

Tobacco Category Update

CEETRA Travel Retail Forum – 27 April 2023

Ricardo Oliveira, External Senior Counsel, ETRC

Tobacco Category:

From Strength to Strength

Reliable, Resilient, Relentless

- Cornerstone of the Duty and Tax Free Industry since its early days
- Has always been a profitable category retailers could rely on
- Major driver of footfall – Positive impact in the shopping basket

- Has always been resilient during times of crisis
- Role of the Tobacco Category in the pandemic crisis recovery process

- ETRC Business Index – Full Year 2022
 - Confirmed tobacco continue to be reliable and resilient
 - Tobacco % share of total sales at 17.4%, substantially higher than pre-pandemic levels (14.6%)
 - Food category % share of sales increased 0.2% when compared to pre-pandemic levels
 - Tobacco reached pre-pandemic levels already in Q2 2022
 - Category Value Sales Growth Full Year Performance 2022 vs. 2021: + 119%
 - Category Contribution to Sales Growth 2022 vs 2021 : 18%
 - “Nothing short of phenomenal” , Stephen from Pi Insights
 - Potential to grow more considering No. of pax still down vis a vis 2019

“Most Effective Shop Floor Space”



- Commercial importance of the category to retailers, airports and the whole travel ecosystem:
- On average 5%/18%/23%

Regulatory Threats in Europe and Global Regulatory Trends

Regulatory Threats on Europe



- **Switzerland** – New advertising and sponsorship regulation restrictions for tobacco products and e-cigs. Following a public Referendum (Children without Tobacco) a new draft was published Aug 2022 that proposes a total advertising ban. Public consultation was open until Nov 2022. Currently still waiting for the results to be published.
- **Denmark, Finland & Georgia** – Plain Packaging – Denmark: passed 2020, full effect April 2022, Finland: passed April 2022, full effect May 2023; Georgia: postponement of introduction of PP execution until 31 Dec 2024
- **Moldova** – Firstly duty-free was “carved in” to use local text health warning. Recently new law passed converting all duty-free sales into duty-paid from December (Politically motivated)
- **Norway** - Government budget bill proposed to half the tobacco quota (50% reduction on inbound allowance for those who are residents in Norway - also applies to e-cigs liquids and oral tobacco). This controversial proposal passed in Parliament & came into force from Jan 2023.

Global Regulatory Trends



Generation Smoke Free

- UK
- New Zealand
- Malaysia
- HK

Reduction of inbound tobacco allowances

- Norway,
- Malaysia
- Jordan
- Egypt
- Moldova (extreme – politicly motivated)

Long Term Regulatory Threat

The Illicit Trade Protocol (ITP) and the
Third Meeting of the Parties (MOP3)

Ongoing need to rebut inaccurate accusations

- 2006-2023 – WHO has accused duty-free industry of being a major contributor to tobacco illicit trade
- Successful defence of industry at consecutive WHO summits in 2018 (MOP1) and 2021 (MOP2).
- Maximum possible delay achieved for study called for under Article 13.2 of Illicit Trade Protocol
- MOP3 in Nov 2023 – It is anticipated the commissioning of Article 13.2 study. Industry welcomes a process that is fair and transparent and which should produce accurate results, **however**...
- There is a **real threat** that the outcome of this study will mean that the duty and tax free Industry will face proposals to seriously restrict or even ban duty and tax free tobacco sales, **therefore**...
- We need to establish beyond doubt the credibility of the duty and tax free industry in the eyes of policy makers

Industry Strengths to Counter this Threat

- Global footprint with strong local influence
- We must be united against this industry threat and deliver a strong and bold message to the relevant stakeholders
 - DFWC/ IATA / ACI joint statement on MOP3, and
 - Other advocacy materials for engagement are ready to be used, **however...**
- **We need the doors open to reach out the relevant stakeholders in the relevant countries**

Call for Action

- Support from all Industry Players in the relevant MOP3 countries
 - Travel Retail Associations
 - Retailers
 - Airports Associations
 - Airports
- NOW is the right window of time to act

Central and Eastern European region is an important region for MOP3



Take Aways

Tobacco Category Update

- Tobacco Category is thriving and must be allowed to continue to thrive
- Regulatory threats are big but Industry Strengths are bigger
- We have good advocacy ready to be deployed but the industry needs you to play your role

Thank You!

www.etr.org

 @ETRC_