#### **New Information on Illegal Tobacco Sales**

National Study for the Canadian Tobacco Manufacturers' Council

#### Solid and Credible Data

This year's results build on the 2006 study.

Same methodology. Same sample size. Same analysis.

- Provides year on year comparison
- Innovative design
  - Pack Swap methodology (blind concept)
- True representation
  - Over 2,000 adult smokers (19 years of age and older) across
     Canada
- High confidence
  - Sample error at 95% confidence provides a +/- 2.2% sampling error

## **Sample Sizes**

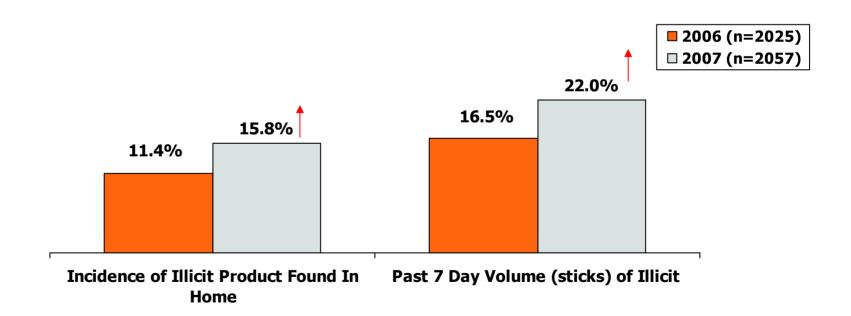
	Tailor Made 2006	Tailor Made 2007	Level of Confidence
Atlantic	146	150	+/- 8.0%
Quebec	515	520	+/- 4.3%
Ontario	729	729	+/- 3.6%
Man/Sask	133	134	+/- 8.5%
Alberta	246	246	+/- 6.2%
ВС	256	278	+/- 5.5%
TOTAL	2025	2057	+/- 2.2%

Note: Data was weighted at analysis phase for market representation.

# **Main Findings**

#### **Increase in Volume of Illegal Tobacco over 2006**

Incidence and volume of illegal tobacco is up significantly from 2006.



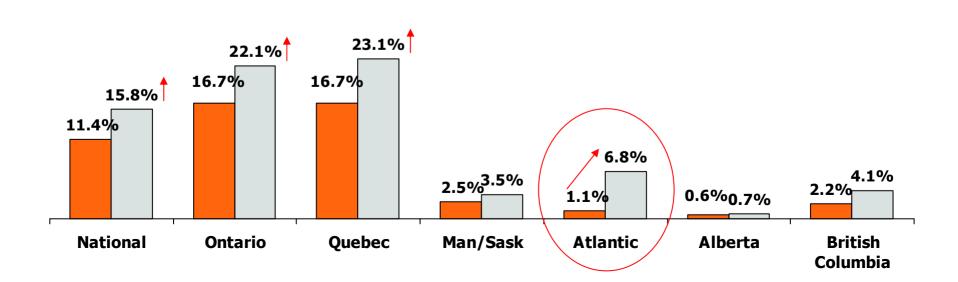
## **Incidence of Illegal Brands**

Quebec and Ontario continue to drive the illegal tobacco market.

Atlantic Canada has experienced a directional increase over last year.

■ 2006 (n=2025)

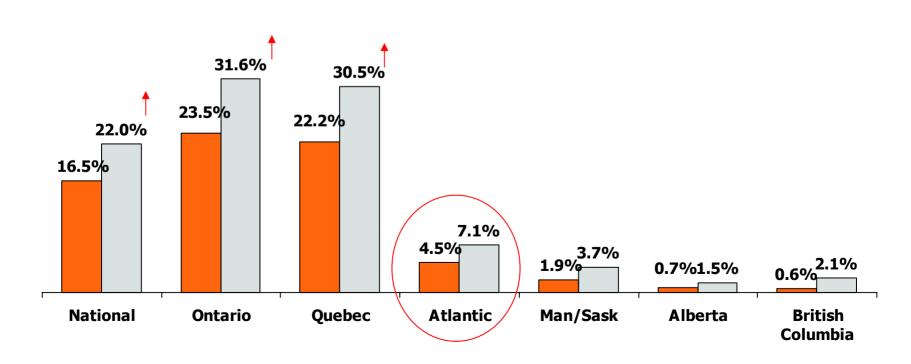
□ 2007 (n=2057)



## **Volume Highest in Ontario and Quebec**

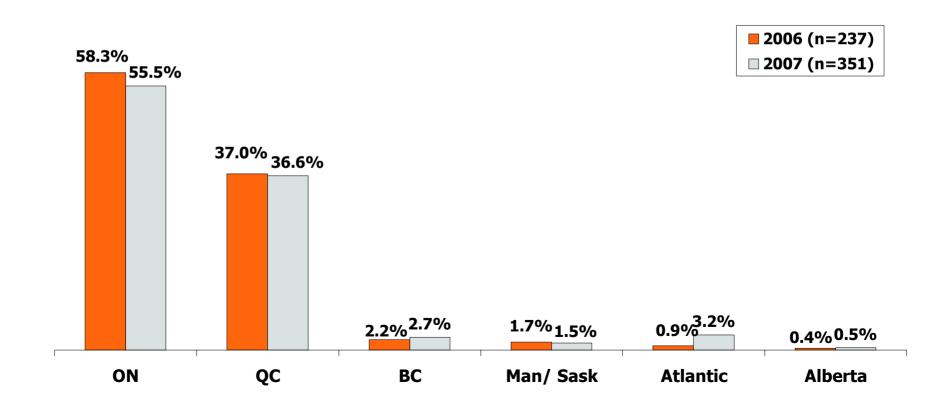
Almost one in three cigarettes purchased in Ontario and Quebec are illegal.

■ 2006 (n=2025)
□ 2007 (n=2057)



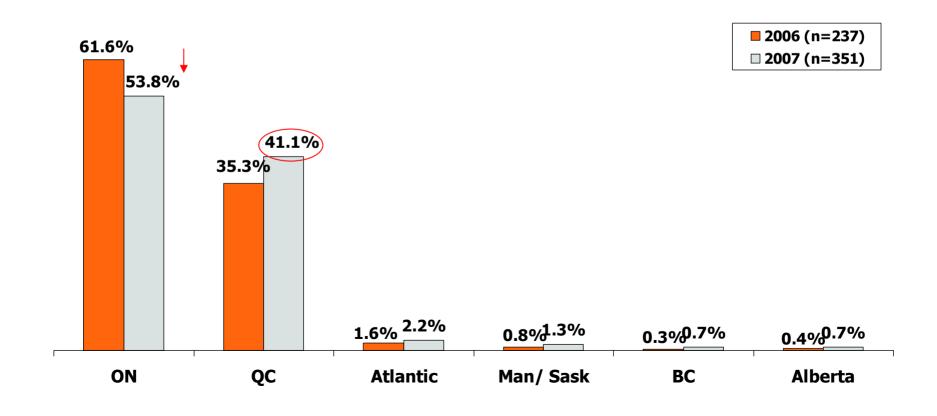
## **Provincial Distribution of Illegal Tobacco Smokers**

The majority of illicit smokers are in Ontario and Quebec with the number growing slightly in the Atlantic Provinces.



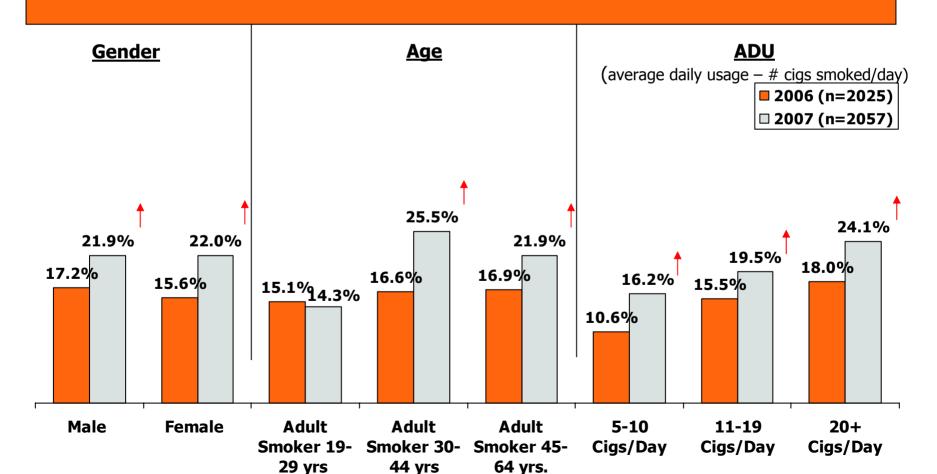
## **Provincial Distribution of Illegal Volume**

The majority (94.9%) of illicit volume is concentrated in Ontario and Quebec.



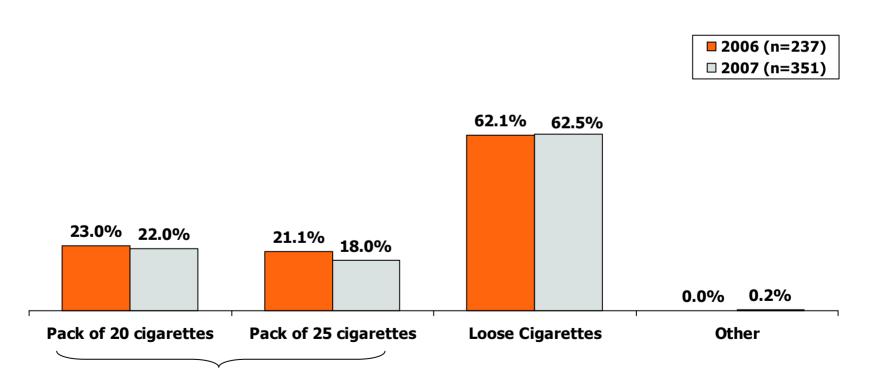
## **Profile of an Illegal Tobacco User**

Adult smokers over 30 years old and heavier smokers show higher share of volume.



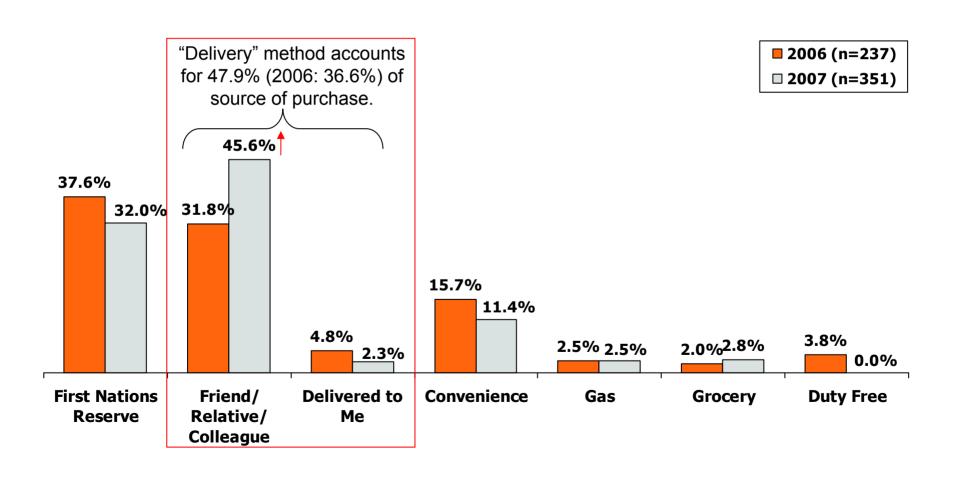
## **Pack Format of Illegal Brands**

Illegal cigarette usage clearly skews towards loose cigarettes.



Note that in this study, actual <u>cartons</u> (not loose) were recorded in their base format (20s/25s), so cartons are implicit in the 20s/25s figures above.

#### **Purchase Patterns**



## **Awareness of Illegal Brands**

- Nationally, over half (55.8%) of adult smokers are aware of at least one illegal brand.
- Awareness has significantly increased in ON, AB and Atlantic.
- ON has the highest awareness across various illicit brands.
- Of note is the higher incidence of awareness for native brands this wave in BC and Atlantic (vs. Man/Sask and AB).

#### **Something Needs to be Done Now**

What will it take for governments to take action?

- Total annual losses to government (federal and provincial) amount to \$1.6 billion.
- Cigarettes are being sold at "pocket money" prices: \$6 per illicit carton vs. \$50 - \$70 per legal carton
- The criminal networks involved in the illicit cigarette market also traffic in drugs, firearms and alcohol.

## Appendix I

#### The GfK Group:

- Founded in 1934
- 4<sup>th</sup> largest research company in the world.
- Operates in 91 countries worldwide.
- Provides market research to a vast array of clients in various sectors including packaged goods, financial, automotive, pharmaceutical and many others.

#### **Objectives**

- Establish incidence and relative share of illicit Tailor-Made (TM) cigarettes in Canada among 5+ cigarettes per day 19+ TM smokers.
- To understand consumer awareness, and purchase patterns of illicit trade.

- Definition of Illicit (in terms of the baseline study):
  - Duty Not Paid manufacturing and selling of cigarettes/tobacco from individuals who are not paying appropriate government taxes and duty.

### Methodology

- Pack Swap Methodology
  - Telephone recruit with a 30 minute in-home interview.
  - Tailor-Made (TM) smokers 19+ years of age, 5+ cigarettes per day consumption with a quota sample of Roll-Your-Own (RYO) smokers.
  - TM sample representative of age, gender, and household income.
     Distribution (random cluster sample with birthday selection process in various centres across each region).
  - Recruit and home interview was "blind", interview included questions about four household categories of which one was tobacco.
  - After the initial part of the in-home interview, respondents were invited to allow interviewers to take with them their current cigarette pack and product – along with other products. Packs/sticks/tobacco collected were forwarded to ITCAN for analysis.
  - Interviewing occurred between May 4<sup>th</sup> and June 15<sup>th</sup>, 2007.
  - NOTE: Data has been compared from 2006 where possible.