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BATA looks to confronts chop chop head on

British American Tobacco Australia (BATA) is considering launching a Make Your Own (MYO) cigarette brand to try and capture the growing number of illegal chop chop smokers.

BATA spokesperson Scott McIntyre said chop chop or illegal loose leaf tobacco now makes up the majority of the illegal black market and we are being forced to compete with organised crime for market share due to the government's failed excise system.

"Currently the illegal trade in Australia makes up 14.5 per cent of all tobacco consumed in Australia which is nearly 2.6 million tonnes and a big opportunity for us to steal back consumers," Mr McIntyre said.

"If we were to price the legal MYO brand competitively with chop chop then there's potential to capture a huge untapped market share of over eight per cent at the very bottom end.

"The product could be sold as very cheap loose tobacco in 100 or 25 gram packs. Smokers would then purchase a high tech cigarette making machine which would allow them to make consistently quality cigarettes in the comfort of their own home.

"To put in perspective, 100 grams of MYO would make the equivalent of 200 cigarettes while 25 grams would make 50.

"The MYO version could work out to be around \$9 a pack for 25 cigarettes. Currently the cheapest pack of 25 cigarettes is just under \$15 a pack. The MYO brand would be almost half price

"Since launching the cheapest legal pack of cigarettes over nine months ago the brand has gone on to become the fastest growing brand overall in Australia and now makes up nearly 11 per cent of all cigarettes sold."

BATA is looking to build on this brands enormous growth by trying to draw those smoking illegal chop chop back to the legal market with a high quality MYO product.

"We really don't want to be selling brands this cheap but we are being forced to due to the current tobacco excise system which is not having its intended effect," Mr McIntyre said.

"In the past, twice a year small CPI linked excise increases led to a steady decline in smoking rates.

"On top of the twice yearly increases we now have an additional 12.5 per cent tax which shocks the system and has changed smoker's behavior to the point that they're down trading to cheaper legal brands instead of quitting.

"In effect, smokers are being taxed 20 per cent a year which is actually having the opposite effect than what excise is meant to do. It's causing a race to the bottom as the legal industry has to compete with the black market as well as with each other.

"The low price segment has grown 76 per cent in five years and cigarettes between \$12 and \$15 make up 56 per cent of all legal sales.

“Smokers are literally walking into their corner store and asking for the cheapest pack available. Illegal packs of 20 cigarettes are sold for around \$8-10, they’re not plain pack compliant or have health warnings. They are smuggled from Asia and the Middle East.”

The growth in the illegal market is being driven by high excise rates. Australia has the most expensive tobacco in not only Asia Pacific but the world. Nearly 70 per cent of the cost of a pack of cigarettes is made up of government taxes.

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