

THE GLOBAL CIGARETTE INDUSTRY

About 80% of the world's smokers live in low- and middle-income countries, and the tobacco industry is increasingly targeting these emerging markets.^{1,2} If current consumption trends continue, approximately one billion people will die from tobacco use during the twenty-first century.²

The global cigarette industry is one of the most profitable and deadly industries in the world.

- Cigarette retail values in 2018 were worth US\$713.7 billion.³
- In 2018, over 5.3 trillion cigarettes were sold to more than one billion smokers worldwide.^{3,4}
- Between 2004 and 2018, global cigarette volume sales decreased by 3.7% while real retail values increased by 24.4%.³
- Industry analysts predict that by 2023 the global cigarette volume will decline by 6.9%, and real value will decline by 0.2%.³

Globally, cigarette consumption is growing in low- and middle-income countries and decreasing in high-income countries.

- Sales are shifting from developed markets, like those in Western Europe, where smoking prevalence is declining and where tobacco company operations are more restricted by government policies, to emerging markets, like those in Asia and Africa, where tobacco companies take full advantage of lax regulatory environments, growing populations and increasing incomes.⁵
- Between 2005 and 2018, cigarette sales in the Asia Pacific and Middle East and Africa regions have increased while all other regions have experienced declining sales (Figure 2).³

Figure 1. GLOBAL CIGARETTE MARKET: HISTORIC RETAIL VOLUME AND CURRENT VALUE (2004-2018)

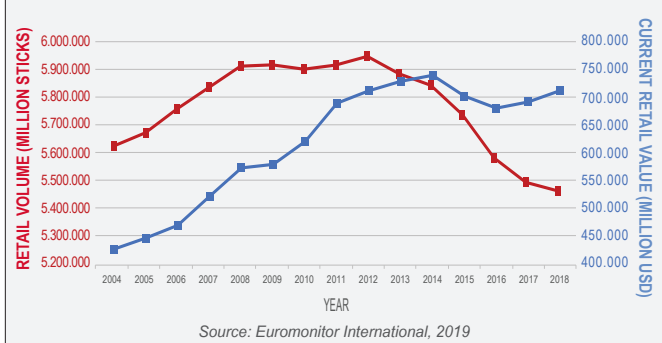
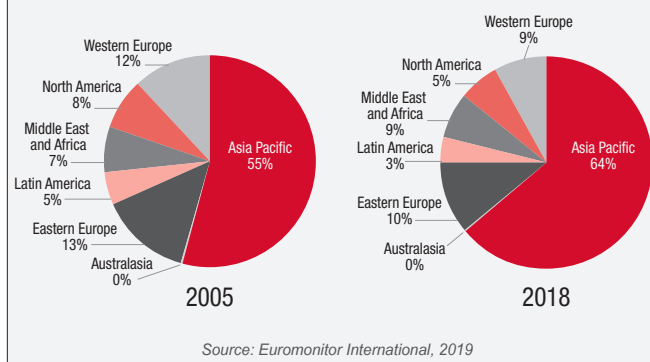


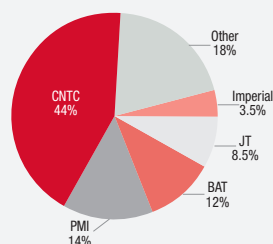
Figure 2. GLOBAL CIGARETTE MARKET BY REGION



TRANSNATIONAL TOBACCO COMPANIES

While cigarette sales are expanding to new markets, industry market shares are consolidating, and the market is increasingly controlled by a few international companies. In 2001, a little more than 43% of global market sales were controlled by the five leading transnational tobacco companies (TTC).⁶ By 2017, 80.6% of the market was controlled by TTCs.³ Over the last decade, the international cigarette market has been dominated by five companies: China National Tobacco Corporation, Philip Morris International, British American Tobacco, Japan Tobacco Inc. and Imperial Tobacco (Figure 3).³

Figure 3. TOBACCO COMPANY SHARES OF GLOBAL CIGARETTE MARKET, BY RETAIL VOLUME 2018



China National Tobacco Corporation (CNTC) is owned and operated by the Chinese government and is the world's single largest producer of cigarettes with 43.6% of the global market.³ CNTC sells the majority of its product in China; around 1% of cigarettes produced are exported to other countries.³ CNTC is increasing efforts to sell heritage brands such as RDG, Dubliss and Harmony internationally.⁷

Philip Morris International (PMI) is a publicly traded American company with headquarters in Lausanne, Switzerland. PMI controls an estimated 13.9% of the international cigarette market.³ Since separating from its parent company, Altria, in 2008, PMI only sells its tobacco products outside of the United States. The company operates in more than 180 markets and sells 6 of the top 15 brands, including

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Marlboro, the world's top selling brand.⁸ PMI experienced declining cigarette volume sales in all regions except Western Europe between 2017–2018.³ The company continues to focus on expanding sale of its heated tobacco product, IQOS, with key markets of Japan, South Korea, and Russia.⁹

British American Tobacco (BAT) is a publicly traded company based in London. BAT operates in over 200 markets, is the third largest company in the global tobacco market, and controls 12.2% of the international cigarette market.^{3,10} Top selling brands include Pall Mall, Rothmans, Kent, Dunhill, and Lucky Strike, and these five brands account for over half of all BAT cigarette sales. Acquisition of Reynolds American, Bulgartabac, and other tobacco companies in 2017 contributed to increases in the company's overall cigarette volume and revenue in 2018. However, volumes declined in many key markets in 2018, such as Brazil and Russia.¹⁰

Japan Tobacco, Inc. (JT) is headquartered in Tokyo and the

parent company to Japan Tobacco International (JTI), which is headquartered in Geneva, Switzerland. International tobacco sales account for more than 60% of JT's operating profit.¹¹ With products available in 130 countries, JT is the fourth largest tobacco company in the world, and controls 8.5% of the global cigarette market.^{3,11} The Japanese government holds 37.2% of JT's issued shares.¹¹ Top brands include Winston, Camel, Liggett Ducat (LD), and Mevius (formerly Mild Seven).³ JTI continues to expand its presence in emerging markets: it acquired companies in Russia and Bangladesh in 2018, following 2017 acquisitions in the Philippines, Indonesia, and Ethiopia.^{3,11}

Imperial Tobacco Group is a British company. It is the fifth largest company participating in the global tobacco market and controls 3.5% of the international cigarette market.³ Imperial operates in more than 160 markets, and key growth markets for cigarettes are Italy, Russia, Japan, Taiwan, and Saudi Arabia.¹² Top brands include West, Davidoff, John Player Special, and Gauloises.³

LARGEST CIGARETTE MARKETS: TOBACCO INDUSTRY TARGETS

The five largest cigarette consuming nations — China, Indonesia, Russia, U.S. and Japan — account for 61.7% of the volume of all cigarettes sold in 2018 (Figure 4).³

Figure 4. TOP 10 CIGARETTE MARKETS BY VOLUME

COUNTRY	RETAIL VOLUME, 2018 (BN STICKS)
China	2,368.7
Indonesia*	307.1
USA	240.9
Russia	236.5
Japan	132.7
Turkey	118.5
Egypt	96.3
Bangladesh	91.6
India	82.5
Vietnam	80.9

*excluding hand-rolled kreteks

Source: Euromonitor International, 2019

- **China** is the largest cigarette market in the world. The retail value of China's cigarette market in 2018 was US\$226.3 billion.³ In 2018, the volume sales of cigarettes increased by 1.1% compared to 2017, marking the first increase in volume sales since 2013-2014.³ Real retail value increased by 3.3%. Since the peak of global

cigarette volume sales in 2012, the global cigarette market volume has decreased by 10.4%, but it declined by more (15.1%) when excluding China's retail volume.³

- In **Russia**, cigarette sales by volume has declined by 31.7% between 2013 and 2018.³ Over the same time period, real retail values increased by 2.0% to US\$20.0 billion. Between 2017 and 2018 alone, retail volume fell by 8.6%, while real value of sales fell by 1.3%.³ With a 38.8% market share, JT is the market leader in Russia, but PMI, BAT and Imperial also have a presence.³
- The **Indonesia** cigarette market is unique because sales are dominated by kreteks (cigarettes made with a blend of tobacco and cloves). Between 2017 and 2018, the Indonesian cigarette market declined by 0.3%, marking the third consecutive year of decline in sales volume.³ One of the two leading tobacco companies, Sampoerna, was acquired by PMI in 2005 and outperforms all domestically-owned companies and all other TTCs trying to make in terms of cigarette retail volume.³
- In **India**, smokeless tobacco and bidis (small, hand-rolled smoked products) are much more popular than cigarettes: About 75% of all tobacco users use smokeless tobacco, 27% smoke bidis, and only 14% of all tobacco users smoke cigarettes.¹³ While cigarettes are not the most popular tobacco product in India, approximately 82.5 billion cigarettes were sold in 2018, making the country an important target for international tobacco companies.³

1. World Health Organization (WHO). Tobacco Fact Sheet. May 2019. Available from: www.who.int/news-room/fact-sheets/detail/tobacco. 2. Jha P. Avoidable global cancer deaths and total deaths from smoking. *Nature Reviews: Cancer*. 2009 September; (9):655-664. 3. Euromonitor International [database on the Internet]. Cigarettes. Euromonitor International; c 2019. 4. WHO Report on the Global Tobacco Epidemic, 2019: Offer help to quit tobacco use. Geneva: World Health Organization; 2019. 5. Yerramilli, P. The Argument for Global Tobacco Control. *The Journal of Global Health*. 2013; 3(1):14-19. 6. Mackay J and Eriksen M. *The Tobacco Atlas* (First Edition, 2002). Geneva: WHO; 2008. Available from: www.who.int/tobacco/resources/publications/tobacco_atlas/en/. 7. Fang, J, Lee, K, & Sejjal, N. The China National Tobacco Corporation: From domestic to global dragon? *Global Public Health*. 2017;12(3):315-334. 8. Philip Morris International. Who we are. 2019. Available from: www.pmi.com/who-we-are. 9. Philip Morris International. 2018 Annual Report. Available from: <https://www.pmi.com/investor-relations/reports-filings>. 10. British American Tobacco. Annual Report 2018. Available from: www.bat.com/annualreport. 11. Japan Tobacco, Inc. Annual Report 2018. Available from: www.jti.com/about-us/our-business/investor-information/jti-annual-report. 12. Imperial Brands. Annual Report and Accounts 2018. Available from: www.imperialbrandsplc.com/Investors/Annual-report-accounts.html. 13. India Global Adult Tobacco Survey (GATS) 2016-17. Centers for Disease Control and Prevention (CDC). Available from: www.cdc.gov/tobacco/global/gtss/gtssdata/index.html.