What’s the Problem with New Products?

New tobacco products are designed to:
- Draw in new and youth users
- Keep smokers smoking
- Circumvent regulations and taxation
Increased youth smokeless tobacco use

TOLL OF OTHER TOBACCO USE

National Youth Smoking and Smokeless Tobacco Use
1997 - 2011

Source: CDC, Youth Risk Behavior Surveillance Survey.
Most popular snuff brands among 12-17 year olds 1999-2011

1. Grizzly (Reynolds American, via American Snuff Company)
2. Skoal (Altria, via UST)
3. Copenhagen (Altria, via UST)

Source: Analysis of NHSDA, NSDUH data

Health Harms of Other Tobacco Use

Smokeless Tobacco
- Cancer, including oral cancer and pancreatic cancer
- Gum disease
- Nicotine addiction

Cigar Use
- Cancer of the oral cavity, larynx, esophagus and lung

*It [smokeless tobacco] is not a safe substitute for smoking cigarettes.*

-- U.S. Surgeon General, 1986
WHERE IS THE INDUSTRY HEADED?

Companies under ( ) in 1989

Brand development, Acquisitions Over Time
Companies under **Altria** in 2013

- **Philip Morris USA**
- **John Middleton**
- **Nu Mark**
- **SAB Miller**
- **Philip Morris Capital Corporation**
- **The Wychwood Wine Estates**
- **Philip Morris International**
- **Kraft**

(28.5% economic interest)

Tobacco Brands in 2013

- Marlboro
- **Virginia Slims**
- **SKOAL**
- Red Seal
- **Copenhagen**
- Benson & Hedges
- **Parliament**
- Rooster
- Husky
- Prince Albert
- **Middleton**

Non-Tobacco Products

- Tormaresca
- La Braguexa
- Montenisa
- Viña Haras de Pirque
- Conn Creek
- Hawk Crest
- **Vaillam Eden**
Companies under RJR Nabisco in 1989

- RJ Reynolds
- Nabisco

B&W no longer exists as a separate company. Brands are now part of RJR.

Companies under RJR Nabisco in 2013

- RJ Reynolds
- American Snuff Co. (formerly Conwood Company)
- Santafe Natural Tobacco Company
- Niconovum

B&W no longer exists as a separate company. Brands are now part of RJR.

Nabisco is now owned by Kraft.
Companies under Lorillard in 2013

Tobacco Brands in 2013
NEW KIDS ON THE BLOCK

Flavored Blunt Wraps

But what they’re really used for...
High School Student describing using Camel Snus:

“It’s easy, it’s super-discreet…and none of the teachers will ever know what I’m doing.”

R.J. Reynolds’ Camel Dissolvables

Original packs test-marketed in Columbus, OH, Portland, OR, and Indianapolis, IN starting in January 2009.

Redesigned the pack to be LESS child-resistant and re-released products in two new test markets, Denver and Charlotte, beginning March 2011.
New Forms of Smokeless, Spitless Tobacco Put Users and Children At Risk

Tobacco companies are now marketing and developing new “dissolvable tobacco.” These products are being promoted as an answer for smokers who are unable to make the transition from using traditional cigarettes to using smokeless tobacco. Dissolvable tobacco may also be provided in a way to make smokeless tobacco less obtrusive or visible to others.

R.J. Reynolds scales back marketing of dissolvable tobacco products

Winston-Salem Journal
By Richard Craver
July 31, 2013

After spending more than 4 1/2 years in five test markets, including Charlotte, R.J. Reynolds Tobacco Co. has struggled to gain consumer traction for its trio of dissolvable tobacco products. It has struggled to the extent that it is limiting future marketing of the products: a pellet (Camel Orbs), a twisted stick the size of a toothpick (Camel Sticks) and a film strip for the tongue (Camel Strips). The goal has been making its tobacco products more accessible within a society that's clamping down on smoking. Reynolds began testing the dissolvable products in early 2009.

"At this time there are no plans for any marketing beyond these channels,” Smith said.

"We’ve found in our conversations with adult tobacco consumers that while there’s strong interest in the category, a different product form may present a better option over the long term."
Philip Morris USA’s Marlboro & Skoal Sticks

Four flavors being test-marketed in select Kansas stores since March 2011. Marlboro Sticks are being placed with cigarettes and Skoal Sticks are being placed with smokeless tobacco products.

Resemblance to:

As the state’s health agency, KDHE is particularly concerned about the potential appeal of these new tobacco sticks to youth,” KDHE Secretary Dr. Robert Moser said. “The packages are so small that they could easily be concealed in a shirt or pants pocket and youth could use tobacco sticks in front of parents or teachers while appearing to have a simple toothpick in their mouth. We are also concerned about the risk of young children accidentally ingesting these products.”
United States (moist snuff and snus) – “General”

Swedish Match is the third biggest producer of moist snuff in the US with 10% of the market share in January 2012, compared with market leader Altria (56.6%) and RJ Reynolds which holds 32.2%.

Sales of Swedish snus in the US is relatively insignificant, Swedish Match is reportedly increasing its marketing efforts to grow these sales, with General snus available in 3,500 stores across the US in 2011.

Where to find?
General Snus “App”

Retail Loopholes
Hookah Vaporizing

“...the use of smokeless tobacco products is not a safe alternative to smoking, nor is there evidence to suggest that it is effective in helping smokers quit.”

-- U.S. Public Health Service Clinical Practice Guidelines, 2008

KEEPING SMOKERS SMOKING
New smokeless, spit-less products
Philip Morris USA’s Marlboro Snus

Redesigned Pack in early 2009 to fit “perfectly alongside your smokes” – to prevent smokers from quitting.

Altria’s Newest Smokeless Product: VERVE

Announced in May 2012 and will be test-marketed in select Sheetz stores in Virginia.

VERVE discs are a new kind of tobacco product designed to appeal to adult smokers interested in innovative types of spit-free tobacco product alternatives to cigarettes.
Verve disc, which has some similarities with cough pill releases nicotine within about 15 minutes as a user chews it. Such a disc of cellulose fibers and a polymer do not dissolve, so user will have to throw it away. *The new product will be sold in a packaging of 16 discs, each possessing approximately 1.5 milligrams of nicotine, which is less than majority smokeless products possess.*

Altria plans to start selling Verve brand in more than 50 stores in Virginia by June, the report stated, but it has not decided whether to spread the product nationally. This novelty will be available for nearly $3 in stores in Virginia, and sold only to adult smokers. *The tobacco giant is sure that such an approach will allow it to advertise the product with lower health warnings than those related to cigarettes.*

**RAI’ s new test products, only in North Carolina as of late 2012**
"[Verve] was really designed for those adult smokers who are interested in smoke-free alternatives" to cigarettes, said David Sylvia, a spokesman for Henrico County-based Altria. "Our research shows that about 30 percent of adult smokers are interested in some sort of smokeless product."

However, many of those smokers are uncomfortable with traditional, loose-leaf chewing tobacco or snuff, so Altria and other companies are designing products aimed at wider acceptance.

"We are all aware of the clampdown on cigarette use and the decline (in consumption) that is going on in the country," said Jack Russo, a consumer staples analyst for Edward Jones & Co.

Tju® chewing tobacco gum is a tobacco product alternative for adult cigarette smokers. It is sold in Denmark and is not permitted to be sold to persons under the age of 18.

Packaging contains the required warning in Danish: "This tobacco product can damage your health and is addictive."

Label states "Not for children" in Danish and packaging is designed to make it difficult for children to open.

Manufactured in Vejle, Denmark by Okono A/S, an affiliate of Fertin Pharma A/S.
Vuse in CO, E Cig Test Site, July 2, 2013 (RJR)

Growing Nicotine Vapor World
MJ Vaporizers – Targeting Different Populations

Can You Tell?
E-Cig Business

“Greensboro-based cigarette maker Lorillard Inc. saw its net income rise to $313 million on $1.8 billion in sales, despite declines in cigarette sales volumes. Within the growing e-cigarette category, Lorillard’s blu eCigs carved out a market share of more than 40 percent, with $57 million in sales during the second quarter, up from $8 million during the same period the year before.”

Business Journal Greater Triad Area, July 25, 2013

Messages – Attack Smoke-Free
Messages

- Freedom/independence to smoke and smoke anywhere
- Harm Reduction/Cessation
- Rebellious
- Smoker acceptance
shaun says: June 21, 2013 at 11:55 am Big tobacco should stay out of the e CIG market. **People switch to e cigs for the health benefits and because they are tired of paying high CIG prices.** I can go to my local e cig store and get a great vapor king kit for $50 and I only pay $7 a week to refill my device. If big tobacco gets involved its going to cause the prices to go up and eventually it will be just as expensive if not more than cigs. I think big tobacco wants the price of e cigs to go up so people go back to smoking. - See more at: http://vaperanks.com/r-j-reynolds-tobacco-company-launches-vuse-electronic-cigarette/#sthash.uiSqUaTa.dpuf

I live in CO & I was excited to try this. Costs only 11 dollars & refill cartridges are 6 dollars for two & it comes with a charger. The smoke you get from it is great, I loved the idea that it was rechargeable, but one BIG problem, after 3 days my VUSE cig stopped working. No lights, no smoke, nothing. I thought it was a fluke so i bought two more...& within 3 days the cig stopped working! & this last one i think there is something really wrong, **maybe even dangerous**...**it is releasing some type of toxic smell from the base of it (where u inhale) & i know its not the cartridge, its coming from the actual e cig.** I am pissed! I plan to write the company, & demand my money back. I loved it tho...which is why im pissed. Ddefinitely will not last you more than 3 days. Such a shame that such a good product doesnt live up to its promise to be rechargeable!
Tobacco Marketing:
- Increased spending
- New magazine ads
- Point-of-Sale marketing
- Marketing in other venues

HOW INDUSTRY ACHIEVES THE GOAL

Cigarette marketing expenditures declined between 2005 and 2008, but **smokeless tobacco marketing expenditures more than doubled between 2005 and 2008.**

These data are based on the most recent official data available from the federal government. The most recent available marketing data for smokeless tobacco is for 2008 and comes from the FTC’s Smokeless Tobacco Report for 2007 and 2008.
More recent Camel Snus ads promote defiance

...and divert smokers from quitting
FDA Violation
Greeley, CO
July 2013
Counter display of Remington "filtered cigars" near candy
Minnesota
Summer 2007

Picture taken in Washington, DC, April 2006
Price Differences

HOW INDUSTRY ACHIEVES THE GOAL
Why Keep Prices Lower?

- Lower prices are more accessible, affordable, and appealing to youth
  - Draws them in to a lifetime of addiction
  - Can lead to smoking, the big money-maker for the tobacco industry
- Promotes dual use and hinders quit attempts
  - Smokers can buy fewer cigarettes by using other products sometimes
  - Why quit because cigarettes are more expensive when you can temporarily substitute with OTPs?

Altria Group Inc (NYSE:MO) has introduced a new product called Verve – a chewable, spit-free, oral product that contains nicotine but no tobacco – in select markets in the U.S. The company has upped its focus on smokeless products in recent years as they offer considerable growth potential and attract lower excise taxes than cigarettes. Separately, in some good news for the company, Altria has won the case involving Marlboro Lights in Minnesota.
What Can States & Localities Do?
The FDA Law Doesn’t Change Each State’s Right To...

- Implement & enforce smoke-free laws
- Fully fund tobacco control programs
- Provide coverage for cessation services
- Increase tobacco taxes
- Take action to restrict the sale & distribution of tobacco
- Licensing restrictions

Summary

- The tobacco industry has changed – and so have its tactics
- Many new products are being introduced
- The FDA law has made a big difference in how tobacco companies market to youth – but we need to be vigilant and keep them from trying to get around the law
- States can do a lot of things on their own
Resources…who to report to?

- www.countertobacco.org
- www.storealert.org
- www.trinketsandtrash.org
- Can attach photos: CTPcompliance@fda.hhs.org
- Flavored Smokeless & Cigars: tobacco2@fda.hhs.org
- Also, can contact us, TFK…(RAD map), for in-state contacts re: test markets)