

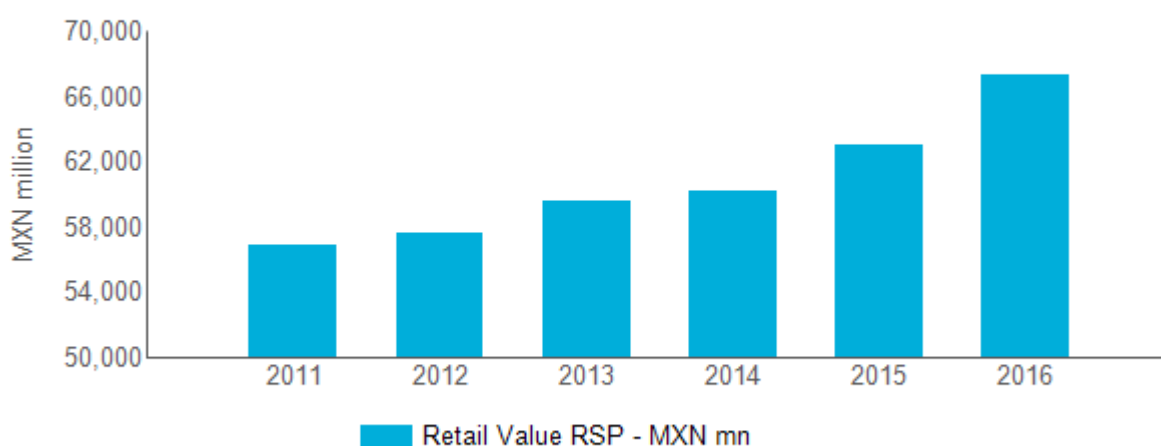
CIGARETTES IN MEXICO

26 Jul 2017

HEADLINES

- In 2016, cigarette sales post 1% growth in retail volume terms and 7% growth in current retail value terms to reach 30.6 billion sticks and MXN67.4 billion, respectively
- Flavour capsules continue to be one of the main innovation drivers
- Philip Morris Productos y Servicios S de RL de CV dominates cigarettes with a 65% retail volume share in 2016
- Cigarettes is expected to achieve a retail volume CAGR of 1% over the forecast period to reach sales of 31.7 billion sticks in 2021 as innovation and the fight against illicit trade contribute to this growth

Market Size Cigarettes - Mexico 2011 - 2016

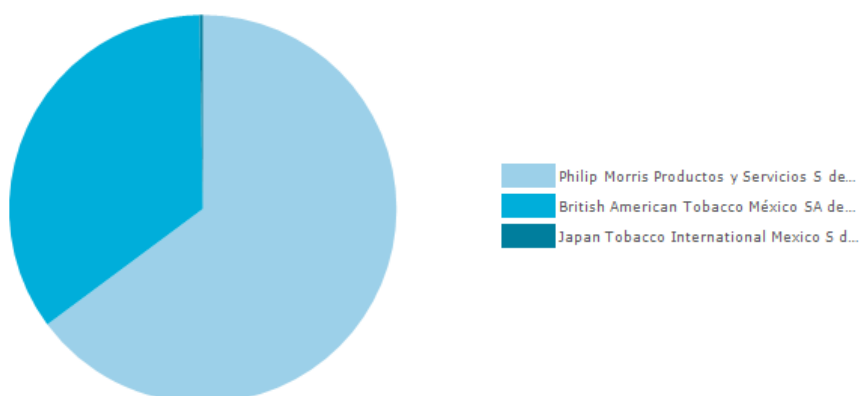


Source: Passport by Euromonitor International

COMPETITIVE LANDSCAPE

- Cigarettes in Mexico is consolidated between international companies: Philip Morris Productos y Servicios S de RL de CV, which held a 65% retail volume share in 2016, and British American Tobacco México SA de CV with a 35% retail volume share. Japan Tobacco International Mexico S de RL de CV is also present in the country through the Winston brand which accounts for a marginal retail volume share. Ciroomex, a small company with Chinese-origin capital, had some presence up to 2015, but by the end of that year its manufacturing plant closed and the company's brands left the competition. Although by the end of 2016 the Ciroomex plant reopened, it is likely that during the forecast period the company will remain focused on exporting its production more than supplying domestic demand.
- During the review period, British American Tobacco posted consistent retail volume share growth thanks to the positive performance of Pall Mall / XL and Lucky Strike which dominate its mid-priced segment. Opposite, Philip Morris started to show a falling retail volume share since 2012 impacted by the decline of cigarettes. However, in 2016, Philip Morris reversed the trend and posted a slight improvement in its retail volume share.

Company Shares (by National Brand Owner) Cigarettes - Mexico - Retail Volume - % 2016



Source: Passport by Euromonitor International

NATIONAL BRAND OWNERS AND THEIR BRANDS

Company Name (NBO)	Brand (GBO)
British American Tobacco México SA de CV	Camel (Japan Tobacco Inc), Camel Capsules (Japan Tobacco Inc), Kent White Infina (British American Tobacco Plc), Lucky Strike (British American Tobacco Plc), Montana (British American Tobacco Plc), Pall Mall / EX (British American Tobacco Plc), Pall Mall / XL (British American Tobacco Plc), Salem (Japan Tobacco Inc)
Japan Tobacco International Mexico S de RL de CV	Winston (Japan Tobacco Inc)
Philip Morris Productos y Servicios S de RL de CV	Benson & Hedges (Philip Morris International Inc), Benson & Hedges Capsules (Philip Morris International Inc), Benson & Hedges Menthol (Non-Capsule) (Philip Morris International Inc), Chesterfield (Philip Morris International Inc), Delicados (Philip Morris International Inc), Marlboro (Philip Morris International Inc), Marlboro Capsules (Philip Morris International Inc), Marlboro Gold (Philip Morris International Inc), Marlboro Menthol (Non-Capsule) (Philip Morris International Inc)

Source: Passport by Euromonitor International

DEFINITIONS AND METHODOLOGY

Cigarettes

RETAIL SALES OF DUTY PAID CIGARETTES

The definition of cigarettes for the purposes of this study is duty-paid, machine manufactured white-stick products. This does not exclude brands of cigarettes that do not use white paper but it is designed to exclude the volume of non-machine manufactured products such as bidis/beedis (India), kreteks (Indonesia), papirosy (Russia), and other smoking products made with tobacco but that either do not resemble cigarettes as recognised in the US or Europe, or those that are not machine manufactured. The exclusion of these products is intended to give a more accurate picture of the "true" market for cigarettes and cigars which has been distorted in official statistics and published reports because of the inclusion of hybrid products. NB Please note that the machine manufactured portion of kreteks in Indonesia IS included in the database proper.

DUTY-FREE sales are excluded from retail sales, as are herbal cigarettes.

ILLICIT TRADE CIGARETTES

Not included in retail sales, but split out separately in volume terms only. Defined as non-duty paid cigarettes (includes smuggled & counterfeit/fake products combined).

Legitimate cross-border sales are considered duty-paid. Sales arising from a foreign national purchasing cheaper cigarettes in bulk in a neighbouring country for personal use and exported back are attributed to the country where the purchase is made (e.g. bulk cigarette sales by British nationals in France are attributed to France).

Methodology

This report is derived from Euromonitor International's Passport information system. Industry research is carried out by a global team of more than 600 in-country analysts and is based on a core set of research techniques:

- National-level desk research, company research and analysis, store checking, trade interviewing with national players and market analysis
- International-level desk research, multinational company research and analysis, trade interviewing with international players and market analysis