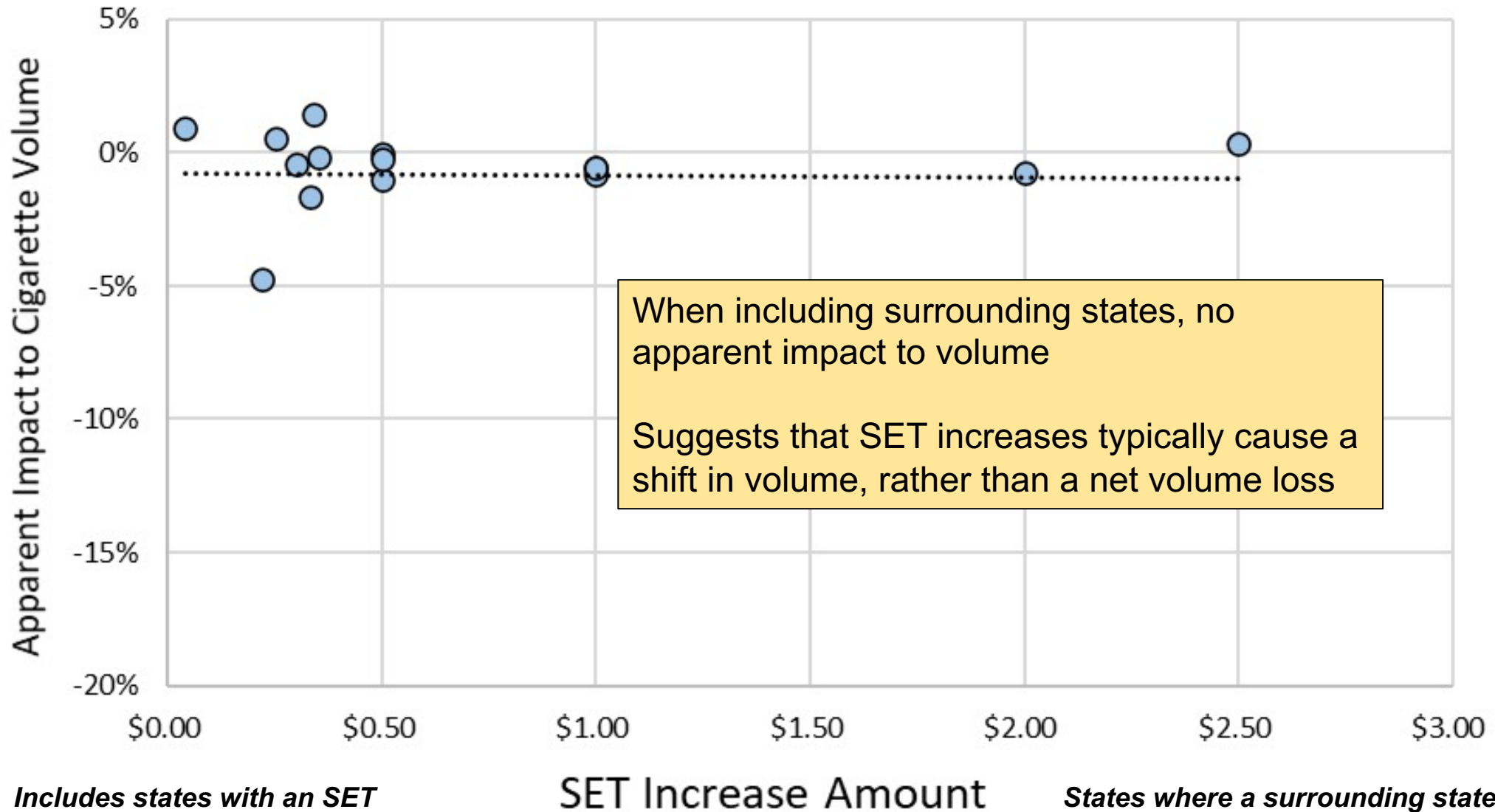


Impact of Cigarette SET Increases

SET Increase Impact on Cigarette Volume in State



SET Increase Impact on Cigarette Volume in State + Surrounding States



Includes states with an SET increase since 2012

SET Increase Amount

States where a surrounding state also experienced an SET increase are excluded

Impact of Massachusetts Flavor Ban

MA Flavor Ban – Background

In November 2019, Massachusetts signed into law a statewide ban prohibiting the sale of the following:

In Effect as of November 27, 2019

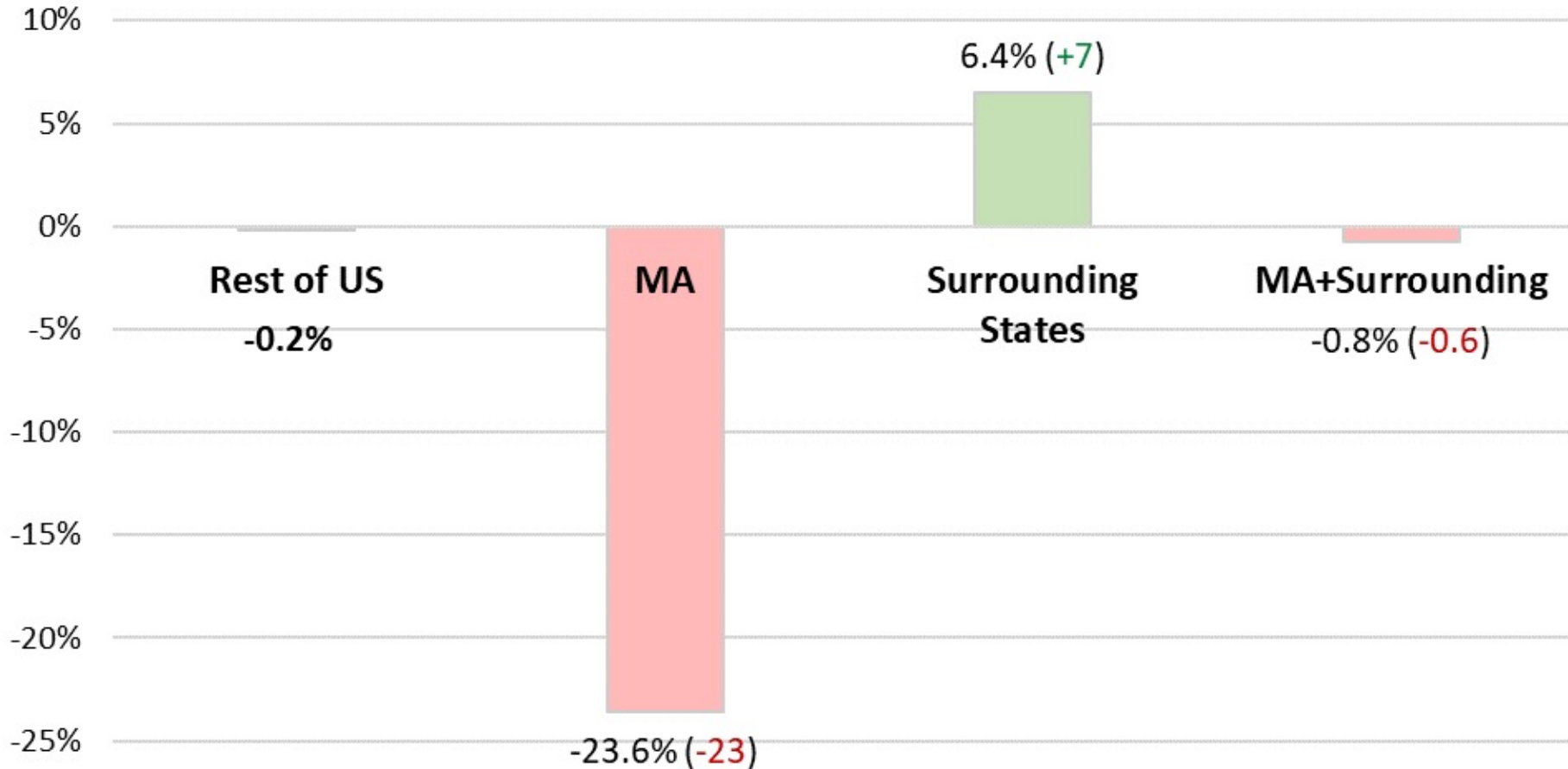
- Flavored Vapor

In Effect as of June 1, 2020

- Menthol Cigarettes
- Flavored Oral Tobacco (Moist, Snus, Modern Oral)
- Flavored Cigars
- Flavored Pipe Tobacco

MA Flavor Ban – Cigarette Impact

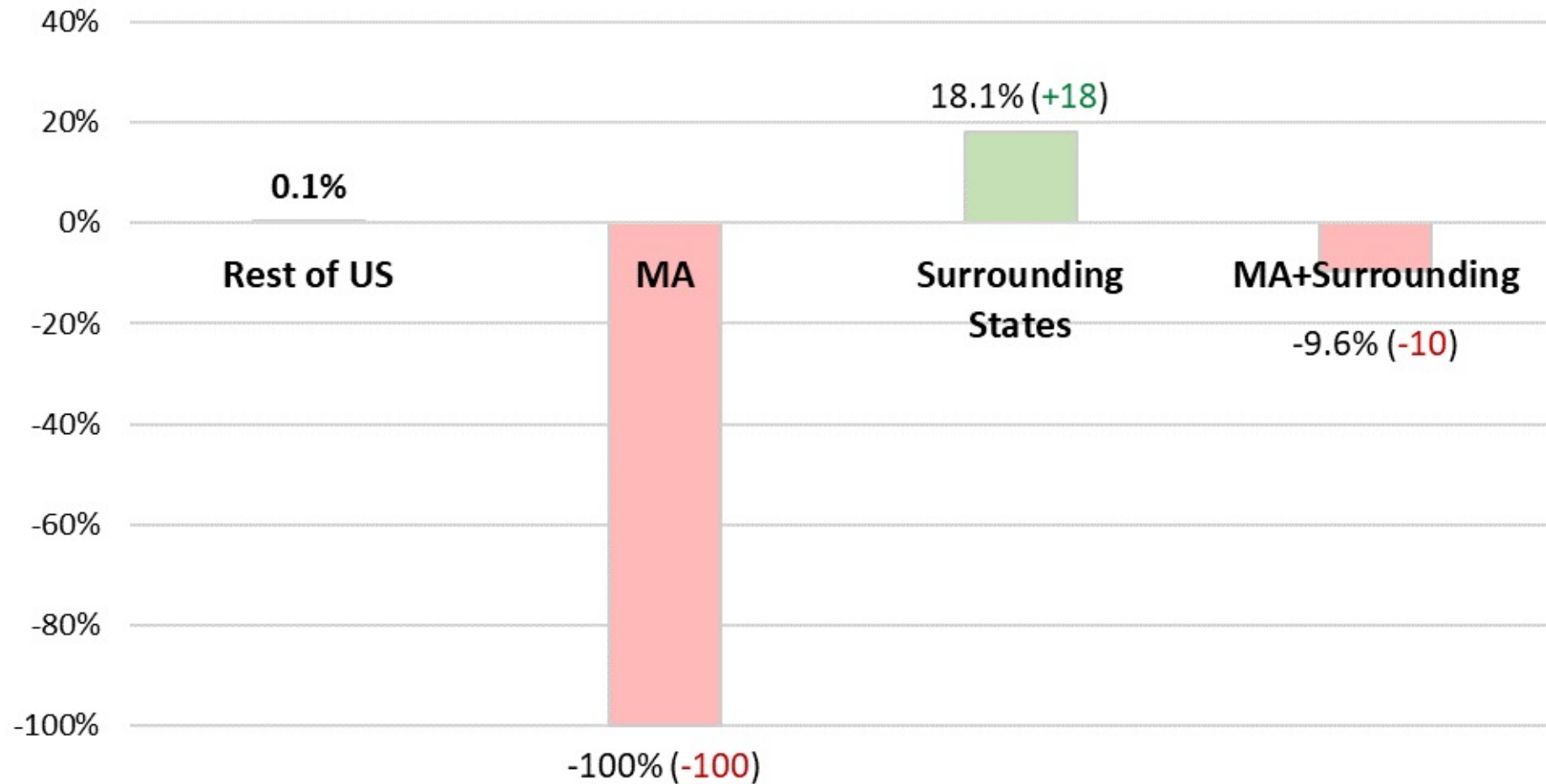
Total Cigarette Volume Change, 52 weeks Post-Ban YOY (vs rest of US)



Surrounding States include NH, RI, VT, CT, and NY

MA Flavor Ban – Menthol Cigarette Impact

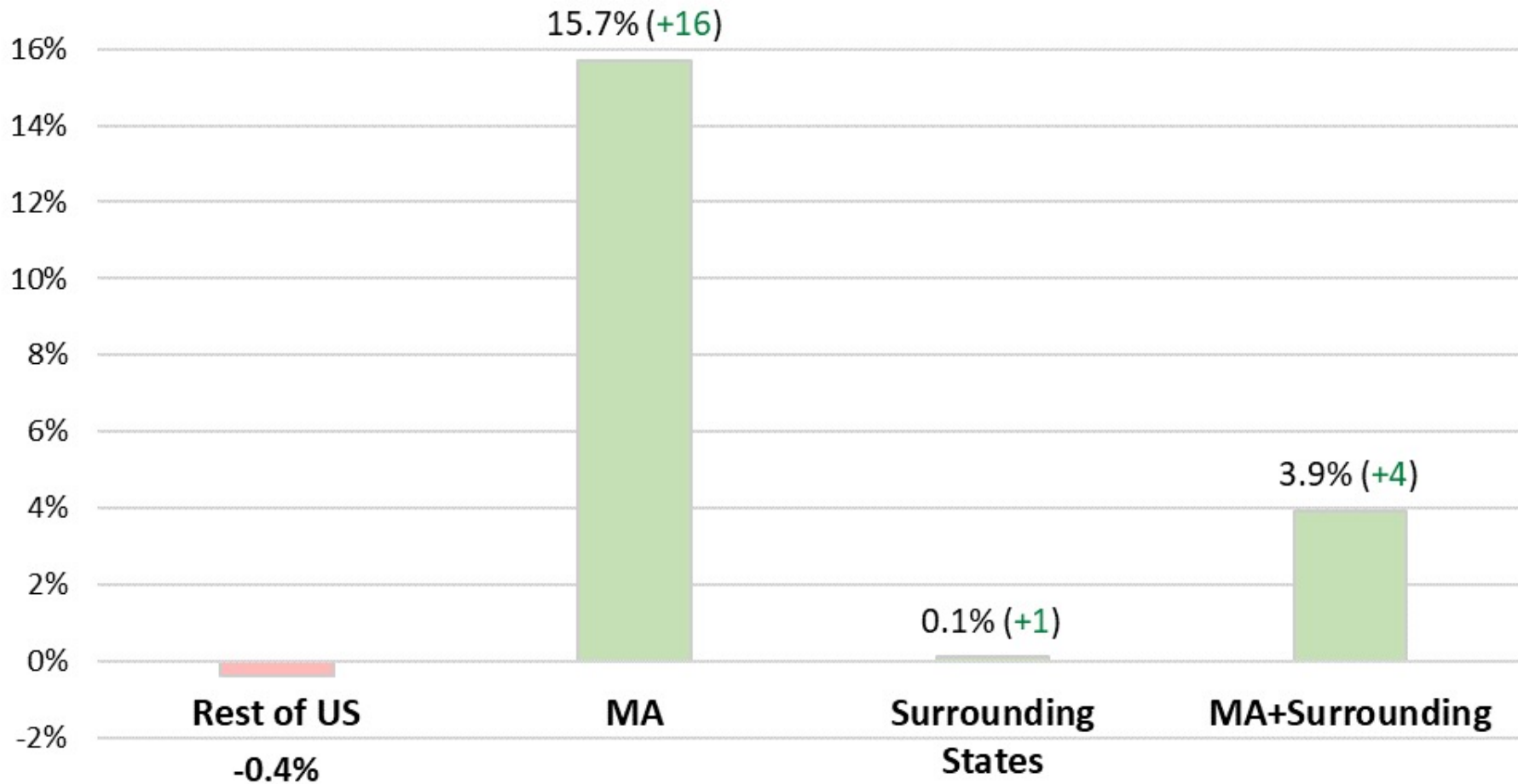
MENTHOL Cigarette Volume Change, 52 weeks Post-Ban YOY (vs rest of US)



Surrounding States include NH, RI, VT, CT, and NY

MA Flavor Ban – Non-Menthol Cigarette Impact

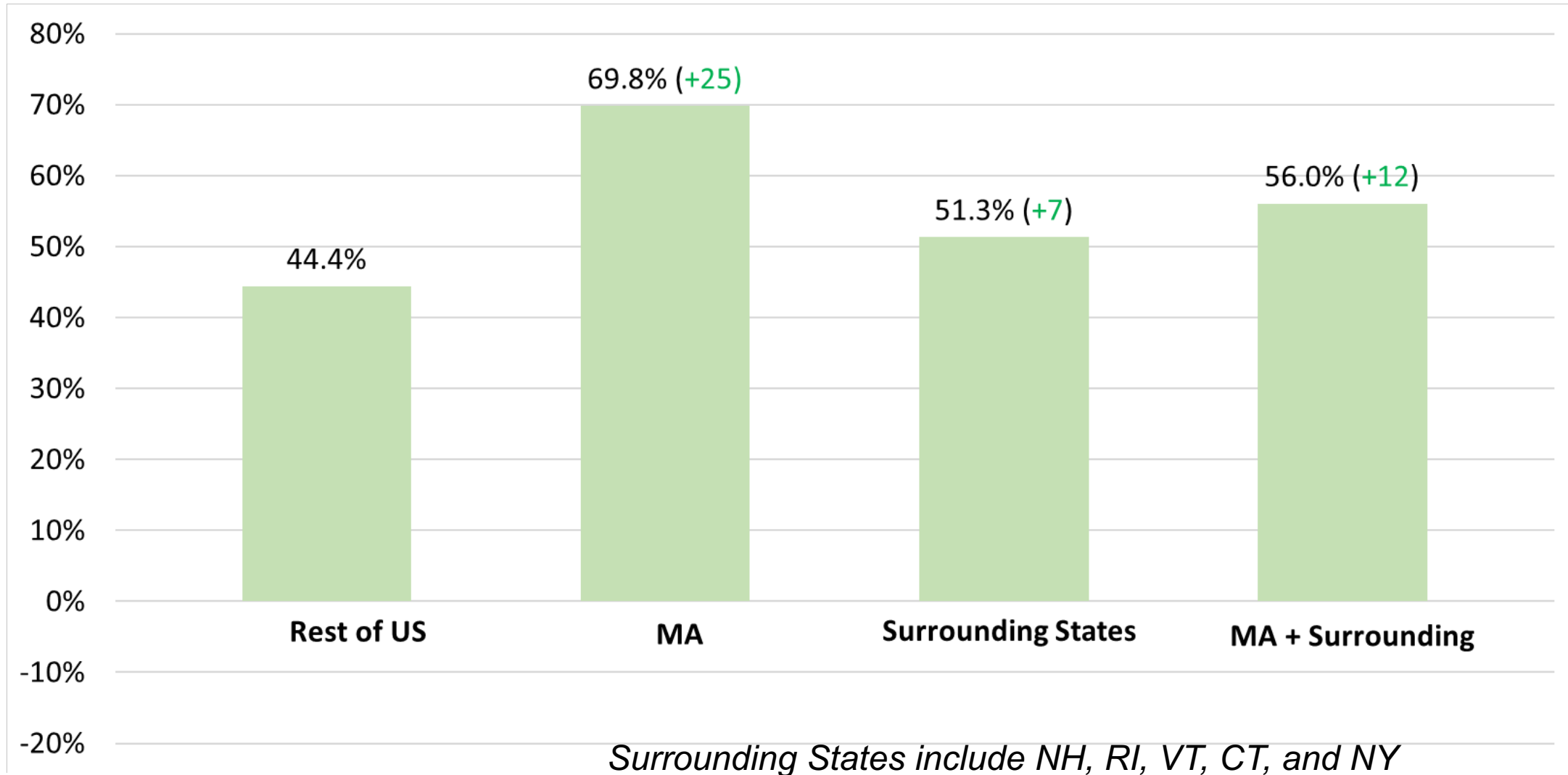
NON-MENTHOL Cigarette Volume Change, 52 weeks Post-Ban YOY (vs rest of US)



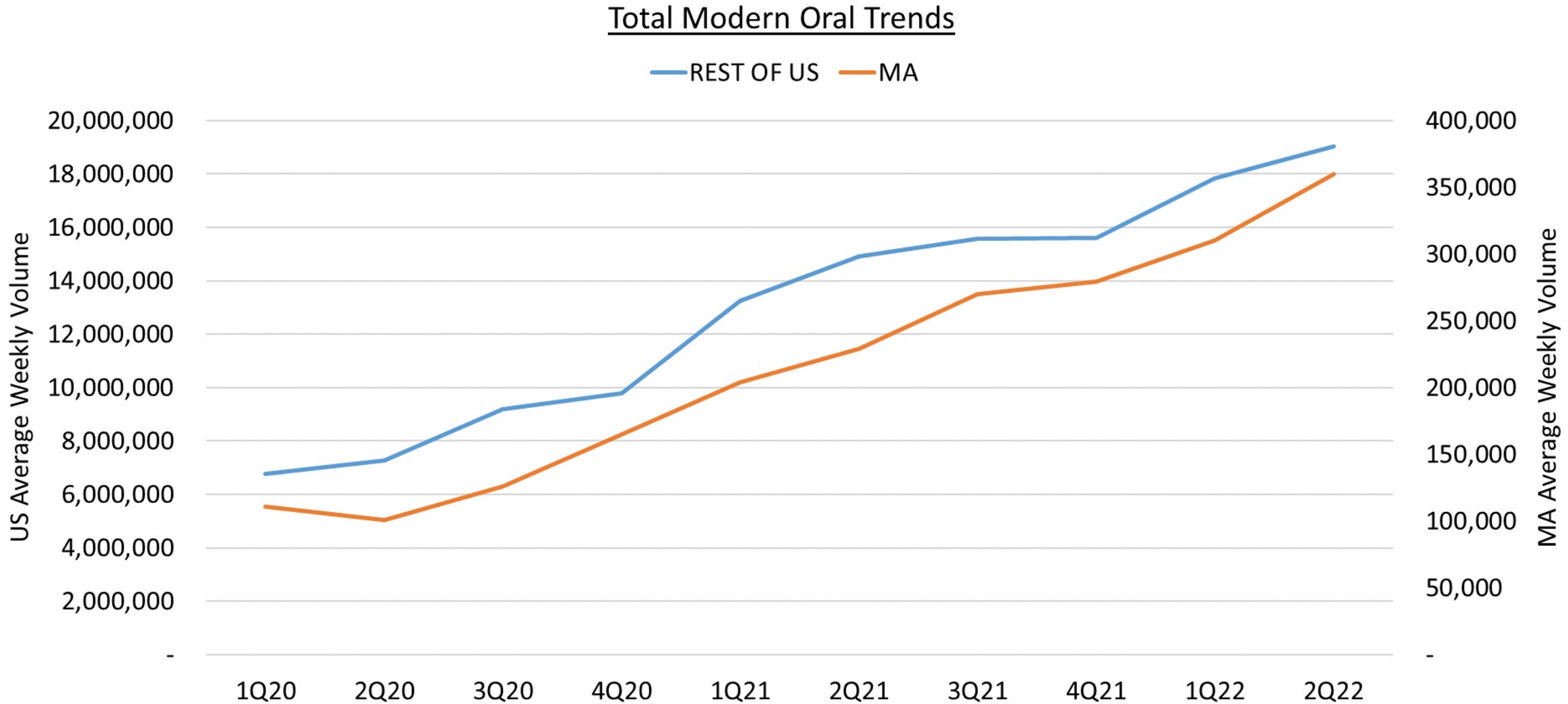
Surrounding States include NH, RI, VT, CT, and NY

MA Flavor Ban – Modern Oral Impact

Nicotine Modern Oral Volume Change, 52 weeks ending 2Q22 vs. YAGO (vs rest of US)



MA Flavor Ban – Modern Oral Impact



Distributor Summary

Distributor Summary

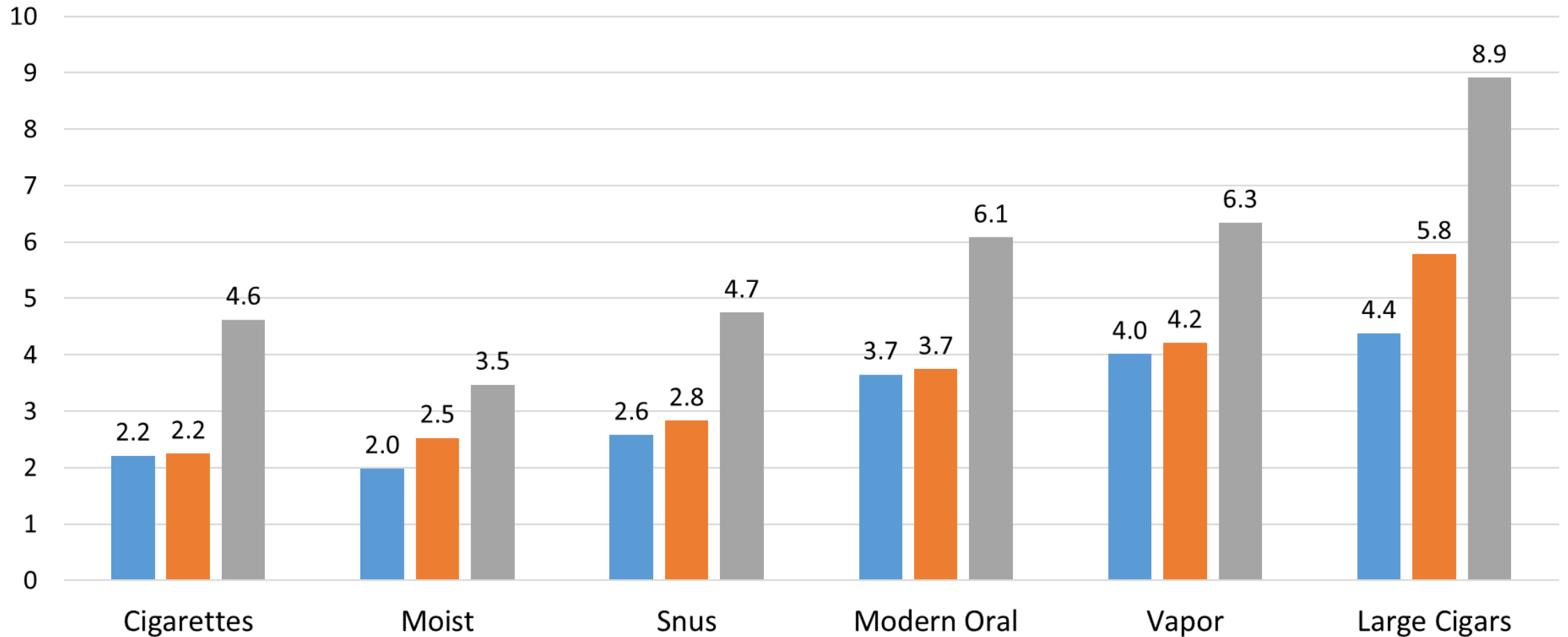
	Distributor Count	Avg. Store Count	Avg. Weekly Dist. Volume	Avg. Weekly Store Volume	Avg. Item Count
High Volume	41	2,649	2,488,661	1,391	1,247
Mid Volume	82	1,146	1,225,073	1,475	1,259
Low Volume	977	275	102,543	496	482

- In total 1,100 distributors of Cigarettes, Moist, Snus, Large Cigars, Little/Filtered Cigars, Roll Your Own, Papers/Tubes/Wraps, Vapor, Modern Oral, and Pipe Tobacco were used in the following analysis.
- Distributors were ranked based on their industry volume for 52 weeks ending Q2 2022.
 - High Volume – Represents the Top 33%
 - Mid Volume – Represents the Middle 33%
 - Low Volume – Represents the Bottom 33%

Weeks of Supply by Distributor Size & Category

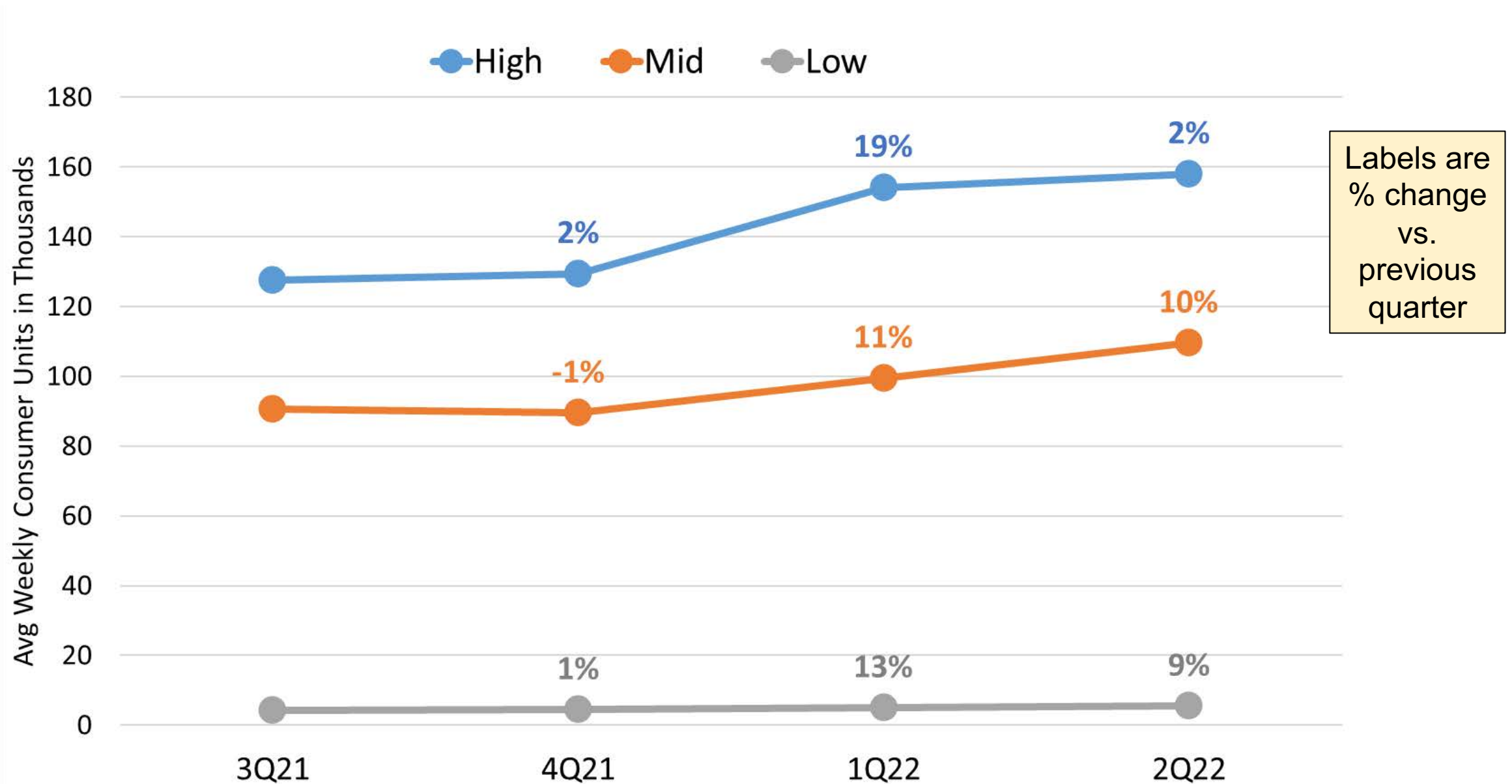
Average Weeks of Supply, Q2-2022

High Mid Low

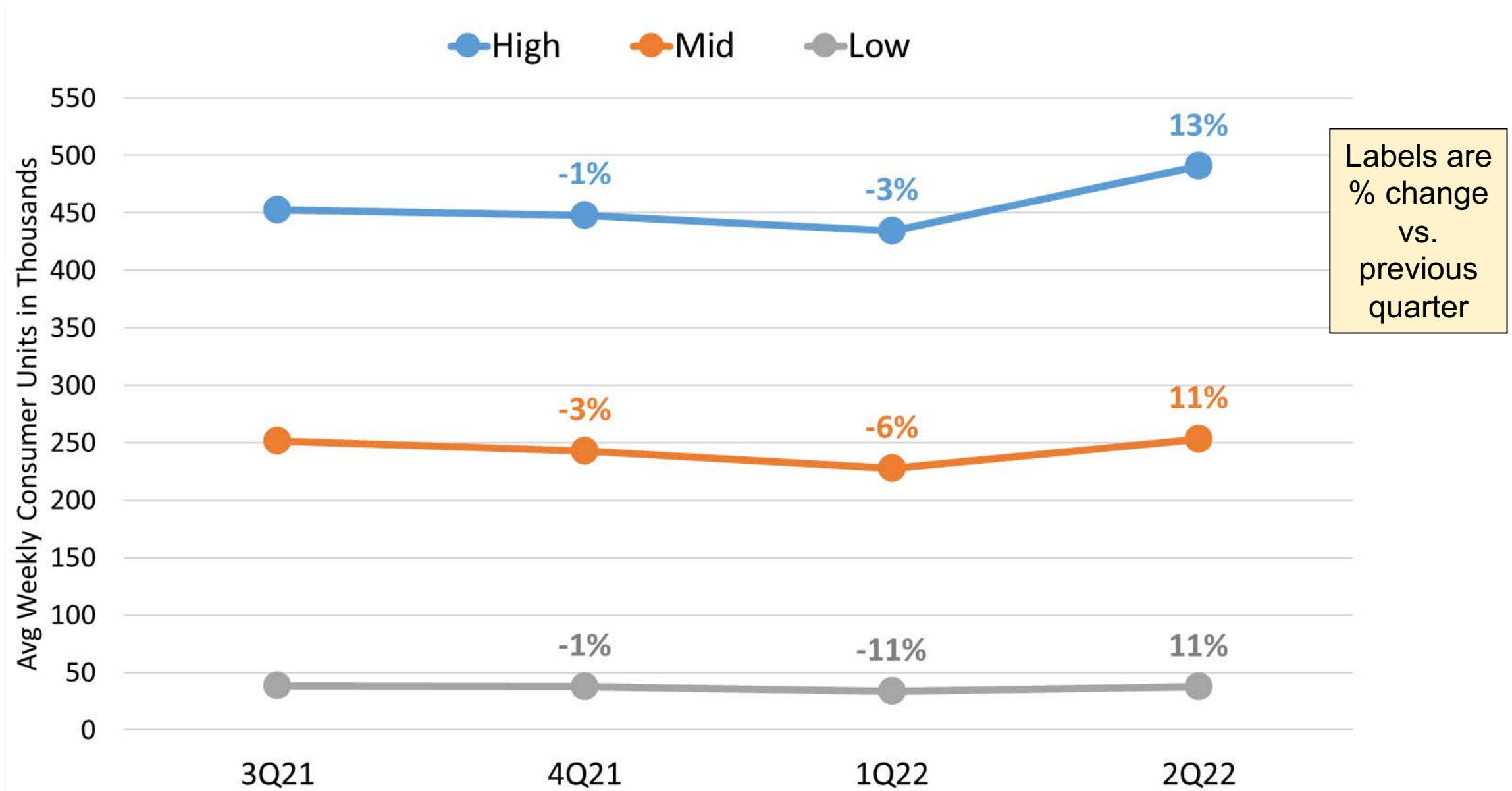


Weeks of supply calculated as average weekly inventory/average weekly shipments across Q2-2022. Distributors shipping <1,000 units for a category across the quarter were excluded from that category's calculation

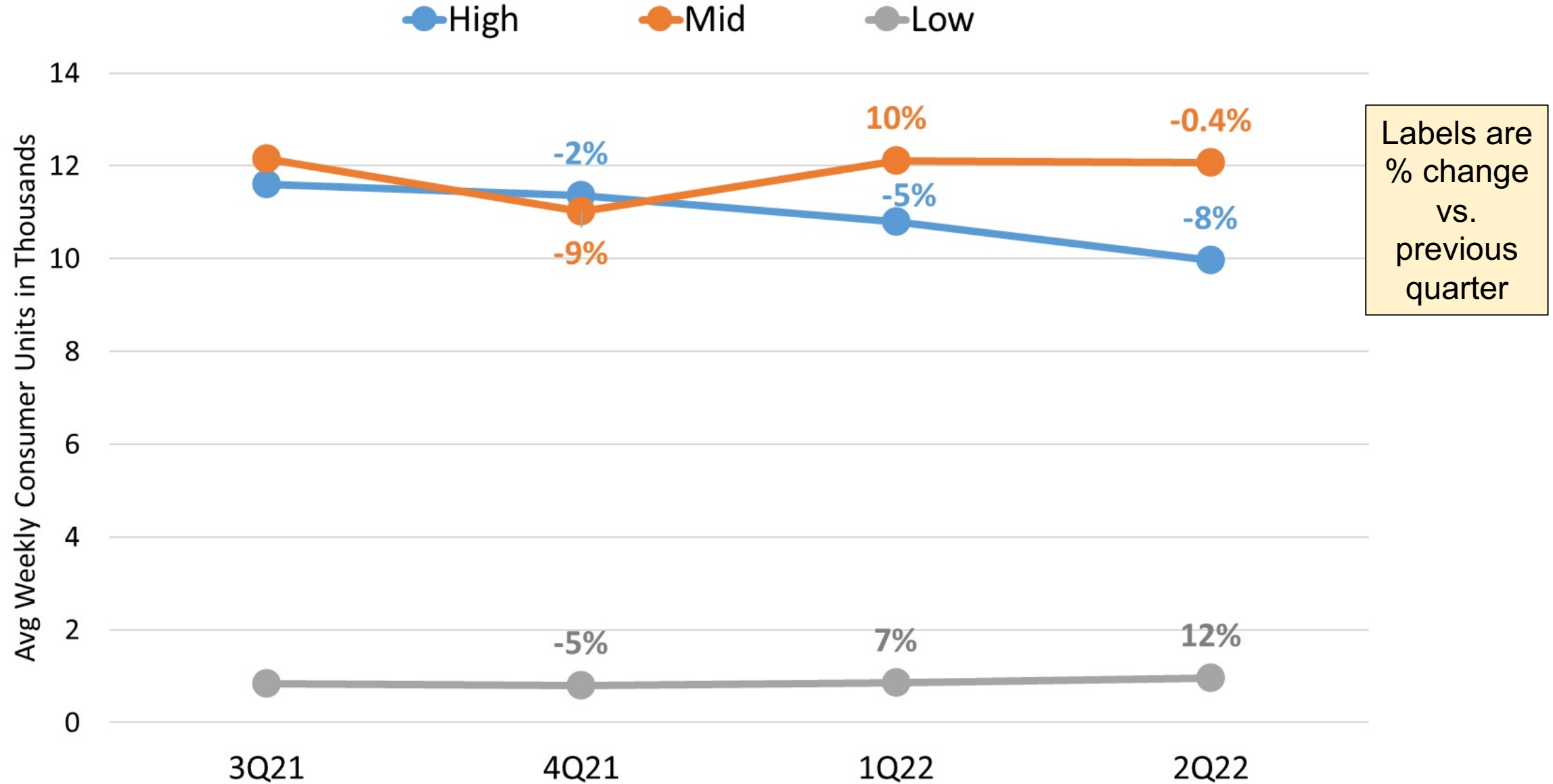
Modern Oral Volume Trend by Distributor Size



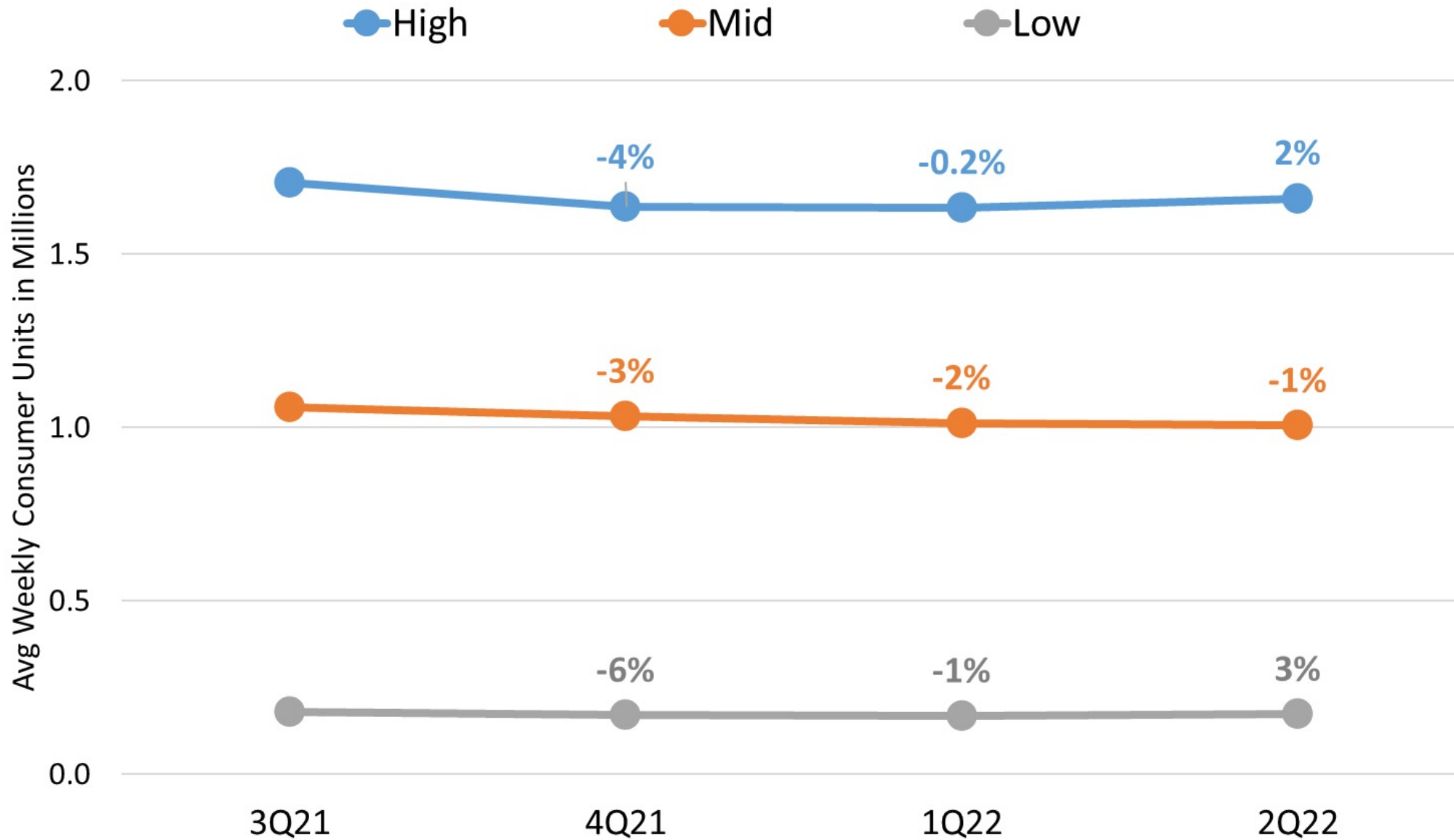
Deep Discount Cigarette Volume Trend by Distributor Size



Disposables Volume Trend by Distributor Size



Large Cigars Volume Trend by Distributor Size



Labels are % change vs. previous quarter

THANK YOU

MAAKE
TERMA KASIH RAIBH MAITH AGAT
GRAZIE MULTUMESC
MERCY
JUSPAXAR
OBRIGADO
MATONDO
SALAMAT
KIITOS
MOCHCHAKKERAM
KIA ORA
MULTUMESC
CHOKRANE
SALAMAT
CAM ON BAN
MERCY
RAIBH MAITH AGAT
OBRIGADO
MOCHCHAKKERAM
ASANTE
UA TSAUG RAU KOJ
MOCHCHAKKERAM
KIITOS
CHOKRANE
MATUR NUWUN
MATONDO
CHOKRANE
UA TSAUG RAU KOJ
DANK JE
RAIBH MAITH AGAT
SPASIBO
MAAKE
OBRIGADO
WELALIN
SPASIBO
ARIGATO
MOCHCHAKKERAM
OBRIGADO
KIITOS
DANKON
NIRRINGRAZZJAK
MOCHCHAKKERAM
MULTUMESC
VINAKA
NIRRINGRAZZJAK
MAMANA
OBRIGADO
DANK JE

