Passport

CIGARETTES IN IRAN

Euromonitor International

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LIST OF CONTENTS AND TABLES

CIGARETTES IN IRAN

HEADLINES

- Cigarettes increases in volume by 7% in 2013, rising to 50 billion sticks as current value sales decline by 4% to IRR50.5 trillion
- After the sudden rise in the average unit price of cigarettes in 2012, the average unit price of cigarettes declines in current terms by 11% during 2013
- Ultra low tar cigarettes posts the highest volume growth in 2013, rising by 61%
- Iranian Tobacco Company maintains its leading position in cigarettes in 2013 with a volume share of 57%, with British American Tobacco Pars in distant second position
- Strict legislation is unable to hinder growth in cigarettes due to inadequate enforcement
- Cigarettes is set to increase in volume at a CAGR of 3% over the forecast period

TRENDS

- After the sudden jump recorded in the average unit price of cigarettes during 2012, the average unit price of the category decline substantially during 2013 as the unit prices charged for the majority of cigarette brands either remained unchanged or declined. This presented a good opportunity to the distributors of legitimate cigarettes to strengthen their positions against the illicit trade in cigarettes. Taking full advantage of the unit price decline in cigarettes, key suppliers such as BAT and JTI focused on improving their distribution and launching new products.
- The higher volume growth recorded in low tar and ultra-low tar cigarettes during 2013 was due mainly to the increasingly intense efforts of the Ministry of Health and Medical Education (MOHME) to increase public awareness of the risks and dangers of smoking through mass media promotional campaigns. This anti-smoking publicity drove Iranian smokers to switch from high tar cigarettes and mid tar cigarettes to low tar cigarettes and ultra-low tar cigarettes. In addition, more sophisticated products were introduced in low tar cigarettes and ultra-low tar cigarettes during 2013, which boosted demand.
- As the unit prices charged for the leading cigarette brands in Iran either remained static or declined, retail value sales of cigarettes declined by 4% in 2013 despite the volume growth of 7% which was recorded in the category during 2013.
- The advertising of cigarettes is totally forbidden under Iranian law. The only effective method of promotion left for cigarette producers is to focus on promotional materials in retail outlets. However, many cigarette suppliers continue to offer promotional gifts to retailers in order to encourage them to promote specific cigarette brands in spite of the fact that this activity is forbidden in Iran.
- Flavoured cigarettes are available in Iran and women represent the majority of consumers for flavoured cigarettes. Female smokers tend to appreciate the different taste of flavoured cigarettes more than male smokers. Menthol flavoured cigarettes are the most popular flavoured cigarettes in Iran. However, flavoured cigarettes remained a niche product in 2013. It is worth mentioning that products with double flavour characteristics such as cigarettes which release menthol flavour when a button on the filter is pushed continue to perform very well in Iran and these products have so far proved very popular among Iranian consumers.
- It is very important to note that average unit price of cigarettes in Iran is very low in comparison with many the average unit price in neighbouring countries such as the UAE and

Turkey and this has meant strong potential for increasing the consumer base of cigarettes in Iran as restrictively high unit prices have never been a barrier to generating higher demand. One pack of premium cigarettes through legitimate channels carried a unit price of around US$1 during 2013.

- Retail distribution is a key element in cigarettes in Iran as key multinational players such as JTI and BAT are fully dependent on wholesalers for their distribution and there are few options open to suppliers who wish to target retailers and consumers. Effective merchandising in the form of maximising shelf space and the use of permitted point-of-sale materials such as unique display stands is of maximum importance and mastery of these promotional techniques has the potential to increase sales to a great extent in small retail outlets. It is also worth mentioning that kiosks remain a key retail distribution channel for cigarettes as many Iranian smokers are accustomed to purchasing their cigarettes at the same time that they purchase their newspapers and magazines from these outlets.

COMPETITIVE LANDSCAPE

- Iranian Tobacco Co (ITC) is one of the leading state-owned tobacco monopolies in the world and all commercial activities undertaken in tobacco in Iran fall under its strict control. During 2002, the Government deregulated and liberalised tobacco in Iran and multinational tobacco companies began to enter the category. Some of them, including BAT Plc and Japan Tobacco Inc, formed agreements with ITC for the local state-owned monopoly to produce their products under licence in Iran.
- As the only domestic supplier of cigarettes in Iran, Iranian Tobacco company accounted for 57% of total cigarettes volume sales during 2013, a very strong position which left multinational companies with the remaining 43% of volume sales. Multinational brands such as Winston, Kent and Esse have recorded continuous growth in their volume shares since their launches in spite of their relatively high unit prices in comparison with domestic brands such as Tir and Zar. This was mainly the result of the considerably higher quality of these foreign brands, which encouraged many Iranian smokers to switch from domestic brands to international alternatives. However, after the sudden rise in the average unit price of cigarettes during 2012 was more severe for multinational brands such as Winston, many Iranian smokers could no longer afford to pay such high prices for international brands. These consumers continued to look for more affordable products during 2013, to the benefit of ITC.
- During 2013, British American Tobacco Pars performed very well in cigarettes in Iran as it experienced a four percentage point increase in its volume share in the category. Two cigarettes brands which enjoyed especially impressive sales during 2013 were Kent and Montana. These two brands have been among the leading international brands in cigarettes in Iran since 2003 and they each continue to enjoy a very strong positive image among Iranian consumers.
- KT&G Corp is another multinational tobacco company which enjoyed an increase in its volume share in cigarettes during the review period through its popular brands such as Esse. KT&G Corp's success in the category during the year was largely due to increased demand for low tar cigarettes and ultra-low tar cigarettes. The company's volume share increased from 1% in 2011 to 2% in 2012, remaining on 2% in 2013.
- Considering the severe restrictions which are placed on the advertising of cigarettes in Iran, the only factors which assist companies in their efforts to boost their value shares are distribution and merchandising strategies. One good example of this is British American Tobacco Pars, which has one of the strongest distribution networks of any tobacco company operating in Iran and this ensures that its key brand Kent maintains a strong presence in

nearly all relevant retail outlets. The company also employs a team of professional merchandisers who make personal visit to as many retail outlets as possible to ensure that the company's products maintain optimum visibility and are easily accessible for the majority of shoppers.

- Multinational cigarette companies are making concerted efforts to gain value share in cigarettes in Iran, particularly in mid-priced cigarettes. At the start of the review period, the majority of Iranian smokers preferred economy cigarettes; however, this changed over the course of the review period and by the end of 2013, higher quality and lower tar levels were more important demand factors in cigarettes than price positioning, a trend which is expected to continue building at an elevated level over the forecast period. The main reason for this change is the increased awareness of the harmful effects of smoking among the Iranian population.
- Despite this consumer shift away from focusing entirely or substantially on unit price, ITC continues to focus on the affordability of its products, using low unit price as a tool to maintain its competitive advantage. The company is the undisputed leader in economy cigarettes and continues to benefit from its very wide distribution network, which makes it possible to target all Iranian tobacco consumers, even those living in remote rural areas.
- Legislative restrictions have not yet led to losses for the key players in cigarettes in Iran. The leading player ITC was one of the few Iranian state-owned companies to post a significant profit during 2013, a situation which reflects a slight conflict of interest as it is the Government itself which is responsible for the creation and implementation of tobacco control and anti-smoking legislation. The key multinational companies in the category are also well aware of the fact that they are present in a relatively untapped category and that the potential for further growth is linked to the risks of increased legislative restrictions on smoking and the marketing and distribution of tobacco products.
- The use of graphic warning labels can be regarded as an example of the ineffectiveness of legislative restrictions on the sales of cigarettes in Iran. According to Iranian law, these warnings must be in a form which discourages consumers from purchasing cigarettes and that they must be changed every year. However, due to the interest of the Iranian government in the tobacco industry, this law has not been enforced particularly well. Previous versions of health warnings are still being used after three years and the new versions do not feature any graphic pictures of diseased organs, a situation which makes these health warnings even less effective than previous versions.

NEW PRODUCT DEVELOPMENTS

- There were several new launches cigarettes in Iran during 2013, with both multinational companies and small local suppliers active in this respect as they made attempts to increase their volume shares by offering new characteristics and attractive packaging. One of the most significant new products was the introduction of HD technology by BAT Pars, which was something of a breakthrough in this area. Two HD products were launched, Kent HD4 and Kent HD6, each of which has a specially designed filter which is so far unique in the category. The triple core filter of each of these two products features a small hole inside the filter with an empty space surrounding the hole. It has been claimed by BAT that this hole inside the filter guides smoke directly to the throat and thus prevents damage to the mouth and teeth. Another key characteristic of this new product is the unique size of this cigarette, which is somewhere between king size /regular and slim, which is attractive for many Iranian smokers.
- Another launch by BAT during 2013 was Pall Mall Nanokings in two tar levels. This new Pall Mall cigarette claims to make use of two new technologies: a charcoal filter; and sun ripened

tobacco. It is claimed that the use of these two new innovations minimises the harmful effects of cigarettes in comparison with rival brands. The company is also focusing on its compact and modern packaging in an attempt to convey the message that whoever smokes Pall Mall cigarettes product is a special person who is different from others. On the bottom of the packaging of all Pall Mall cigarettes it is printed ‘Pall Mall wherever special people congregate’.

- One other key event in terms of new products during 2013 was the launch of G1 Solo by Arian Tobacco Co. Arian Tobacco is a domestic company which began operating in 2010 and has seen rapid growth in its value share ever since. The company’s main brand is G1 and G1 Solo was launched in order to offer consumers a wider range of products with different tar levels and packaging. The new G1 cigarette brand does not highlight any differentiation point on the packaging except for the fact that the new brand has been produced under the supervision of TCG AG Switzerland. Mentioning the name of a European country involved in any step of production has been always a strong tool to attract consumer attention for Iranian cigarette producers and this tactic has so far been successful in terms of boosting demand for the new G1 Solo brand.
- Another key launch during 2013 was Ronhill by Iranian Tobacco Company. This new product does not convey any new message and does not promise any new innovation or technology. However, it does attempt to differentiate itself from others with its affordable unit price and its European origins. The packaging of this product states that it has been produced by TDR Croatia, although it does not states that it has been produced under license within Iran. This aims to give consumers the impression that they are purchasing and smoking European cigarettes. The similarity between its name and Dunhill is also a key selling point for this new product. British American Tobacco’s Dunhill brand has a very strong image in Iran, although the Dunhill brand is not available through legitimate channels. It cannot be denied that the name Ronhill has been chosen deliberately to take advantage of the strong image of the Dunhill brand in Iran.

Summary 1 Cigarettes: New Product Launches

Brand	Company	USP/Notes	Date
Ronhill	Iranian Tobacco Co	The new product does not convey any new message and does not promise any new innovation or technology. However, it is intended to be differentiated from other cigarette brands through its affordable unit price and its European origins. The packaging states that it is manufactured by TDR Croatia, but it does not state that it was produced inside Iran. This is to create the impression that it is a European brand.	2013
Pall Mall Nanokings	British American	The new Pall Mall cigarette claims to	2013

	Tobacco Pars	have two new technologies: a charcoal filter; and sun ripened Tobacco. It is claimed that these innovations limit the harmful effects of cigarettes. The new product also features compact and modern packaging and conveys the message that those smoking the brand are special and unique.	
Kent HDi	British American Tobacco Pars	The main advantage of the new product is its triple core technology which is claimed to decrease the harmful effects of smoking cigarettes. There is an illustration on the packaging which shows how this triple core absorbs harmful particles in three steps.	2013
G1 Solo	Arian Tobacco Co	The new G1 cigarette does not highlight any differentiation point on the packaging except for the fact that the new brand has been produced under supervision of TCG AG Switzerland.	2013
Bistoon Classic	Qeshm Tobacco Co	The new product highlights its use of American blend tobacco as its key selling point. Its super slim size is another point of differentiation as there are few brands with this characteristic in cigarettes in Iran. Its packaging is also more attractive than other domestic brands.	2013

Source: Euromonitor International from store checks

DISTRIBUTION

- Independent small grocers and newsagent-tobacconists/kiosks are the most important retail distribution channels for cigarettes in Iran. These outlets can be found in nearly all parts of the country, even in remote rural areas. Cigarettes are often sold in single sticks in most of the outlets in these channels despite this practise being officially banned, although sales in full packs are dominant. However, with the rapid modernisation of retailing in Iran, supermarkets is quickly becoming a more important retail distribution channel for cigarettes in Iran.
- Wholesale distribution systems remain of vital importance to the distribution of cigarettes in Iran. Most of the key suppliers in the category rely quite heavily on key wholesalers to ensure that their products reach consumers in Iran's remote rural areas. However, in recent years, key cigarette suppliers such as BAT have made attempts to expand their distribution networks in order to supply retailers through comprehensive distribution strategies.
- The Iranian government shows little interest in how cigarettes are distributed in the country. It does, however, regulate the outlets in which cigarettes are able to be sold, although this is not yet strictly enforced. All cigarette sellers must have an official licence from MOHME. However, since the Government is rather lax in terms of enforcing its own tobacco control laws, in practice the majority of cigarette sellers in Iran have no official permits and are not taxed by the Government. Another instance of how cigarette distribution laws are neglected is the complete ban on the sale of cigarettes through kiosks. Selling cigarettes in kiosks, however, remains a widespread practice.
- According to Iranian legislation, the only permitted point-of-sale materials for cigarettes are display stands. Only the stands of BAT, ATI and JTI were visible in key retail outlets during 2013 and other suppliers including Iranian Tobacco Company still do not use this method of promotion for their products.
- The use of point-of-sale materials, especially display stands, remains very limited in Iran and is only apparent in key supermarkets. Multinational suppliers often use trade promotions as their key marketing tool in order to increase the availability and visibility of their brands. A typical promotion in cigarettes is "buy one carton and get several packs for free". Offering lighters and similar attractive gifts are also very common promotional gambits among Iranian cigarette companies.
- There were no sales of cigarettes through vending machines in Iran at any point during the review period. Vending machines are not very common in Iran and the very few vending machines present in the country sell mainly soft drinks and hot drinks or small packaged food items such as chocolate confectionery and biscuits. There were no sales of cigarettes though vending machines in Iran at the end of the review period largely because of the difficulty this presents in terms of controlling sales of cigarettes to minors. In addition, online sales of tobacco are also prohibited in Iran. ITC is only able to provide information on its products and their specifications on its website as tobacco products cannot be purchased online.

PROSPECTS

- Over the forecast period, it is expected that ITC will provide more opportunities to key multinational suppliers for the importation and domestic production of their products in order to combat the illicit cigarette trade. An easing of government restrictions and the reduction of customs duties and import taxes are expected to be implemented in line with this policy. On the other hand, key multinational companies such as Philip Morris International which are not yet permitted to operate in Iran are expected to continue supporting the clandestine importation of their own products in a bid to force the Iranian government to issue them with permits to trade in Iran. There have also been widespread rumours about the possible entry of Philip Morris International into Iran by 2015.

- High tar cigarettes lost volume share to mid tar cigarettes and low tar cigarettes over the review period and with various anti-smoking initiatives highlighting the damage that smoking can do to one's health, low tar cigarettes and ultra low tar cigarettes are expected to continue gaining further volume share during the forecast period. The majority of cigarette manufacturers present in Iran are already focusing on catering to this shift by introducing low tar and ultra low tar versions of their existing brands. In terms of price band, a large scale shift away from economy cigarettes towards mid-priced cigarettes is likely to occur in Iran during the forecast period. This is mainly due to the fact that the availability of economy cigarettes with very low unit prices is becoming increasingly limited in retail outlets and these brands are being replaced with mid tar alternatives by retailers due to declining demand.
- Cigarettes is expected to increase in volume at a CAGR of 3% over the forecast period, a rate of growth which is set to be higher than the 1% volume CAGR recorded in the category over the review period. The main reasons for this acceleration in growth are set to be the anticipated reduction in Iran's illicit cigarette trade along with wider and more effective distribution among multinational cigarette companies.
- MOHME's anti-smoking initiatives and the increasing awareness of the harmful effects of cigarettes are set to be the main threats to growth in cigarettes in Iran over the forecast period. In addition, the level of illicit trade is also expected to have a negative effect on growth. If illicit volume sales continue to decline at the same pace as during the second half of the review period, then it is likely that there will be good opportunities for legitimate sales of cigarettes to find a significant base among current consumers of illicit cigarettes. However, if illicit sales begin to grow once again, then legal sales will be compromised.
- It is expected that the Iranian Government will make efforts to reduce the illicit cigarette trade as much as possible during the forecast period. The only way in which it will be able to reach its goals, however, will be to facilitate cigarette importation procedures and increase joint venture production. As a result, it is expected that the importation process for cigarettes will become much easier by the end of the forecast period and tobacco import taxes will be reduced even further. One potential scenario involves the entry of Philip Morris International into tobacco in Iran during the forecast period in the form of a joint venture with the Aghili Group.
- The domestic Iranian subsidiaries of large multinational tobacco companies such as BAT and Japan Tobacco Inc are expected to focus on increasing their joint venture production in Iran during the forecast period. These companies are expected to engage in attempts to minimise the illicit trade in cigarettes by working more closely with ITC in order to encourage the reduction of taxes and to facilitate increased levels of production and importation. These activities are set to result in a weakening of ITC's monopoly, which currently appears to be the main aim of the multinational players present in cigarettes in Iran.
- New launches are expected in low tar cigarettes and ultra low tar cigarettes in Iran during 2013. Multinational companies are expected to look to explore consumer tastes by introducing new innovations in terms of filters and flavours during the forecast period, although these attempts at innovation are set to be hampered to a certain extent by high unit prices. Following the successful performance of Kent's variant with a mint capsule in the filter during the review period, it is very likely that other brands will make attempts to introduce their own capsulated filters with other flavours such as lemon during the forecast period.

CATEGORY BACKGROUND

Cigarettes: Price Bands

- Cigarette price bands did not change significantly in Iran during 2013. While the unit prices charged for economy brand remained below IRR15,000, mid-priced cigarettes were usually priced between IRR15,000 and IRR20,000 per 20 sticks in 2013. Premium brands usually cost in excess of IRR30,000 per pack of 20 sticks.
- Iranian Tobacco Company remains the dominant supplier of economy cigarettes and this forms a major plank of its strategy in the category. This has left mid-priced and premium cigarettes largely to the three multinational manufacturers BAT, JTI and KT&G Corp. BAT and JTI each have a very similar pricing strategy in cigarettes in Iran. They each offer one key brand in the premium category, Winston for JTI and Kent for BAT, and one key brand in mid-price band, Magna for JTI and Montana for BAT.
- Iranian Tobacco Company offers some budget brands which are generally even cheaper than economy brands. These brands are still available in Iran's small cities and towns and remote rural areas. For instance, the Zar brand costs only IRR5,000 per pack of 20 sticks and can often be found on sale in remote northern villages. Although the consumption of budget cigarette brands has declined considerably in recent years, these brands remain the only choice available for many of Iran's lowest income consumers.
- ITC's strong supervision does not leave much room for key multinationals to manoeuvre in terms of making changes to the unit prices of their products. The effective monopoly controlled by the state-run ITC limits reductions in unit price. ITC does not tolerate any threat to its overall volume share, its economy brands or its controlling dominance of cigarettes in Iran posed by multinational players.

Summary 2 Cigarette Price Band Definitions

Price band	Price	Unit	Brand examples
Premium	Above IRR25,000	Pack of 20 sticks	Kent, Winston
Mid-priced	IRR15,000-IRR25,000	Pack of 20 sticks	Montana, Pall Mall, Magna
Economy	Below IRR15,000	Pack of 20 sticks	Farvardin, Tir

Source: Euromonitor International from company reports, store checks

Cigarettes: Tobacco Blend

- American blend is the most popular type of tobacco in Iran and accounted for almost 95% of retail volume sales in the category during 2013. The presence of other blends such as Virginia is very limited and this tobacco blend is only used in a limited number of niche brands. Leading brands such as Bahman, Winston and Kent are all produced from American blend tobacco.

Cigarettes: Standard/menthol/capsule

- Menthol cigarettes are not traditionally popular in Iran and are generally imported into the country. However, with the introduction of some new menthol brands in recent years, an increase has been recorded in the consumption of these types of cigarettes. Young men and young women are the main consumers of menthol cigarettes in Iran and increasing demand led to the proportion of total volume sales of cigarettes accounted for by menthol cigarettes rising from 1% in 2000 to 7% in 2013.

- Some new menthol cigarettes were launched in Iran during 2013, including Esse and Winston. Demand for menthol cigarettes is increasing in Iran and volume sales are expected to rise gradually over the forecast period. Following the trends which began building during the review period, many cigarette manufacturers are expected to add menthol cigarettes to their product portfolios during the forecast period.

Flavour threads

- The only cigarettes brands offered with flavour capsules in Iran are Kent Vertibles, which are also known as Kent Power. This product has been offered in low tar and mid tar variants since being launched in 2011. Kent Vertibles feature a button on the filter which releases a menthol flavour at any time during the smoking of the cigarette. After the successful performance of this brand in Iran, it is expected other manufacturers will launch similar flavour capsule cigarette brands during the forecast period.

Cigarettes: Filter/non-filter

- Nearly all of the cigarettes available in Iran are filtered and there was no significant demand for unfiltered cigarettes during 2013. Iranian smokers prefer cigarettes with filters as they believe these have a better taste and are less damaging to their health.
- During 2013, filtered cigarettes accounted for 99% of total cigarettes volume sales in Iran. The majority of unfiltered cigarettes available in Iran are offered under very cheap brands. The volume share of unfiltered cigarettes is not expected to increase in Iran over the forecast period and it is set to become increasingly difficult to find unfiltered cigarettes in Iran.

Cigarettes: Carbon/standard Filter

- Cigarettes with carbon filters are not widely available in Iran .One of the few cigarette brands to offer carbon filters is Kent, which is distributed by British American Tobacco. During 2013, carbon filters accounted for a low proportion of cigarettes volume sales in Iran.
- Cigarettes featuring innovative filters can be more easily found among illicit products. One of the few brands with carbon filters is Marlboro Filter Plus. The presence of carbon filters is expected to increase in cigarettes in Iran over the forecast period. The numerous anti-smoking initiatives being conducted by the Iranian government are set to lead to carbon filters becoming more popular as they are perceived as being healthier than regular filters, thus leading to expanding demand for these products during the forecast period.

Cigarettes: Filter Length

- King size/regular is the most popular cigarette length in Iran and accounted for 80% of total cigarettes volume sales in Iran during 2013. Superking/long and short cigarettes accounted for 7% and 13% of cigarette volume sales, respectively, during 2013.
- King size/regular cigarettes are set to continue dominating volume sales of cigarettes in Iran over the forecast period. There were no changes or obvious trends seen to develop in the category over the review period which would indicate any imminent switch in filter length in cigarettes in Iran.

Cigarettes: Regular Vs Slims Vs Superslims Vs Microslims

- Slim and superslim cigarettes accounted for 20% of total cigarettes volume sales in Iran during 2013. Previously, the importation of slim cigarettes was strictly forbidden by the Iranian government. However, during 2009 BAT began importing Nanotech slim cigarettes, which was followed by Winston superslims during 2010. These launches show that the regulation of slim cigarettes has changed in recent years and this opens up the possibility of further growth in sales of slim and superslim cigarettes in Iran during the forecast period. During 2013, all of the key multinational brands in cigarettes offered their own slim variants in Iran, with leading brands including Kent, Winston, Magna, Montana, Pall Mall.
- In addition, the lower tar intake which is associated with slim/superslim cigarettes is very attractive for those Iranian smokers who are concerned with the harmful effects of smoking and this boosted the performance of slim/superslim cigarettes towards the end of the review period.
- The main consumers of slim cigarettes in Iran are younger smokers and women. With the increased awareness among consumers of the adverse health effects of smoking, the popularity of slim/superslim cigarettes is expected to grow over the forecast period. Many Iranian consumers are likely to shift from regular cigarettes to slim/superslim cigarette brands over the course of the forecast period.
- Superslim products are still relatively new to Iran market and there were three variants of Winston (low tar, ultra low tar and menthol low tar launched in 2010 alone. As a result, sales of superslim cigarettes were much lower than slim cigarettes at the end of the review period. However, superslims maintains strong growth potential for the forecast period due to the strong increase in demand for superslims being noted among young male and female consumers.

Cigarettes: Pack Size

- The standard cigarette pack size in Iran is 20 sticks and this is used primarily by the leading player ITC. Other pack sizes were found only rarely in retail outlets during the review period and accounted for only 1% of cigarettes volume sales during 2013.

Cigarettes: Pack Type

- During 2013, flip-top (folding cartons) packaging accounted for a 76% of cigarettes volume sales in 2013, with soft pack (paper-based) packaging accounting for the remaining 24% share. Other pack types are very rare in cigarettes in Iran.

CATEGORY DATA

Table 1 Sales of Cigarettes by Tar Level: Volume 2008-2013

million sticks

	2008	2009	2010	2011	2012	2013
High Tar Cigarettes	14,945.0	14,816.0	9,422.0	11,006.0	11,750.0	11,110.0
Mid Tar Cigarettes	26,515.0	27,164.0	19,019.0	22,858.0	24,910.0	25,503.0
Low Tar Cigarettes	4,821.0	5,433.0	4,886.0	6,350.0	7,520.0	9,343.0
Ultra Low Tar Cigarettes	1,928.0	1,976.0	1,570.0	2,117.0	2,820.0	4,545.0
Cigarettes	48,209.0	49,389.0	34,897.0	42,331.0	47,000.0	50,501.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 2 Sales of Cigarettes by Tar Level: Value 2008-2013

IRR billion

	2008	2009	2010	2011	2012	2013
High Tar Cigarettes	3,635.3	4,000.3	2,772.9	4,534.7	10,201.4	9,966.8
Mid Tar Cigarettes	7,039.4	8,149.2	6,276.3	11,314.7	29,779.9	24,850.1
Low Tar Cigarettes	1,903.0	2,444.9	2,438.1	4,911.5	9,305.2	10,338.0
Ultra Low Tar Cigarettes	838.3	988.0	872.2	1,823.0	3,370.7	5,377.2
Cigarettes	13,415.9	15,582.4	12,359.5	22,583.8	52,657.2	50,532.1

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 3 Sales of Cigarettes by Tar Level: % Volume Growth 2008-2013

% volume growth

	2012/13	2008-13 CAGR	2008/13 Total
High Tar Cigarettes	-5.4	-5.8	-25.7
Mid Tar Cigarettes	2.4	-0.8	-3.8
Low Tar Cigarettes	24.2	14.1	93.8
Ultra Low Tar Cigarettes	61.2	18.7	135.7
Cigarettes	7.4	0.9	4.8

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 4 Sales of Cigarettes by Tar Level: % Value Growth 2008-2013

% current value growth

	2012/13	2008-13 CAGR	2008/13 Total
High Tar Cigarettes	-2.3	22.3	174.2
Mid Tar Cigarettes	-16.6	28.7	253.0
Low Tar Cigarettes	11.1	40.3	443.2
Ultra Low Tar Cigarettes	59.5	45.0	541.5
Cigarettes	-4.0	30.4	276.7

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 5 Sales of Cigarettes by Price Band: % Volume Breakdown 2008-2013

% retail volume

	2008	2009	2010	2011	2012	2013
Premium	0.1	0.1	0.1	0.1	0.0	0.0
Mid-Priced	27.1	27.2	30.0	33.0	33.0	33.0
Economy	72.9	72.7	69.9	66.9	67.0	67.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 6 Sales of Cigarettes by Standard/Menthol/Capsule: % Volume Breakdown 2008-2013

% retail volume

	2008	2009	2010	2011	2012	2013
Standard (non-capsule/ non-menthol)	94.0	94.0	94.0	93.0	93.0	92.0
Menthol (non-capsule)	6.0	6.0	6.0	7.0	7.0	7.0
Flavour Capsule (all flavours)	-	-	-	-	-	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 7 Sales of Cigarettes by Tobacco Type: % Volume Breakdown 2008-2013

% retail volume

	2008	2009	2010	2011	2012	2013
American Blend	96.0	96.0	95.0	95.0	95.0	95.0
Virginia	1.0	1.0	1.0	1.0	1.0	1.0
Other Blend	3.0	3.0	4.0	4.0	4.0	4.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 8 Sales of Cigarettes by Filter vs Non-filter: % Volume 2008-2013

% retail volume

	2008	2009	2010	2011	2012	2013
Filtered	99.0	99.0	99.0	99.0	99.0	99.0
Unfiltered	1.0	1.0	1.0	1.0	1.0	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 9 Sales of Filter Cigarettes by Carbon vs Non-carbon: % Volume 2008-2013

% retail volume

	2008	2009	2010	2011	2012	2013
Carbon Filter	0.4	0.5	0.5	0.5	0.5	0.6
Non-Carbon Filter	99.6	99.5	99.5	99.5	99.5	99.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 10 Sales of Cigarettes by Length: % Volume 2008-2013

% retail volume

	2008	2009	2010	2011	2012	2013

	2008	2009	2010	2011	2012	2013
Superking/Long	5.0	5.0	6.0	6.0	6.0	7.0
King Size/Regular	84.0	83.0	82.0	81.0	81.0	80.0
Short	11.0	12.0	12.0	13.0	13.0	13.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 11 Sales of Cigarettes by Regular/Slim/Superslim/Microslim: % Volume 2008-2013

% retail volume

	2008	2009	2010	2011	2012	2013
Slim	10.0	11.0	13.0	14.5	16.0	17.0
Superslim	0.8	1.0	1.3	1.7	2.0	3.0
Microslim	-	-	-	-	-	0.2
Regular	89.2	88.0	85.7	83.8	82.0	79.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 12 Sales of Cigarettes by Pack Size: % Volume 2008-2013

% retail volume

	2008	2009	2010	2011	2012	2013
20s	100.0	100.0	100.0	100.0	100.0	100.0
50+	-	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 13 Sales of Cigarettes by Pack Type: % Volume 2008-2013

% retail volume

	2008	2009	2010	2011	2012	2013
Folding Cartons	77.3	77.3	76.4	76.4	76.4	76.4
Soft Pack (Paper-based)	22.7	22.7	23.6	23.6	23.6	23.6
Other Pack Types	-	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 14 NBO Company Shares of Cigarettes: % Volume 2009-2013

% retail volume

Company	2009	2010	2011	2012	2013
Iranian Tobacco Co	44.4	40.6	50.8	62.0	57.0
British American Tobacco Pars	4.2	4.7	6.2	8.3	12.2

Qeshm Tobacco Co	3.7	3.9	4.1	4.0	4.3
Alkouzi Ariya Alborz Co	1.9	2.1	2.5	2.6	3.8
KT&G Corp	1.1	1.2	1.1	1.8	2.3
Japan Tobacco Inc Pars	18.4	20.3	19.4	2.3	2.0
Others	26.2	27.3	15.9	19.0	18.5
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 15 LBN Brand Shares of Cigarettes: % Volume 2009-2012

% retail volume

Brand	Company	2010	2011	2012	2013
Bahman	Iranian Tobacco Co	13.7	16.3	17.1	15.6
Winston	Iranian Tobacco Co	1.8	2.3	11.1	9.6
Magna	Iranian Tobacco Co	7.5	12.5	9.5	8.5
Montana	Iranian Tobacco Co	6.2	6.3	7.8	8.3
Kent	British American Tobacco Pars	3.6	3.7	5.4	8.3
Farvardin	Iranian Tobacco Co	7.0	7.1	7.1	6.3
Tir	Iranian Tobacco Co	2.1	3.1	4.7	4.6
Bistoon	Qeshm Tobacco Co	3.9	4.1	4.0	4.3
Pall Mall	British American Tobacco Pars	1.0	1.2	2.0	2.9
Esse	Alkouzi Ariya Alborz Co	1.6	2.0	1.9	2.6
Esse	KT&G Corp	0.7	0.7	1.2	1.5
Winston	Japan Tobacco Inc Pars	19.9	18.8	1.2	1.0
Montana	British American Tobacco Pars	0.2	1.2	0.9	1.0
Magna	Japan Tobacco Inc Pars	0.4	0.5	1.1	0.9
Pine	Alkouzi Ariya Alborz Co	0.3	0.4	0.4	0.7
Pine	KT&G Corp	0.2	0.2	0.3	0.4
Zest	Alkouzi Ariya Alborz Co	0.1	0.1	0.2	0.4
Zest	KT&G Corp	0.3	0.2	0.3	0.3
Homa	Iranian Tobacco Co	0.1	0.2	0.3	0.3
Cima	Alkouzi Ariya Alborz Co	0.1	0.1	0.1	0.1
Zar	Iranian Tobacco Co	0.1	0.1	0.1	0.1
Day	Iranian Tobacco Co	-	-	-	-
Dunhill	British American Tobacco Pars	-	-	-	-
Others		29.4	18.8	23.4	22.2
Total		100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 16 Sales of Cigarettes by Distribution Format: % Volume 2008-2013

% retail volume

	2008	2009	2010	2011	2012	2013
Store-Based Retailing	100.0	100.0	100.0	100.0	100.0	100.0
- Grocery Retailers	100.0	100.0	100.0	100.0	100.0	100.0
-- Convenience Stores	-	-	-	-	-	-
-- Discounters	-	-	-	-	-	-
-- Forecourt Retailers	-	-	-	-	-	-
-- Hypermarkets	-	-	-	-	-	-

-- Supermarkets	8.5	8.9	9.0	10.0	11.5	12.0
-- Food/drink/tobacco specialists	1.5	2.0	2.5	3.0	2.5	2.5
--- Food/drink specialists	-	-	-	-	-	-
--- Tobacco specialists	1.5	2.0	2.5	3.0	2.5	2.5
-- Independent Small Grocers	38.0	38.0	37.5	37.0	37.0	37.5
-- Other Grocery Retailers	52.0	51.1	51.0	50.0	49.0	48.0
--- Newsagent-tobacconists/kiosks	44.0	43.5	43.0	42.0	41.5	41.0
--- Street vendors	8.0	7.6	8.0	8.0	7.5	7.0
- Non-Grocery Retailers	-	-	-	-	-	-
-- Department Stores	-	-	-	-	-	-
-- Parapharmacies/ Drugstores	-	-	-	-	-	-
-- Other Non-Grocery Retailers	-	-	-	-	-	-
Non-Store Retailing	-	-	-	-	-	-
- Vending	-	-	-	-	-	-
- Internet Retailing	-	-	-	-	-	-
Non-retail channels	-	-	-	-	-	-
- Bar-tobacconists	-	-	-	-	-	-
- Hotels/restaurants/bars	-	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 17 Production, Imports and Exports of Cigarettes: Total Volume 2008-2013

Million sticks

	2008	2009	2010	2011	2012	2013
Cigarettes – Production	13,000.0	28,700.0	29,800.0	28,990.0	39,000.0	40,500.0
Cigarettes – Import	35,209.0	20,688.0	5,097.0	13,340.0	8,000.0	10,000.0
Cigarettes – Export	-	695.0	86.0	262.0	-	-

Source: Euromonitor International from GTIS, official statistics, trade associations, trade press, trade interviews
Note: '-' indicates data not available

Table 18 Forecast Sales of Cigarettes by Tar Level: Volume 2013-2018

million sticks

	2013	2014	2015	2016	2017	2018
High Tar Cigarettes	11,110.0	10,738.9	10,389.9	10,078.2	9,785.9	9,511.9
Mid Tar Cigarettes	25,503.0	25,416.3	25,482.4	25,706.6	26,015.1	26,379.3
Low Tar Cigarettes	9,343.0	10,408.1	11,573.8	12,823.8	14,131.8	15,502.6
Ultra Low Tar Cigarettes	4,545.0	5,294.9	6,052.1	6,802.6	7,513.4	8,230.4
Cigarettes	50,501.0	51,858.2	53,498.2	55,411.2	57,446.2	59,624.3

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 19 Forecast Sales of Cigarettes by Tar Level: Value 2013-2018

IRR billion

	2013	2014	2015	2016	2017	2018
High Tar Cigarettes	9,966.8	8,776.5	7,811.9	7,001.7	6,315.9	5,709.4
Mid Tar Cigarettes	24,850.1	22,289.1	20,157.0	18,423.0	16,947.4	15,672.4
Low Tar Cigarettes	10,338.0	10,387.9	10,477.1	10,796.0	11,302.4	11,902.8
Ultra Low Tar Cigarettes	5,377.2	5,825.9	6,259.5	6,648.7	7,027.7	7,390.4
Cigarettes	50,532.1	47,279.4	44,705.5	42,869.4	41,593.4	40,675.0

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 20 Forecast Sales of Cigarettes by Tar Level: % Volume Growth 2013-2018

% volume growth

	2017/18	2013-18 CAGR	2013/18 Total
High Tar Cigarettes	-2.8	-3.1	-14.4
Mid Tar Cigarettes	1.4	0.7	3.4
Low Tar Cigarettes	9.7	10.7	65.9
Ultra Low Tar Cigarettes	9.5	12.6	81.1
Cigarettes	3.8	3.4	18.1

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 21 Forecast Sales of Cigarettes by Tar Level: % Value Growth 2013-2018

% constant value growth

	2013-18 CAGR	2013/18 TOTAL
High Tar Cigarettes	-10.5	-42.7
Mid Tar Cigarettes	-8.8	-36.9
Low Tar Cigarettes	2.9	15.1
Ultra Low Tar Cigarettes	6.6	37.4
Cigarettes	-4.2	-19.5

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 22 Forecast Sales of Cigarettes by Price Band: % Volume Breakdown 2013-2018

% retail volume

	2013	2014	2015	2016	2017	2018
Premium	0.0	0.1	0.1	0.1	0.1	0.1
Mid-Priced	33.0	33.0	33.0	33.0	33.0	34.0
Economy	67.0	66.9	66.9	66.9	66.9	65.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 23 Forecast Sales of Cigarettes by Standard/Menthol/Capsule: % Volume Breakdown 2013-2018

% retail volume

	2013	2014	2015	2016	2017	2018
Standard (non-capsule/ non-menthol)	92.0	91.0	90.0	88.0	87.0	86.0
Menthol (non-capsule)	7.0	8.0	9.0	10.0	11.0	12.0
Flavour Capsule (all flavours)	1.0	1.0	1.0	2.0	2.0	2.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 24 Forecast Sales of Cigarettes by Tobacco Type: % Volume Breakdown 2013-2018

% retail volume

	2013	2014	2015	2016	2017	2018
American Blend	95.0	95.0	95.0	95.0	94.0	95.0
Virginia	1.0	1.0	1.0	1.0	1.0	1.0
Other Blend	4.0	4.0	4.0	4.0	5.0	4.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 25 Forecast Sales of Cigarettes by Filter vs Non-filter: % Volume 2013-2018

% retail volume

	2013	2014	2015	2016	2017	2018
Filtered	99.0	99.0	99.0	99.0	99.0	99.0
Unfiltered	1.0	1.0	1.0	1.0	1.0	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 26 Forecast Sales of Filter Cigarettes by Carbon vs Non-carbon: % Volume 2013-2018

% retail volume

	2013	2014	2015	2016	2017	2018
Carbon Filter	0.6	0.6	0.6	0.6	0.6	0.8
Non-Carbon Filter	99.4	99.4	99.4	99.4	99.4	99.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 27 Forecast Sales of Cigarettes by Length: % Volume 2013-2018

% retail volume

	2013	2014	2015	2016	2017	2018
Superking/Long	7.0	7.0	5.0	5.0	4.0	4.0

King Size/Regular	80.0	79.0	81.0	81.0	80.0	79.0
Short	13.0	14.0	14.0	14.0	16.0	17.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 28 Forecast Sales of Cigarettes by Regular/Slim/Superslim/Microslim: % Volume 2013-2018

% retail volume

	2013	2014	2015	2016	2017	2018
Slim	17.0	18.0	19.0	20.0	22.0	23.0
Superslim	3.0	4.1	4.4	5.0	6.0	8.0
Microslim	0.2	0.2	0.3	0.3	0.4	0.4
Regular	79.8	77.7	76.3	74.7	71.6	68.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 29 Forecast Sales of Cigarettes by Pack Size: % Volume 2013-2018

% retail volume

	2013	2014	2015	2016	2017	2018
20s	100.0	100.0	100.0	100.0	100.0	100.0
50+	-	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 30 Forecast Sales of Cigarettes by Pack Type: % Volume 2013-2018

% retail volume

	2013	2014	2015	2016	2017	2018
Folding Cartons	76.4	76.4	76.4	76.4	76.2	77.0
Soft Pack (Paper-based)	23.6	23.6	23.6	23.6	23.8	23.0
Other Pack Types	-	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources