



STOPPING TOBACCO ORGANIZATIONS & PRODUCTS

ADDICTION AT ANY COST

Philip Morris International Uncovered

STOP's report, *Addiction at Any Cost: Philip Morris International Uncovered*, examines tobacco industry documents, sales data and findings from tobacco industry monitoring and shows that Philip Morris International (PMI) is not, in reality, attempting to "create a smoke-free future." Instead, PMI is working to drive up cigarette sales and hook a new generation of users on its next generation products (NGPs). Read the full report for more information about how the company and its Foundation for a Smoke-Free World are deceiving the public.

Global Tobacco and Next Generation Product Market, and Philip Morris International

Tightening regulations, increasing public awareness of the health harms of tobacco use and the pariah status of the tobacco industry have driven down tobacco sales and profits in many markets. Recent tobacco industry investments in electronic cigarettes and heated tobacco products (HTPs) are a response to these threats to the industry's core cigarette business. Despite tobacco industry claims that NGPs aim to help current smokers switch to less harmful products, current tobacco company investor presentations claim that the introduction of these products is increasing the total nicotine market after decades of decline.

Key Messages

With stagnating cigarette sales, recent growth in electronic cigarettes and HTP markets has been enough to help reverse recent tobacco market declines.

Despite claims to be going "smoke-free", PMI is committed to maintaining a leading market share in combustible cigarettes while increasing total profits with the introduction of IQOS.

PMI is putting profit before public health by targeting IQOS to markets where cigarette sales are already falling and where regulation is stronger, not those where cigarette use is rising and where there is greater potential for harm reduction.

The tobacco industry seeks to reverse global tobacco market declines

Cigarettes, the tobacco industry's flagship product, are a declining market. PMI's NGPs have stopped this decline from hitting the company's bottom line.

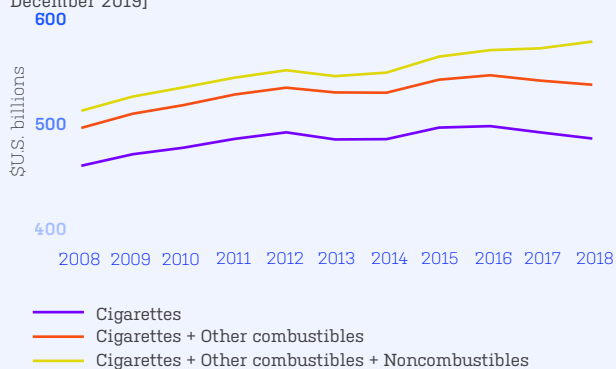
- Global cigarette sales fell by 20% between 2008 and 2018, but sales grew in low-income countries.
- Recent growth in NGPs, notably electronic cigarettes and HTPs, has started to reverse declines in total tobacco industry revenue; thus the tobacco industry may see (and seek to promote) these products as additives to cigarette smoking rather than alternatives.
- PMI's IQOS, which has dominated the global HTP market since its launch in 2014, is helping to drive up global nicotine consumption.

PMI's IQOS business strategy is about profits, not harm reduction

An analysis of PMI's IQOS launch strategy between 2014 and 2019 suggests that the company's focus on HTPs is designed to shore-up losses in declining cigarette markets, not to transition growing cigarette markets away from combustible products.

- PMI continues to assure investors that it is committed to maintaining leadership of the cigarette market.
- PMI's IQOS was launched in markets where cigarette sales are already declining, tobacco control policies are stronger, and where HTPs can circumvent policies designed to decrease tobacco use.
- In contrast, PMI's IQOS was not launched in growth markets where the company continues to increase revenue from cigarette sales and where there are weak tobacco control policies.
- IQOS heat stick prices across the world are comparable to the high cost of Marlboro cigarettes. This pricing strategy ensures high profit margins for PMI.
- PMI's marketing and pricing strategy for IQOS appears to be aimed more at establishing an aspirational brand than encouraging smokers to quit cigarettes.

Figure 1: Cigarette retail values have fallen in recent years, but NGPs such as electronic cigarettes and HTP have helped to reverse total revenue declines. [Data source: Euromonitor, downloaded December 2019]



Retail value shown is real value (accounting for inflation using 2018 exchange rates and 2018 prices).

Tobacco and nicotine market does not include nicotine replacement therapy which is classified as a health product.

Cigarettes include factory made cigarettes and Indonesian kreteks.

Other combustibles include cigars and cigarillos and tobacco for roll-your-own cigarettes, make your own cigarettes, pipes and shisha.

Noncombustibles include smokeless tobacco, e-cigarettes and heated tobacco products.

Figure 2: Between 2014 and 2019, PMI launched IQOS mainly in higher income markets where cigarettes sales were already declining. [Source: PMI annual reports, investor presentations and webpage]

2014 Nov	2015 Dec	2016 Jan	2017 Feb Mar	2018 Feb Mar	2019 Feb Mar
Italy	Canada		Czech Republic	Andorra	Hungary
Japan	Denmark		France	Croatia	Sweden
Portugal	Germany		Poland	Curaçao	UAE
Switzerland	Greece		Slovak Republic	Cyprus	USA
Romania	Israel		Slovenia	Latvia	Albania
Russia	Lithuania		South Korea	Armenia	Belarus
	Monaco		Colombia	Bulgaria	Bosnia and Herzegovina
	Netherlands		Guatemala	Dominican Republic	Malaysia
	New Zealand		Serbia	Moldova	
	Spain				
	U.K.				
	Kazakhstan				
	South Africa				
	Ukraine				

■ High-income country
■ Upper-middle-income country
■ Lower-middle-income country

World Bank was the data source for income-group.