



Electronic Vapor Trends

July 2014

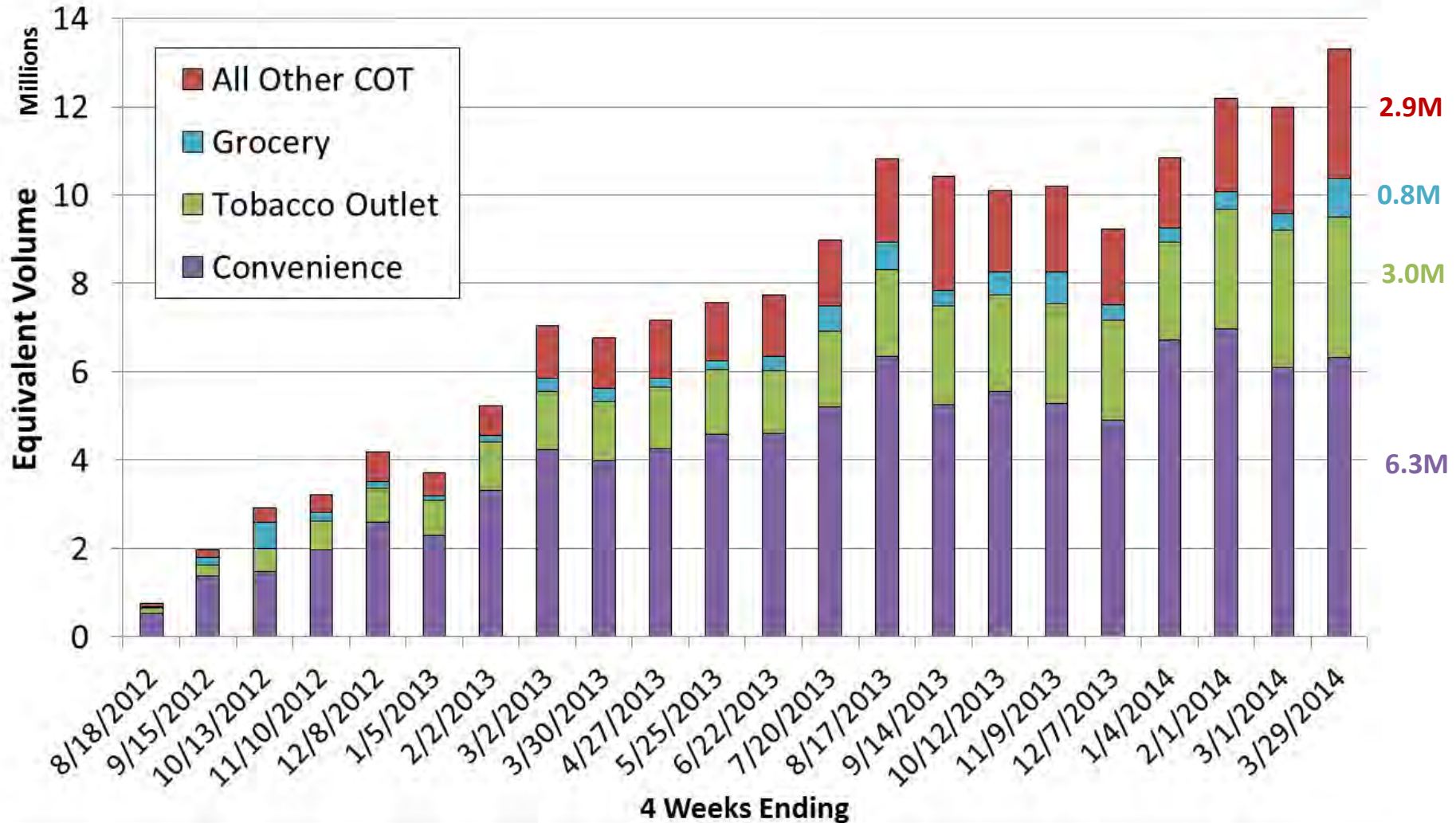


Electronic Vapor Trends

- ❖ The electronic nicotine delivery category is continuously evolving and now includes both cig-a-likes and liquids/vapors/mods products
- ❖ Measuring wholesale shipments to retail outlets, the majority of e-Vapor volume is sold through convenience stores, followed by tobacco outlets
- ❖ Since Q4 2013, liquids have been gaining some traction, accounting for at least 10% of total e-vapor volume in recent periods
- ❖ Through Q1 2014, the distribution of e-Vapor products increased to 42% of all retail outlets versus 30% year-ago
 - 62% of c-stores and 74% of tobacco outlets sell at least one e-Vapor product
 - Tobacco outlets have deeper penetration by product type than c-stores
- ❖ There is jockeying for leading brand position by both major and smaller tobacco manufacturers to capture adult consumers' initial interest and continued loyalty to their brands
- ❖ Convenience retailers can grow e-Vapor volume by stocking these top selling products, as well as considering newer entrants with attributes that would have high appeal to adult consumers in this changing and expanding category

Data Source: Wholesale shipments to retail covering all trade classes through March 29, 2014

e-Vapor Volume Trends by Trade Channel



Data Source: Wholesale shipments to retail covering all trade classes through March 29, 2014

e-Vapor Measurement

MEASUREMENT

MSA currently measures the e-Cigs industry based upon equivalent volume to understand the usage by consumers

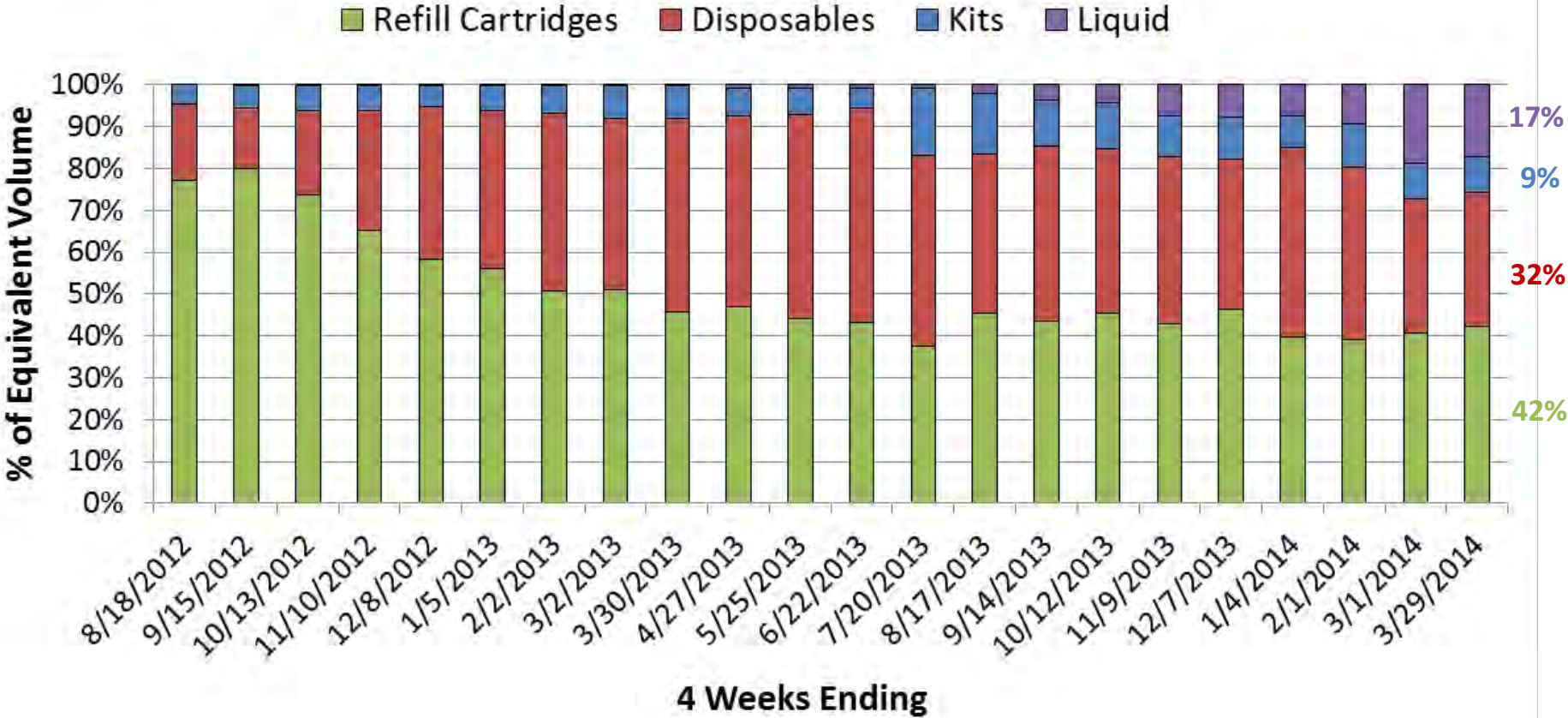
- Kits vs. refill cartridges vs. disposables vs liquids



Electronic Cigarette	Equivalent Volume Units
Kits	Number of cartridges in the consumer unit. Varies and maybe as many as 5 or more.
Refill Cartridges	Number of cartridges in the consumer unit.
Disposables	Number of cartridges in the consumer unit, typically the same as the number of sticks.
Liquid	Number of milliliters in the consumer unit.

Data Source: Wholesale shipments to retail covering all trade classes

Convenience Stores: e-Vapor Share Trends



Data Source: Wholesale shipments to retail covering all trade classes through March 29, 2014

e-Vapor Distribution Levels by Product Type

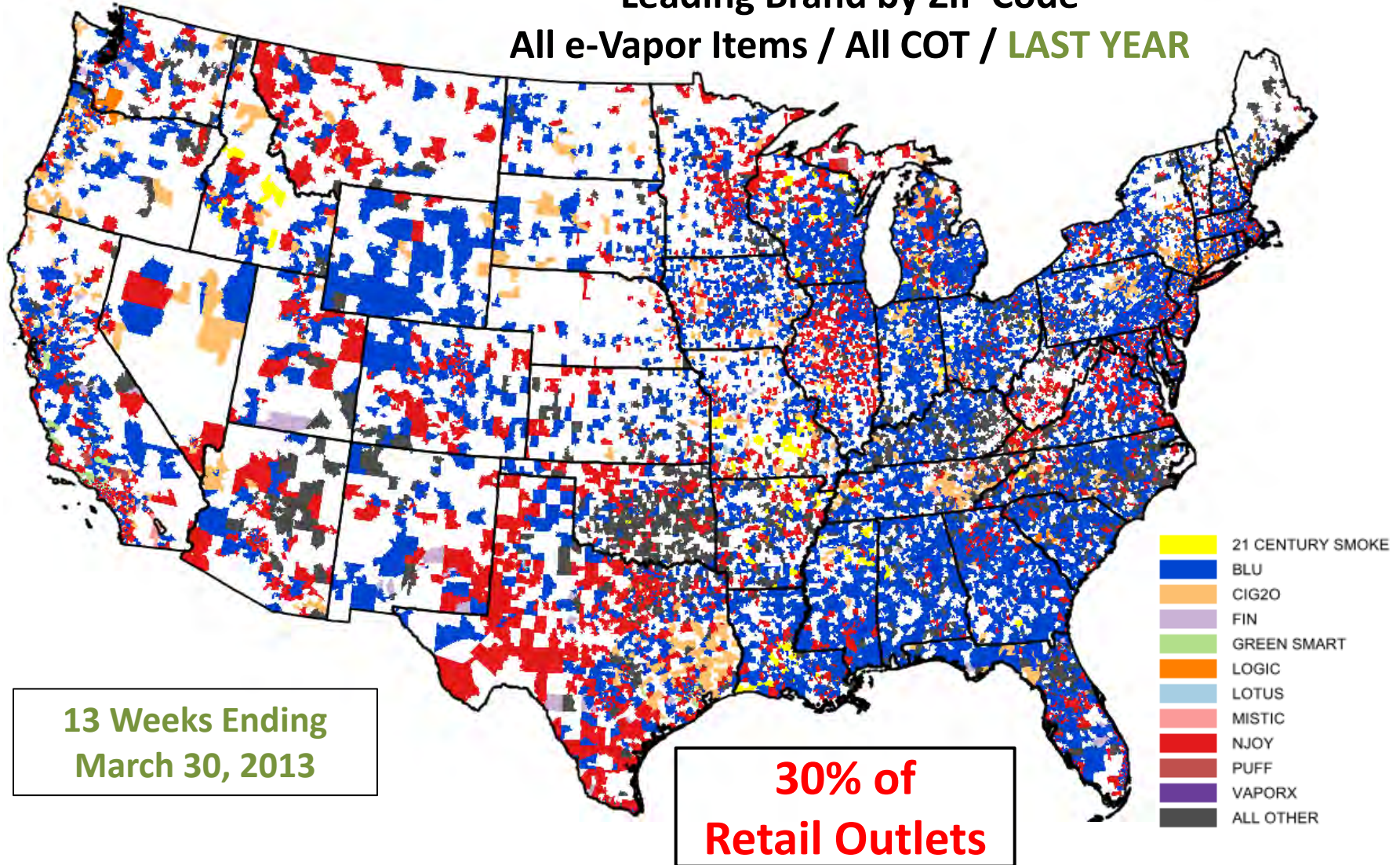
	% Stores Selling by Trade Class and Category					
	Total e-Vapor Items	Disposable	Kit	Liquid	Replacement Cartridges	AO Types
Total Retail Outlets	42%	37%	23%	2%	21%	6%
Convenience	62%	57%	34%	3%	30%	8%
Tobacco Stores	74%	65%	61%	20%	57%	26%

Data Source: Wholesale shipments to retail covering all trade classes through 13 Weeks Ending March 29, 2014

All Outlets: Leading e-Vapor Brand by Zip Code

Leading Brand by ZIP Code

All e-Vapor Items / All COT / **LAST YEAR**

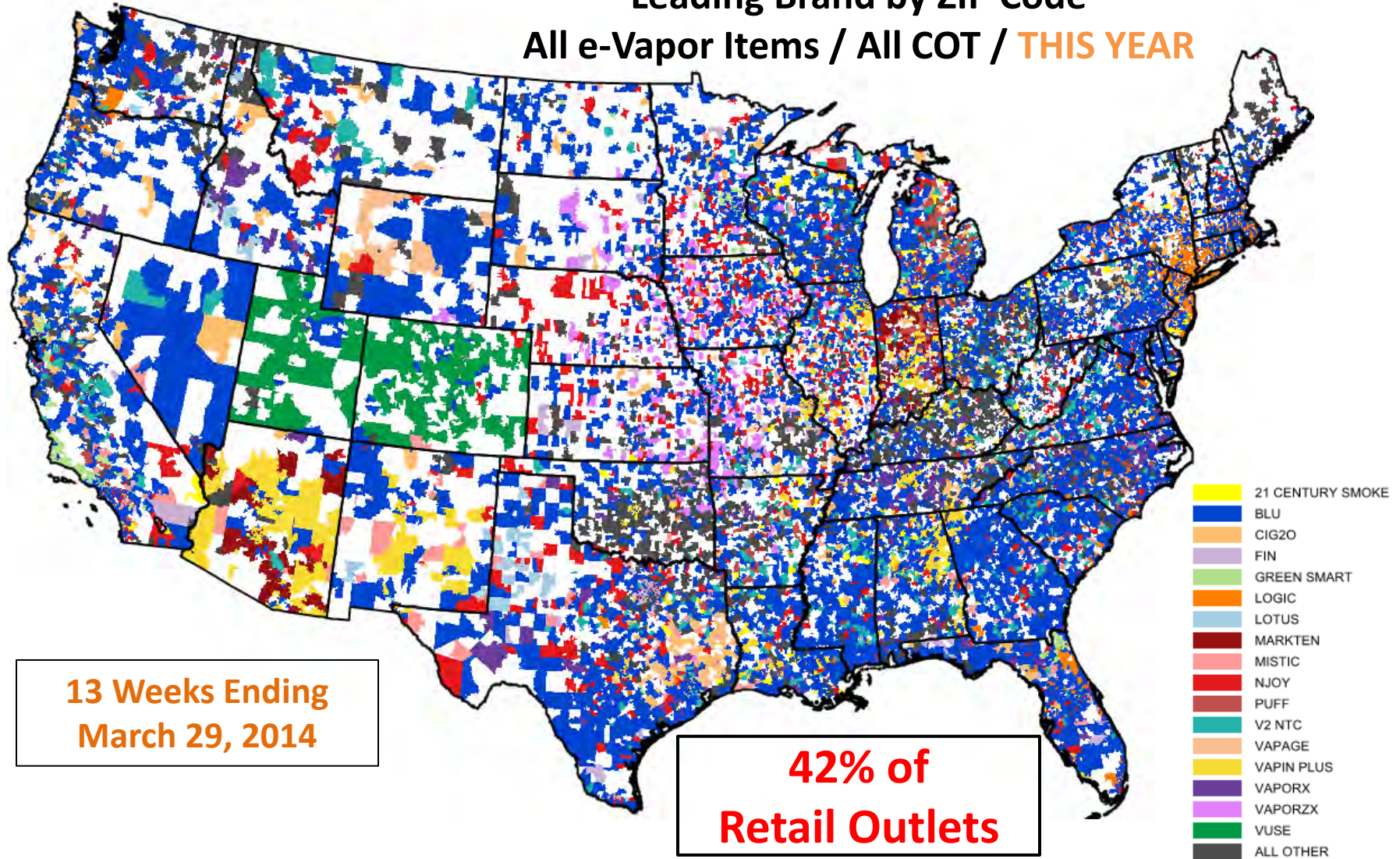


Source: Wholesale shipments to retail, ZIP's leading brand had the ZIP's highest eq. unit volume share within the 13 week period ending 3/30/2013.

All Outlets: Leading e-Vapor Brand by Zip Code

Leading Brand by ZIP Code

All e-Vapor Items / All COT / **THIS YEAR**

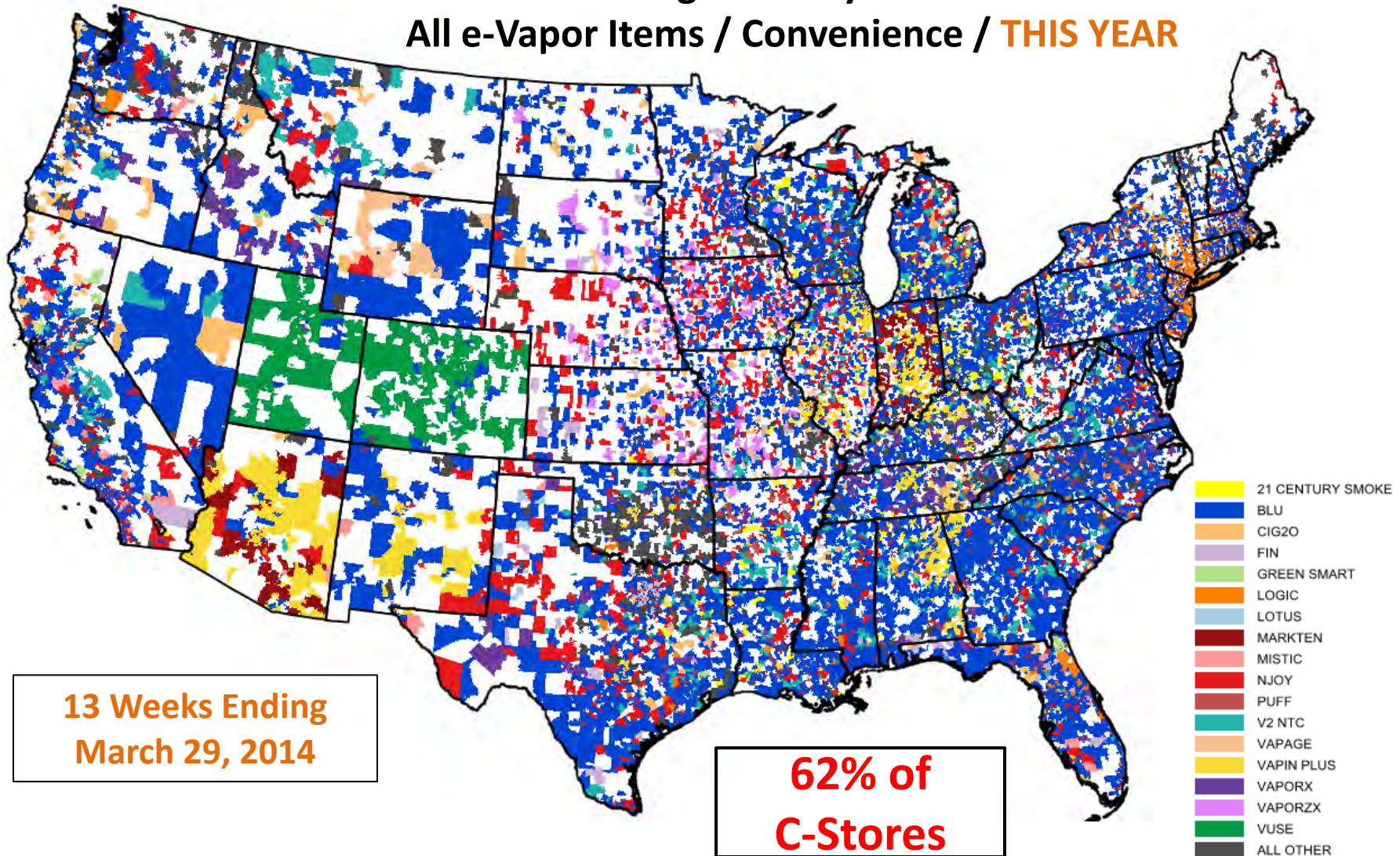


Source: Wholesale shipments to retail, ZIP's leading brand had the ZIP's highest eq. unit volume share within the 13 week period ending 3/29/2014.

C-stores: Leading e-Vapor Brand by Zip Code

Leading Brand by ZIP Code

All e-Vapor Items / Convenience / **THIS YEAR**



Source: Wholesale shipments to retail, ZIP's leading brand had the ZIP's highest eq. unit volume share within the 13 week period ending 3/29/2014.