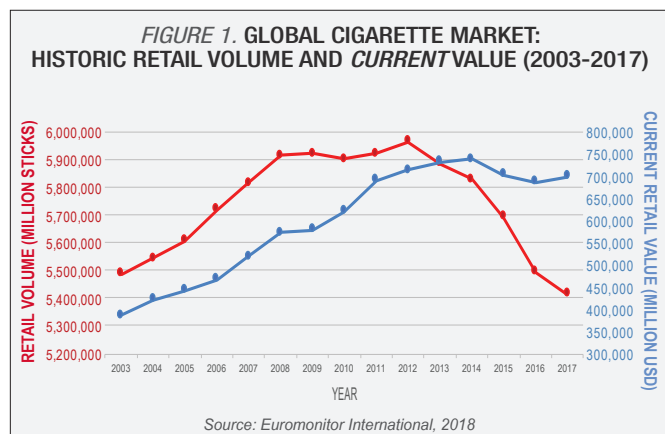


# THE GLOBAL CIGARETTE INDUSTRY

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

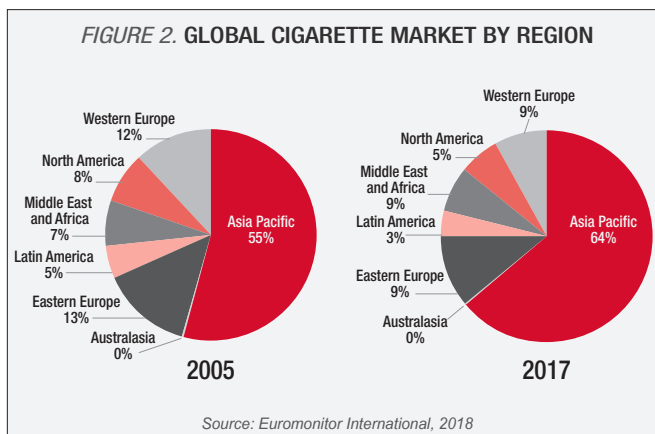
## The global cigarette industry is one of the most profitable and deadly industries in the world.

- Cigarette retail values in 2017 were worth US\$699.4 billion.<sup>3</sup>
- In 2017, over 5.4 trillion cigarettes were sold to more than one billion smokers worldwide.<sup>3,4</sup>
- Between 2003 and 2017, global cigarette volume sales decreased by 1.3% while real retail values increased by 26.5%.<sup>3</sup>
- Industry analysts predict that by 2022 the global cigarette volume will decline by 8.0%, and real value will decline by 0.3%.<sup>3</sup>



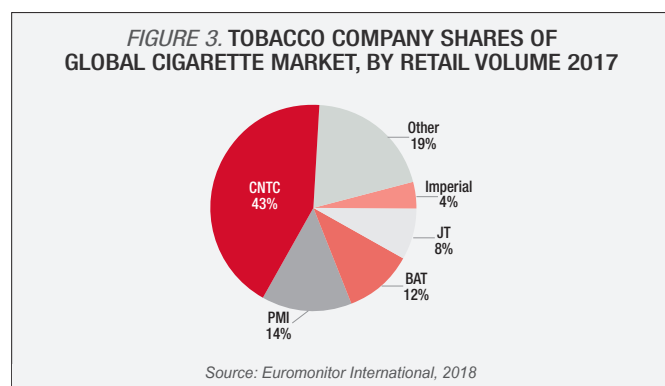
## Globally, cigarette consumption is growing in low- and middle-income countries and decreasing in high-income countries.

- 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.<sup>5</sup>
- Between 2005 and 2017, cigarette sales in the Asia Pacific and Middle East and Africa regions have increased while all other regions have experienced declining sales (Figure 2).<sup>3</sup>



## 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).<sup>6</sup> By 2017, 80.6% of the market was controlled by TTCs.<sup>3</sup> 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).<sup>3</sup>



**China National Tobacco Corporation (CNTC)** is owned and operated by the Chinese government and is the world's single largest producer of cigarettes with 42.6% of the global market.<sup>3</sup> CNTC sells the majority of its product in China; just over 1% of cigarettes produced are exported to other countries.<sup>3</sup> CNTC is increasing efforts to sell heritage brands such as RDG, Dubliss and Harmony internationally.<sup>7</sup>

**Philip Morris International (PMI)** is a publicly traded American company with headquarters in Lausanne, Switzerland. PMI controls an estimated 14.1% of the international cigarette market.<sup>3</sup> 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 Marlboro, the world's top selling brand.<sup>8</sup> PMI experienced

# THE GLOBAL CIGARETTE INDUSTRY

declining cigarette volume sales in all regions between 2016–2017, as the company focused on expanding sale of its heated tobacco product, IQOS. IQOS has done particularly well in Japan and South Korea.<sup>9</sup>

**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 11.8% of the international cigarette market.<sup>3,10</sup> Top selling brands include Pall Mall, Rothmans, Kent, Dunhill, and Lucky Strike, and these five brands account for half of all BAT cigarette sales. Acquisition of Reynolds American, Bulgartabac, and other tobacco companies contributed to overall growth in volume and value of the company in 2017.<sup>10</sup> BAT cigarette sales volumes grew strongly in Bangladesh, Bulgaria, Nigeria, and Gulf Cooperation Council countries, but declined in many other key markets.<sup>10</sup>

**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.<sup>11</sup> With products available in 130 countries, JT is the fourth largest tobacco company in the world, and controls 8.4% of the global cigarette market.<sup>3,11</sup> The Japanese government holds 33.3% of JT's issued shares.<sup>11</sup> Top brands include Winston, Camel, Liggett Ducat, and Mevius (formerly Mild Seven).<sup>3</sup> JTI continues to expand its presence in emerging markets, with the largest volume growth in Brazil, Egypt, Iran, the Philippines, and Tunisia, and company acquisitions in Indonesia and the Philippines in 2017.<sup>3,11</sup>

**Imperial Tobacco Group** is a British company. It is the fifth largest company participating in the global tobacco market and controls 3.7% of the international cigarette market.<sup>3</sup> Imperial operates in more than 160 markets, and key growth markets are in Italy, Russia, Japan, and Saudi Arabia.<sup>12,13</sup> Top brands include West, Davidoff, John Player Special, and Gauloises.<sup>3</sup>

## 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 2017 (Figure 4).<sup>3,14</sup>

**FIGURE 4. TOP 10 CIGARETTE MARKETS BY VOLUME**

COUNTRY	RETAIL VOLUME, 2017 (BN STICKS)
China	2,368.9
Indonesia*	308.2
Russia	258.9
USA	252.7
Japan	151.4
Turkey	106.2
Egypt	93.1
Bangladesh	88.9
India	81.3
Germany	79.0

\*excluding hand-rolled kreteks

Source: Euromonitor International, 2018

- **China** is the largest cigarette market in the world. The retail value of China's cigarette market in 2017 was US\$212.3 billion.<sup>3</sup> High tar cigarettes dominate the market. However, their sales are decreasing while sales of lower tar cigarettes are increasing.<sup>3</sup> In 2017, the volume sales of cigarettes increased by 0.8% compared

to 2016, marking the first increase in volume sales since 2013–2014.<sup>3</sup> Real retail value increased by 3.0%. Since the peak of global cigarette volume sales in 2012, the global cigarette market volume has decreased by 9.2%, but it declined by more (13.0%) when excluding China's retail volume.<sup>3</sup>

- In **Russia**, cigarette sales by volume has declined by 25.2% between 2013 and 2017.<sup>3</sup> Over the same time period, real retail values increased by 31.3% to US\$26.9 billion. Between 2016 and 2017 alone, retail volume fell by 7.2%, while real value of sales grew by 3.6%.<sup>3</sup> With a 33.6% market share, JT is the market leader in Russia, but PMI, BAT and Imperial also have a presence.<sup>3</sup>
- The **Indonesia** cigarette market is unique because sales are dominated by kreteks (cigarettes made with a blend of tobacco and cloves). Between 2016 and 2017, the Indonesian cigarette market declined by 2.5%, marking the second consecutive year of decline in sales volume.<sup>3</sup> 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 a profit in Indonesia.<sup>3</sup>
- 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.<sup>15</sup> While cigarettes are not the most popular tobacco product in India, approximately 81.3 billion cigarettes were sold in 2017, making the country an important target for international tobacco companies.<sup>3</sup>

1. World Health Organization (WHO). Tobacco Fact Sheet. March 2018. Available from: [www.who.int/news-room/fact-sheets/detail/tobacco](http://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(9):655-664. 3. Euromonitor International [database on the Internet]. Cigarettes. Euromonitor International; c 2018. 4. WHO Report on the Global Tobacco Epidemic, 2017: Monitoring tobacco use and prevention policies. Geneva: World Health Organization; 2017. 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/](http://www.who.int/tobacco/resources/publications/tobacco_atlas/en/). 7. Fang, J, Lee, K, & Sejpal, N. (2017) The China National Tobacco Corporation: From domestic to global dragon?, Global Public Health, 12:3, 315-334. 8. Philip Morris International. Who we are. 2018. Available from: [www.pmi.com/who-we-are](http://www.pmi.com/who-we-are). 9. Philip Morris International Inc. in Tobacco (World): Global Company Profile. Euromonitor International; c 2018. 10. British American Tobacco. Annual Report 2017. Available from: [www.bat.com/annualreport](http://www.bat.com/annualreport). 11. Japan Tobacco, Inc. Annual Report 2017. Available from: [www.jti.com/about-us/our-business/investor-information/jt-annual-report](http://www.jti.com/about-us/our-business/investor-information/jt-annual-report). 12. Imperial Brands. Annual Report and Accounts 2017. Available from: [www.imperialbrandsplc.com/Investors/Annual-report-accounts.html](http://www.imperialbrandsplc.com/Investors/Annual-report-accounts.html). 13. Imperial Brands. About Us. 2018. Available from: [www.imperialbrandsplc.com/About-us.html](http://www.imperialbrandsplc.com/About-us.html). 14. Global Tobacco: Key Findings Part I-Cigarettes. Euromonitor International; c 2018. 15. 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](http://www.cdc.gov/tobacco/global/gtss/gtssdata/index.html).