Imperial Tobacco Targets ASEAN to Sell More Cheap Cigarettes

Imperial Tobacco, world’s 4th largest transnational tobacco company, sold 294 billion sticks globally in 2014, and its net revenue was US$3.2 billion. Its growth brands increased by 7%. The company plans to increase tobacco sales even more globally, especially in several targeted markets. In the ASEAN region it will be targeting Cambodia, Lao PDR and Vietnam. The company plans to increase sales through strategies such as new pack designs and pricing measures.

Imperial has classified Cambodia and Vietnam as “among the world’s leading emerging markets”. In Lao PDR, Imperial already has a monopoly of the market controlling over 90 percent of market share. The table below shows clearly why Imperial is targeting these three ASEAN countries – stick sales are increasing every year and the tobacco industry is assured of profits.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cambodia</th>
<th>Lao PDR</th>
<th>Vietnam*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales (million stick)</td>
<td>Value (million USD)</td>
<td>Sales (million stick)</td>
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<tr>
<td>2009</td>
<td>6,214.00</td>
<td>73</td>
<td>3,469.00</td>
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<tr>
<td>2011</td>
<td>6,567.00</td>
<td>99</td>
<td>3,648.00</td>
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<tr>
<td>2013</td>
<td>6,903.00</td>
<td>123</td>
<td>3,858.00</td>
</tr>
<tr>
<td>2015</td>
<td>7,297.00</td>
<td>154</td>
<td>4,010.00</td>
</tr>
<tr>
<td>2018</td>
<td>7,957.00</td>
<td>220</td>
<td>4,272.00</td>
</tr>
</tbody>
</table>

*Currency exchange from VND to USD at 31 January 2015

Lao PDR
Sales of cigarette sticks in Lao PDR have been steadily increasing from 3.5 billion sticks in 2009, to 3.8 billion in 2013. It is forecast to increase to about 4.3 billion sticks in 2018. Imperial Tobacco struck a special tax deal with the government in 2001 to limit tax on tobacco products produced and sold in Lao PDR. The deal is depriving taxpayers in one of Asia’s poorest countries of tens of millions of pounds and will last for 25 years until 2026. Cigarette price in Lao PDR is cheap; especially, local brands which are sold for less than 1 USD. Tobacco tax burden1 in Lao PDR is ranked the lowest in the region. In the next five years, the tobacco industry will more than double its income, from $187m in 2013 to $424m in 2018.

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1 Tobacco tax burden in Lao PDR in 2013 amounted to 16-20% while recommended tax burden by WHO should be about 66-80%.
**Cambodia**

Cigarettes in Cambodia are cheap, and all the top five brands of cigarettes cost less than US$0.40 per pack. In 2013 the total cigarette market was valued at US$123 million. Cigarette sales are forecast to increase from 7 billion sticks in 2014, to about 8 billion sticks in 2018. The tobacco industry is forecast to double its income between 2013 and 2018, from $123m to $220m. Euromonitor International has also identified Cambodia as one of the ‘20 Markets of the Future’ that will offer the most opportunities for companies globally as it has one of the fastest growing economies among the ASEAN countries.

Imperial Tobacco has targeted Cambodia to be a growth market to expand its opportunity to make long-term share and profit growth. Imperial Tobacco’s 2014 annual report stated the importance of Cambodia, saying: "We grew volumes, share, revenue and profit following another strong performance from Fine".

**Vietnam**

Vietnam is also targeted by Imperial Tobacco as a growth market. According to Imperial Tobacco’s 2014 annual report, Bastos is doing well in Vietnam. It is an “economy” (cheap) brand, selling for about $0.52. Bastos brand is produced by Dong Nai Tobacco Company, which has a partnership with Imperial Tobacco. This brand had a market share of 9% in 2009, increasing to 10.3% in 2013.

Dong Nai Tobacco Co was ranked 3rd in Vietnam with 10% volume share in 2013. Total sticks of cigarettes is forecast to increase from 85.3 billion sticks in 2013 to 92.5 billion sticks in 2018.

**CONCLUSION and RECOMMENDATION**

The ASEAN region has about 125 million smokers. Cambodia, Lao PDR and Vietnam collectively have about 17.7 million smokers. This figure will increase in the coming years as the tobacco industry is planning to sell more cigarettes in these countries. Imperial Tobacco has stated its plan to expand tobacco market share. The profits will be made by selling more cheap cigarettes to poor people. To stop the industry from expanding in the region, the following actions are needed:

- Cancel the unfair contract with Imperial Tobacco; you can support the campaign by signing this petition: [http://chn.ge/1y4KMO4](http://chn.ge/1y4KMO4)
- Increase tobacco tax to optimum levels to make cigarettes unaffordable;
- Enact comprehensive ban on TAPS (tobacco advertising, promotions and sponsorship) – including a ban on advertising and pack display at points of sale;
- Ban the sale of single sticks and kiddie packs (less than 20 sticks)

**References:**

ASH UK, 2015, To end the unfair tax deal with Lao PDR which undermines public health, [http://chn.ge/1y4KMO4](http://chn.ge/1y4KMO4)
Chart 1: Lao Tax Department, 2014