

Title: Flavour capsule cigarettes continue to experience strong global growth

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Flavour capsule cigarettes continue to experience strong global growth

Cigarettes with flavour-changing capsules in the filter, a continuing success story for tobacco companies, have grown exponentially since being introduced in 2007. The global capsule market is estimated to be 150 billion sticks in 2017.¹ We provide an update on the capsule market since 2014.² From this time capsule cigarettes have been introduced in new markets in Europe (Croatia, Spain), Africa (Tunisia), Latin America (Bolivia, Ecuador, Uruguay) and Asia (China, India, Philippines, Thailand, Vietnam).³ They are the fastest growing segment of the combustible market,⁴ with market share increasing between 2014 and 2017 in 52 of the 67 countries where they are sold and monitored by tobacco analyst Euromonitor.³ These products now have market share greater than 10% in four European countries (UK, Hungary, Ireland, Poland), and have increased 12% in the Middle East and Africa.¹ The five most popular capsule markets remain in Latin America (see Figure 1), with market share increasing by at least 40% in each of these countries since 2014.

The capsule segment offers considerable variety. These cigarettes have either one or two flavour capsules in the filter (the latter reported to be driving growth in some markets⁵), with packs containing up to five different flavours⁶ (Figure 2). There are now myriad flavours used, including variations of mint (e.g. wild mint, strawberry mint) and some inspired by fruit (e.g. orange peel, mango, cucumber) or beverages and cocktails (e.g. green tea, whisky, mojito).⁷ Tobacco industry journals report a demand for new flavours,⁸ as well as an interest in non-flavour options, with water capsules recently used in some countries to modify the taste through cooling rather than imparting a flavour.⁹ Since 2014, flavour capsules have also become available in filters for roll-your-own and make-your-own cigarettes, as well as cigars, cigarillos and heated tobacco products.¹⁰⁻¹²

The retail environment is important in promoting capsule cigarettes (Figure 3), even in countries which have banned the display of tobacco products. Following a display ban in the UK, for instance, tobacco industry representatives have encouraged small retailers to promote certain brands of capsule cigarettes.¹³ The packaging has also been key to the marketing of capsule cigarettes. As more countries adopt large pictorial health warnings, which compete with the brand imagery on packs, and introduce plain (standardised) packaging, this would be expected to slow the growth of capsule cigarettes. However, tobacco industry journals suggest that while larger health warnings and plain packaging reduce the opportunity for brand promotion and make brand-building more difficult, filter characteristics still allow for brand differentiation and marketing.^{9,14,15} In Australia and the UK, tobacco companies introduced several new capsule variants after plain packaging was fully implemented¹⁶ - at least five new capsule variants were brought to market in the UK in 2018 alone.

Despite the success of this product innovation, there remains a dearth of research on capsule cigarettes. Nevertheless, existing research with adult smokers in the UK, US, and Australia consistently show a preference for capsules among young adults,^{11,17,18} and more than half of 12-17 year old past-month smokers in Australia reported having tried a capsule cigarette.¹⁹ Taste, choice of flavours, enjoyment from clicking the capsule, stylishness, and lower perceived harm appear key reasons for using capsule cigarettes.^{11,17-21} Other studies have found that capsule cigarettes are viewed favourably among non-smokers and thought to encourage experimentation, and are perceived as a “cool invention” that is fun and appealing for adolescents and newer smokers.^{20,22,23}

Regulators have been slow to respond to the threat of capsule cigarettes. As of 2018 only Canada, Ethiopia, Senegal, and Uganda had banned flavoured tobacco products, although they will be banned in Brazil by March 2020 and, as a result of the Tobacco

Products Directive, across much of Europe by May 2020;²⁴ these bans do not cover non-flavour capsules, such as the cigarettes with water capsules (e.g. Camel North Aqua Filter) introduced in 2017 in Canada after the flavour ban.²⁵ If flavour bans are not introduced elsewhere, then there is little reason to expect anything other than the continued growth of products that put the “fun” back into combustibles.²⁰

What this paper adds

- ▶ Global sales of cigarettes with flavour capsules in the filter have continued to grow since 2014
- ▶ There are myriad flavours for capsule cigarettes, with capsules now available for roll-your-own and make-your-own cigarettes, as well as cigars, cigarillos and heated tobacco products
- ▶ Few studies have explored capsule cigarettes, but existing research suggests that they are particularly appealing to younger people
- ▶ While few countries ban capsule cigarettes, they will be banned across much of Europe by 2020

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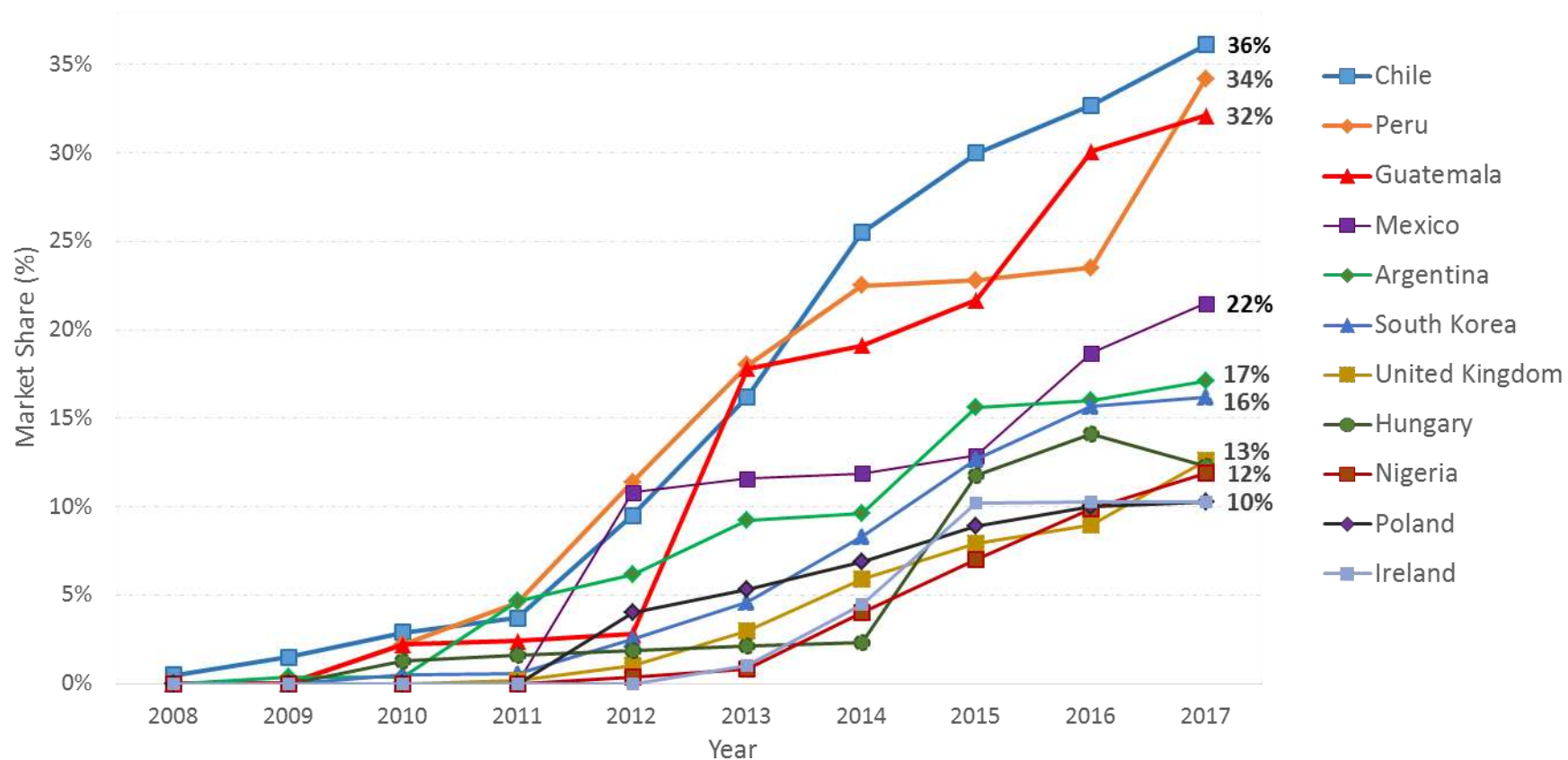
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Figure 1: Countries where market share of capsule cigarettes is greatest*



*Data from Euromonitor Reports.^{2,3} Other countries whose 2017 market share for flavour capsules is estimated to be over 5% include Khazakstan (9.6%), Costa Rica (8.4%), Ukraine (8.2%), Slovakia (7.8%), Russia (7.6%), Japan (7.3%), Latvia (7.2%), South Africa (7.1%), Norway (7.1%), and Sweden (6.0%)

Figure 2: Lucky Strike Click 4 Mix, containing four different flavoured capsules, and Africa Mola, containing five different flavoured capsules



Figure 3: Capsule cigarettes promoted at point of sale in South Africa, 2018

