Smokeless Tobacco Sweden bucks the global downward trend

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Smokeless Tobacco â€“ Sweden bucks the global downward trend, by Euromonitor International

According to global market analyst, Euromonitor, the world market for smokeless tobacco is worth an estimated $2billion of which the US accounts for approximately 65%, followed by Sweden with sales of $480 million in 2003. Other markets with a strong smokeless tobacco tradition include India, Algeria, Pakistan, South Africa and Norway. Sweden was exempted when oral snuff was banned in the EU in 1992 (Norway is not an EU member state) and thus has a lively snuff market, enjoying rapidly increasing sales over the past few years as consumers turn to reduced-risk nicotine consumption. With the notable exception of Sweden, most markets with significant consumption of chewing tobacco or snuff, the trend is one of decline.

In 2001 Euromonitor found that the US smokeless tobacco market fell in volume by 1% to some 116,000lbs. US Smokeless Tobacco Co (UST) was market leader, accounting for some 43% by volume, followed by Conwood (23%) and Swedish Match (20.8%). Moist snuff was the leading sector by volume at 57%, followed by loose leaf (37%), dry snuff (2.9%) and plug (1.6%).

Bucking the downward trend was Sweden, where volume sales of moist snuff (or "snus") have increased by almost 30% over the past 5 years, with 197 million packs sold in 2003, accounting for around 25% of total tobacco consumption. There are about 1 million users, of whom 20% are women, a proportion that has increased 3-fold over the last 3 years. Sweden boasts 750 000 daily users of snus, amongst whom the average age is 38 years. Interestingly, over 50% of snus users are ex-smokers, which rises to 70% amongst women users. After a period of unfashionability in the 1970s, snus has become popular over the past few years, particularly amongst the young, with some users even cutting their gums before placing a snus pouch over it in order to achieve a higher nicotine â€˜kickâ€™.

The trend towards reduced-risk smoking over the past few years has helped spur the growth of snuff (snus is odourless, and contains no tar, only nicotine, and its manufacturers claim no link to cancer has been scientifically proven), along with the perceived convenience snus provides. Portion snus has been growing in popularity, with, according to Euromonitorâ€™s latest research, more than half the volume sold in 2003 made up of portion snuff. Additionally, the smokeless tobacco industry regards the increasing restrictions placed on cigarette smoking as a market opportunity and the ban on smoking in foodservice outlets in Sweden, due to be in effect by June 2005, will go a long way to spur further growth as cigarette smokers migrate to snus. UST and Swedish Match have both introduced products specifically designed to be consumed by cigarette smokers on occasions when no-smoking legislation prevents them lighting a cigarette.

Sweden claims to be the first industrialised country to reach the WHOâ€™s goal of less than 20% of cigarette smokers amongst its adult population, creating the so-called â€˜Swedish Effectâ€™. The latest figures suggest that a mere 17.8% of adul Swedes smoke cigarettes daily, and the large proportion of ex-smokers amongst snus users is expected to be maintained. Euromonitor believe that the only spectre hanging over the industry that could potentially affect forecast sales is the European Court challenge launched by Swedenâ€™s snuff giant, Swedish Match, over the ban on snuff in the EU (currently set for 8th June). For the moment, Swedenâ€™s snus manufacturers are necessarily bullish about any possible negative outcome - certainly there has been a huge increase in snus products on the market in recent years, suggesting that manufacturers are hoping that any potential ban does not materialise and they can then widen their horizons.

The Swedish snus market is dominated by Swedish Match, which controls approximately 98% of volume sales, with brands such as General (40%), Ettan (19%), Grov (17%), GÃ¶teborgs RapÃ© (10%) and Catch (8%). The market has however seen many new brands in the last couple of years and also interest from other multinationals keen to take advantage of buoyant sales. For example, Gallaher acquired a local snuff manufacturer, Gustavus, in 2001, and launched a range of loose and portioned snuff brands in Sweden in 2002. Many new product launches have been aimed at smokers thinking of a healthier alternative to cigarettes.

Product innovation has centred also on new flavours such as cranberry, eucalyptus and lychee, alongside the more common liquorice and mint. The market has also seen new packaging formats, such as those for the Rocker brands which are packaged in oval packs with a special foil seal that does not require the product to be kept refrigerated (as is common to maintain â€˜snusâ€™ freshness).

In advance of any outcome of Swedish Matchâ€™s EU challenge, Euromonitor forecasts that the Swedish snus market will continue to perform robustly as more cigarette smokers are expected to migrate to snus and manufacturers continue to innovate.

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