The continued expansion of capsule cigarettes in Mexico, 2018–2021

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Capsule Cigarettes

• First in market in 2007
• Capsules in the filter can be crushed to release flavor
• Designed to create an interactive and customizable experience
• Associated with improved taste/smell and misconceptions of reduced harm
• Particularly appealing to youth

Image credit: https://tobacco.stanford.edu/cigarettes/menthol-medicates/menthol-squeezers/
A Growing Market Worldwide


Data Source: Euromonitor Passport
Industry Tactics

- Promote capsule cigarettes for industry growth by enticing new users
  - Pall Mall as an example
- Use of descriptors
  - Communicate flavor, technological innovation, other appeal
- Other product characteristics (e.g., length, pack size)
- Pricing strategies
Gaps in the Literature

• Lack of good monitoring of the capsule cigarette market
  – Last national survey in Mexico that captured data on capsule cigarettes was ENSANUT 2018

• Little is known about the size that capsule cigarettes play within the flavored cigarette market and the use of descriptors on packs of capsule cigarettes
Objective

• Describe the trends of capsule cigarette sales in Mexico in recent years & sales patterns by product characteristics

• We analyzed:
  – Market share of capsule cigarettes by product characteristics, in comparison with unflavored & flavored non-capsule cigarettes
  – Trends in capsule cigarette market share over time
Methods
National Cigarette Sales Data (Oct 2018-Sep 2021)

- Licensed from Nielsen Consumer LLC ("NielsenIQ").
- Sales value and volume were aggregated by month.

<table>
<thead>
<tr>
<th>Trade channel</th>
<th>Type of vendors included</th>
<th>Data collection methods</th>
<th>Product characteristics tracked by Nielsen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modern</td>
<td>Supermarkets, convenience stores, pharmacies, government-owned retail outlets</td>
<td>Point-of-sale scanner</td>
<td>Manufacturer, brand, presentation (words and information on cigarette packs), flavor, pack size, cigarette length, price tier, and presence of capsule</td>
</tr>
<tr>
<td>Traditional</td>
<td>Traditional stores, minimarts, booths, kiosks</td>
<td>Field audit</td>
<td></td>
</tr>
</tbody>
</table>
Descriptors on Cigarette Packages

Characterizing Flavor Descriptors

Concept Flavor Descriptors

Action Descriptors
Characterizing Flavor Descriptors

- Terms that directly named a fruit, food, beverage, spice, or other known flavor
Concept Flavor Descriptors

- Terms denoting a taste, aroma, or sensation that is not a specific fruit, food, beverage, spice, or other known flavor
- Confirmed by internet searches
Action Descriptors

• Indicators related to the interactive aspects of capsules in cigarettes

• Confirmed by pack photos taken as part of the Tobacco Pack Surveillance System (TPackSS) project
# Sales Volume & Sales Value

<table>
<thead>
<tr>
<th>Sales</th>
<th>Market Share</th>
</tr>
</thead>
</table>
| **Volume** | Volume Share = \[
\frac{\text{Number of sticks sold in a particular category}}{\text{Total number of sticks sold}}\] |
| **Value** | Value Share = \[
\frac{\text{Dollar value of sales in a particular category}}{\text{Dollar value of the total sales}}\] |

Image credit: https://globaltobaccocontrol.org/en/resources/concept-descriptors-real-flavors
Capsule Cigarette Market Share (Oct 2018-Sep 2021)

- Capsule Cigarettes, 30.99 Billion Sticks
- Flavored Non-Capsule Cigarettes, 0.64 Billion Sticks
- Unflavored Cigarettes, 55.76 Billion Sticks

35% of the market share is attributed to capsule cigarettes, 64% to unflavored cigarettes, and 1% to flavored non-capsule cigarettes.
Concept Flavor Descriptors

- 54 descriptors identified
- 57.2% (by sales volume) of capsule cigarettes sold had concept descriptors
Characterizing Flavor Descriptors

- 3 descriptors identified
- 17.8% (by sales volume) of capsule cigarettes sold had characterizing descriptors
Action Descriptors

• 12 descriptors identified
• 15.1% (by sales volume) of capsule cigarettes sold had action descriptors
# Cigarette Price Tiers in Mexico

<table>
<thead>
<tr>
<th>Price Tier</th>
<th>Average Price per Pack</th>
<th>Average Price per Cigarette</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ultra Low</td>
<td>$1.4 USD</td>
<td>US 6¢</td>
</tr>
<tr>
<td>Low</td>
<td>$2.1 USD</td>
<td>US 11¢</td>
</tr>
<tr>
<td>Value for Money</td>
<td>$2.4 USD</td>
<td>US 13¢</td>
</tr>
<tr>
<td>Premium</td>
<td>$2.7 USD</td>
<td>US 15¢</td>
</tr>
</tbody>
</table>
Sales Volume by Price Tier

Unflavored Cigarettes
- Ultra low: 14%
- Low: 29%
- Flavored: 2%
- Value for money: 2%
- Premium: 14%

Flavored Non-Capsule Cigarettes
- Ultra low: 31%
- Low: 4%
- Flavored: 4%
- Premium: 31%

Capsule Cigarettes
- Ultra low: 2%
- Low: 2%
- Flavored: 65%
- Premium: 37%
Trends in Capsule Cigarette Market Share

Volume Share of Capsule Cigarettes Among All Flavored Sales

Volume Share of Capsule Cigarettes Among All Cigarette Sales

≈ 37.3%
Discussion
Implications

• Capsule cigarettes have a substantial market share in Mexico, with increasing popularity

• Descriptors and other product characteristics (e.g., cigarette length) might be used to increase the appeal & target particular populations

• Policymakers should consider:
  – banning capsules & flavors for cigarettes including concept flavor descriptors
  – regulating the appearance and design of tobacco products by adopting plain and standardized packaging
Limitations

• Product information provided by NielsenIQ might not always be complete

• Informal trade not captured

• Field audit methodology used for traditional trade is less robust than retail scanner collection for modern trade

• Findings cannot be generalized to trade channels beyond those assessed
Strengths

- Past research on capsule cigarette sales mostly cited estimates by Euromonitor Passport, based on sources such as trade associations, company research.
- Sales data collected at retail points are likely more accurate; these data showed the market share of capsule cigarettes in Mexico is 10 percentage points higher than previously reported.
Conclusions

• The expanding capsule cigarette market in Mexico led by major manufacturers is concerning, given the product’s associated misconceptions of reduced harm and greater appeal among youth.

• Our findings underline the need for enhanced regulations to address the public health threat posed by capsule cigarettes.
Thank you!

Contact

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