

- Global status
- UK market share
- UK market trends
- Company profiles
- UK Cigarette consumption
- Employment
- Tobacco related organisations

The UK tobacco industry

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Global status

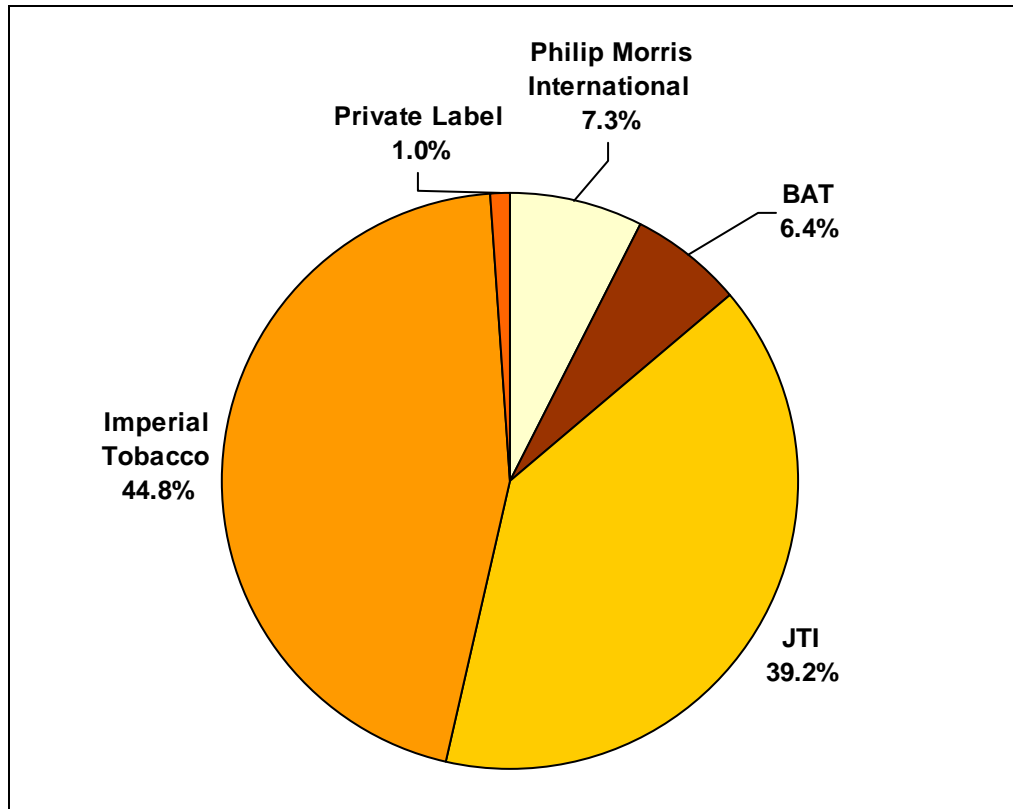
The biggest single market is China, which accounts for more than 40% of the total global market. Four tobacco companies: Philip Morris International, British American Tobacco, Japan Tobacco and Imperial Tobacco account for around 45% of the global market or 74% of the total, excluding China.¹ Two of the world's largest tobacco companies: BAT and Imperial Tobacco are based in the UK.

UK market share

Top 10 UK cigarette brands: 2010²

Rank	Brand Name	2009 Sales (£m)	Year-on-Year % change	Manufacturer
1	Lambert & Butler	1,663.3	-0.9	Imperial Tobacco
2	Mayfair	1,480.6	-2.1	Japan Tobacco Int
3	Richmond	1,439.2	-3.3	Imperial Tobacco
4	Benson & Hedges	1,005.3	-0.9	Japan Tobacco Int
5	Sterling	896.2	38.0	Japan Tobacco Int
6	Marlboro	880.5	-1.8	Philip Morris
7	Silk Cut	592.2	-0.8	Japan Tobacco Int
8	John Player Special Silver	444.9	99.2	Imperial Tobacco
9	Windsor Blue	435.1	68.3	Imperial Tobacco
10	Superkings	381.9	-10.9	Imperial Tobacco

The total value of tobacco sales in the UK in 2010 was £12.8 billion.²



UK market share (monthly aggregated total) to Feb. 2009³

UK market trends

The cigarette and tobacco market in the United Kingdom is dominated by two firms, Imperial Tobacco and Gallaher (now owned by Japan Tobacco International), who between them control around 85% of the market. British American Tobacco (BAT) manufactures cigarettes in the UK but sells most of them abroad.

During 2010 sales of cigarettes (by value) rose by 4.3% to £11.3bn although the number of cigarettes sold fell by 2.4%. Sales of hand-rolled tobacco rose by 18.2% to £1.2bn. Cigar sales declined by 5.4% to just under £300m.² In recent years there has been a significant rise in sales of economy-priced cigarettes. In 2010 cheaper brands made up more than 25% of cigarettes sold in the UK, compared to 11.4% in 2008.²

Since 1990, there has been an increase in the proportion of smokers using hand-rolled tobacco (HRT) In 2009, around 3 in 10 smokers reported mainly smoking hand-rolled cigarettes.⁴ HM Revenue & Customs estimates that about half of all HRT smoked in the UK is smuggled, compared to around 60% in 2004-05.⁵ The legitimate, tax-paid market is dominated by five brands which comprise over 90% of legal sales.

Market share of Hand-Rolling Tobacco: 2010 ^{6 2}

Brand Name	% share of UK HRT market ⁶	Sales £m 2010	Year-on-year % change	Manufacturer
Golden Virginia	41.7	433.8	3.0	Imperial
Amber Leaf	26.2	326.9	30.6	JTI
Cutter's Choice	9.0	120.3	35.7	BAT
Drum	8.8	112.1	2.7	Imperial
Old Holborn	4.7	48.9	47.9	JTI

Company profiles

Imperial Tobacco Group Plc

Imperial Tobacco is the fourth largest global tobacco company. In 2010, Imperial had a 45% share of the UK cigarette market. Imperial now leads the UK market in cigarette, hand rolling tobacco and rolling papers. In 2010 the company reported overall operating profits of £2,528m.⁷ The company operates in over 160 markets with 60% of its products sold in the 'emerging markets of Africa, Middle East and Eastern Europe, and 40% in the 'mature markets' of Western Europe and USA.

In 1997 Imperial Tobacco bought Rizla, the hand-rolling cigarette paper company. In 2002 it acquired the German tobacco company Reemtsma. Imperial also has a 43% stake in the Swedish snuff producer, Skruf, and in 2008 completed its acquisition of the French-Spanish tobacco company Altadis.

Japan Tobacco International

Japan Tobacco International acquired Gallaher, the UK's third largest tobacco company, in 2007. JTI is the world's third largest international tobacco company. Brands include Mild Seven and the former RJ Reynolds brands, Winston and Camel. In 2010 JTI sold 586.8 billion cigarettes resulting in an operating income of 249.9 bn yen (a 26% decline on the previous year).⁸

In 2006, the last full year in which Gallaher operated as an independent company, Gallaher's share of the UK cigarette market was 38.7%. (Under JTI it now stands at 39%).⁸ During the 1990s Gallaher increased international sales in central and eastern Europe through its acquisition of Austria Tabak and Liggett-Ducat. In March 1999, Gallaher acquired the UK business of RJ Reynolds from RJR-Nabisco Corporation and acquired the UK distribution rights to Camel and More. International sales accounted for 90% of Gallaher's sales in 2006, up from 38% in 1998.⁹

In 1999, JTI bought the international tobacco operations of RJ Reynolds. JTI earned US\$10.6 billion during the year ending December 2008 from sales of 452 billion cigarettes.¹⁰ Formerly a state-owned company, Japan Tobacco was privatised in 1985 and since then has diversified into pharmaceuticals and food production.¹¹

British American Tobacco (BAT)

British American Tobacco is the second largest tobacco company in the world (excluding China), operating in more than 180 countries.¹² The company is based in the UK but has just 6.4% of the UK market.² Most of BAT's global tobacco activities outside the USA, Brazil and Germany are controlled by BAT in the UK. Global cigarette brands include Dunhill, Kent, Pall Mall and Lucky Strike. In 2010, BAT produced 708 bn cigarettes worldwide (down from 907 billion in 2009) and reported an operating profit of £4,984 million (up 12%).

In 2008 BAT acquired the Turkish tobacco company Tekel for \$1.72 billion which has an overall market share of 36%.¹³

BAT also acquired Skandinavisk Tobakskompagni A/S (ST) in 2008. ST produces both cigarettes and snus (smokeless tobacco) and accounts for 60% of cigarette sales in Scandinavia. The acquisition includes a 100% stake in snus manufacturers Fiedler & Lundgren AB.¹³

BAT, principally through its former US subsidiary Brown & Williamson, has been the subject of thousands of product liability cases for a number of years. However BAT has now been dropped from a racketeering lawsuit following a ruling by the US Supreme Court that the United States is restricted from seeking liability from "what is essentially foreign activity".¹⁴ As at 31 December 2010 the company had active claims filed against it in 22 countries.¹²

Philip Morris International

PMI is the largest tobacco company in the world (excluding the Chinese tobacco industry) and produces the worlds' leading brand, Marlboro. Although operating globally, about half of PMI's operating profit comes from just five markets: Italy, Japan, Germany, Russia and Indonesia.¹⁵ PMI has a 7.3% share of the UK market. In 2008 Altria, the parent group of Philip Morris, split its tobacco operations. The spin off means that Altria retains control of Philip Morris in the USA while Philip Morris International (PMI) operates as a separate company in countries outside the US.

UK Cigarette Consumption

In the financial year 2009-2010, 49,097 million cigarettes were released in the UK for consumption. Of these, 44,839 million were produced in the UK and 4,258 million were imported.¹⁶

For related information on tobacco see: [ASH Essential Information: The Economics of Tobacco](#) and [ASH Essential Information: Tobacco Smuggling](#)

Employment

In the UK, the tobacco industry has been steadily reducing its workforce, largely as a result of mechanisation and rationalisation.¹⁷ One study found that of the 19,400 jobs lost between 1963 and 1985, 16,000 (82%) could be attributed to general factors such as productivity improvements.¹⁸ According to the latest official estimates, in 2009 around 5,000 people were employed in tobacco manufacturing and a further 1,000 employed in the wholesale tobacco business.¹⁹

Tobacco related organisations

- The Tobacco Manufacturers Association (TMA)** The TMA is the trade association of companies manufacturing tobacco products in the UK. Its members are the major manufacturers: British American Tobacco, Gallaher and Imperial Tobacco. The TMA provides information on subjects related to tobacco and plays a role on behalf of its members in discussions with the Government on matters such as tobacco taxation.
- Tobacco Retailers Alliance** The Tobacco Retailers Alliance is a campaigning group operating on behalf of retailers who sell tobacco products. The TRA is funded by the Tobacco Manufacturers Association which in turn is funded by the tobacco companies.
- Freedom Organisation for the Right to Enjoy Smoking Tobacco (FOREST)** A group which aims to maintain the right of adult individuals to freedom of choice, in particular their rights to personal pursuits such as tobacco smoking. FOREST gets well over 90% of its income from the tobacco companies.
- Tobacco Workers Alliance** A group supported by the tobacco industry and trade unions which represents workers in tobacco manufacturing.

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