
Illegal Tobacco Sales: A Crisis for Canadians

**National Study for the
Canadian Tobacco Manufacturers' Council**



Sound and Proven Year-over-Year Data

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This is the only national study that measures just how big the problem of illegal tobacco sales is in Canada.

- Findings provide a three-year trend for illegal tobacco incidence and share of purchase volume
- 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

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	Tailor Made 2006	Tailor Made 2007	Tailor Made 2008
Atlantic	146	150	155
Quebec	515	520	522
Ontario	729	729	722
Man/Sask	133	134	136
Alberta	246	246	242
BC	256	278	269
TOTAL	2025	2057	2046

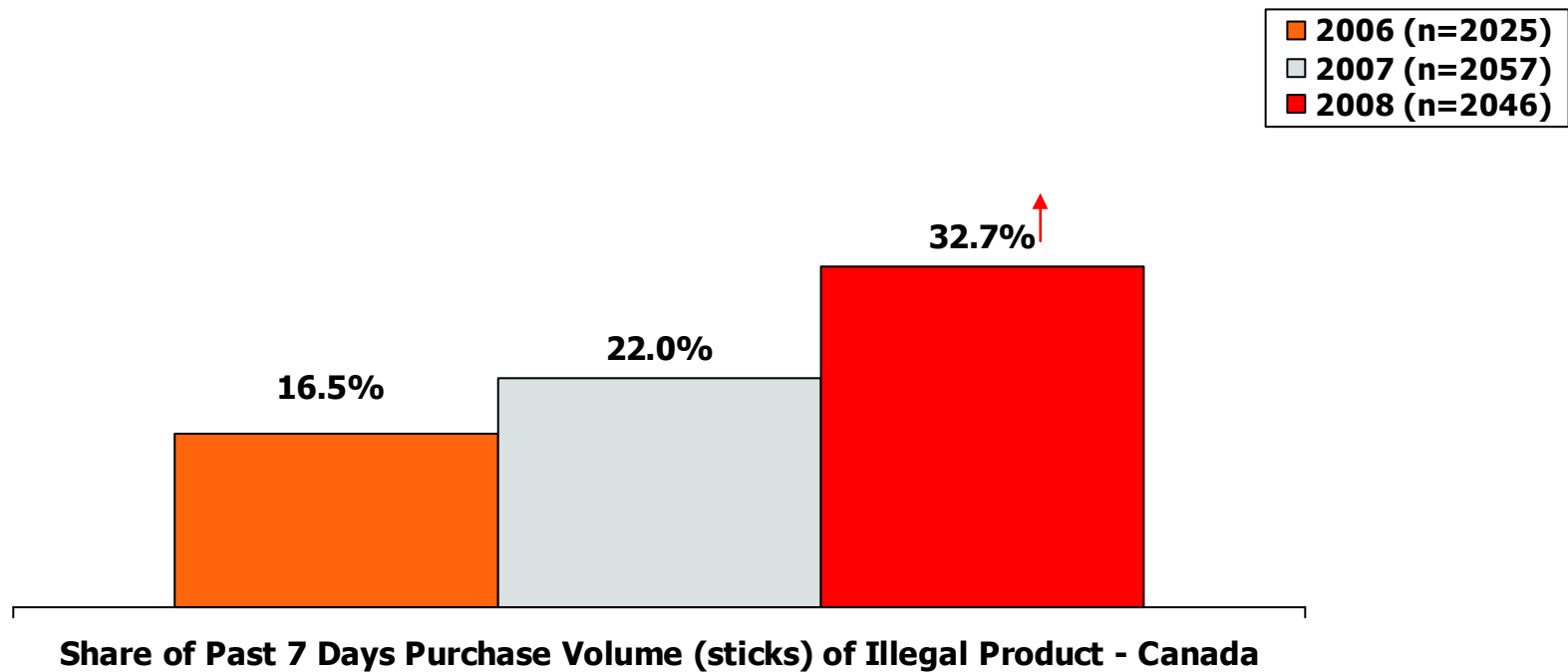
Note: Data was weighted at analysis phase for market representation derived from Statistic Canada.

Main Findings

The Problem is Out-of-Control

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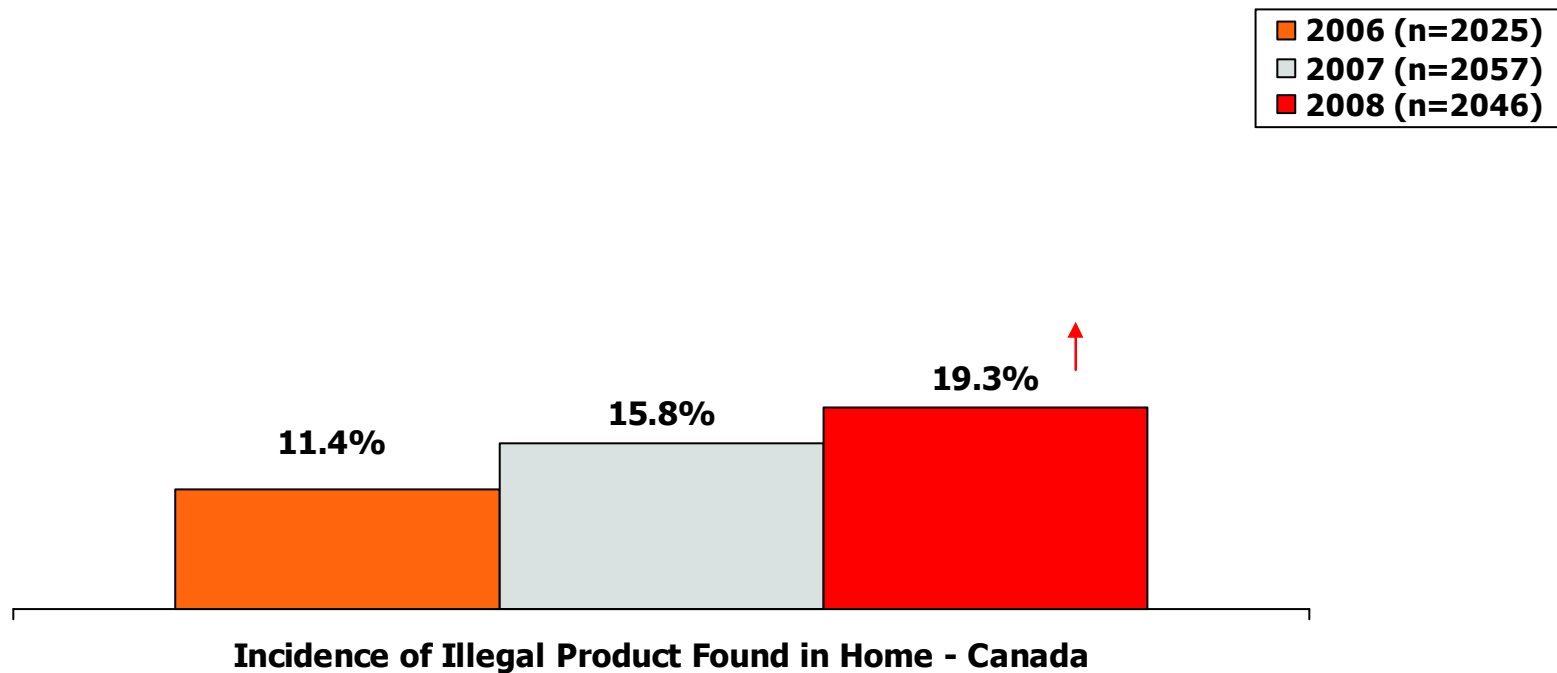
Almost one-third of the cigarettes purchased in Canada is illegal.



Accessible and Pervasive

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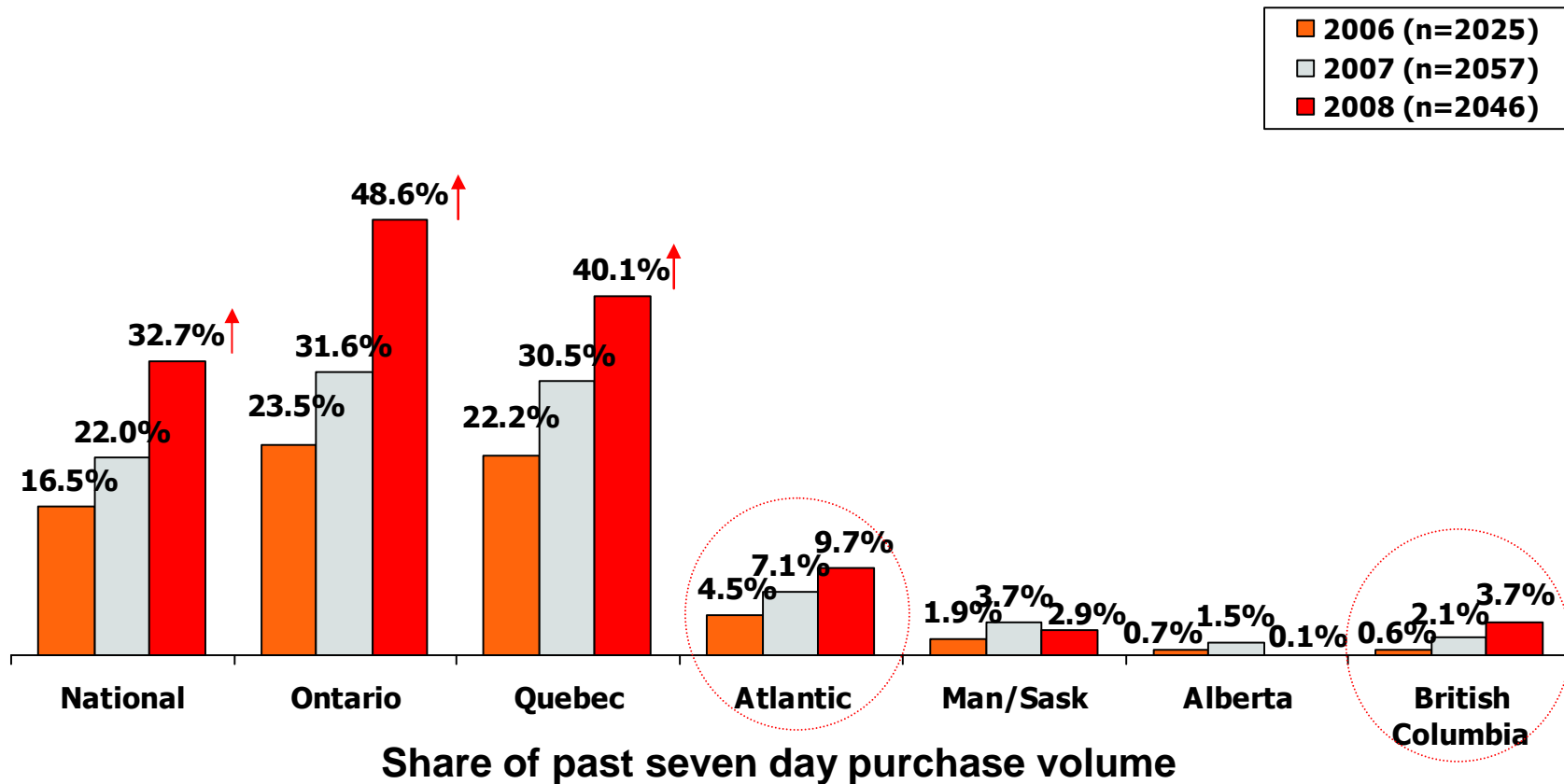
One-in-five smokers' homes were found with illegal cigarettes



Problem Concentrated in ON and QC

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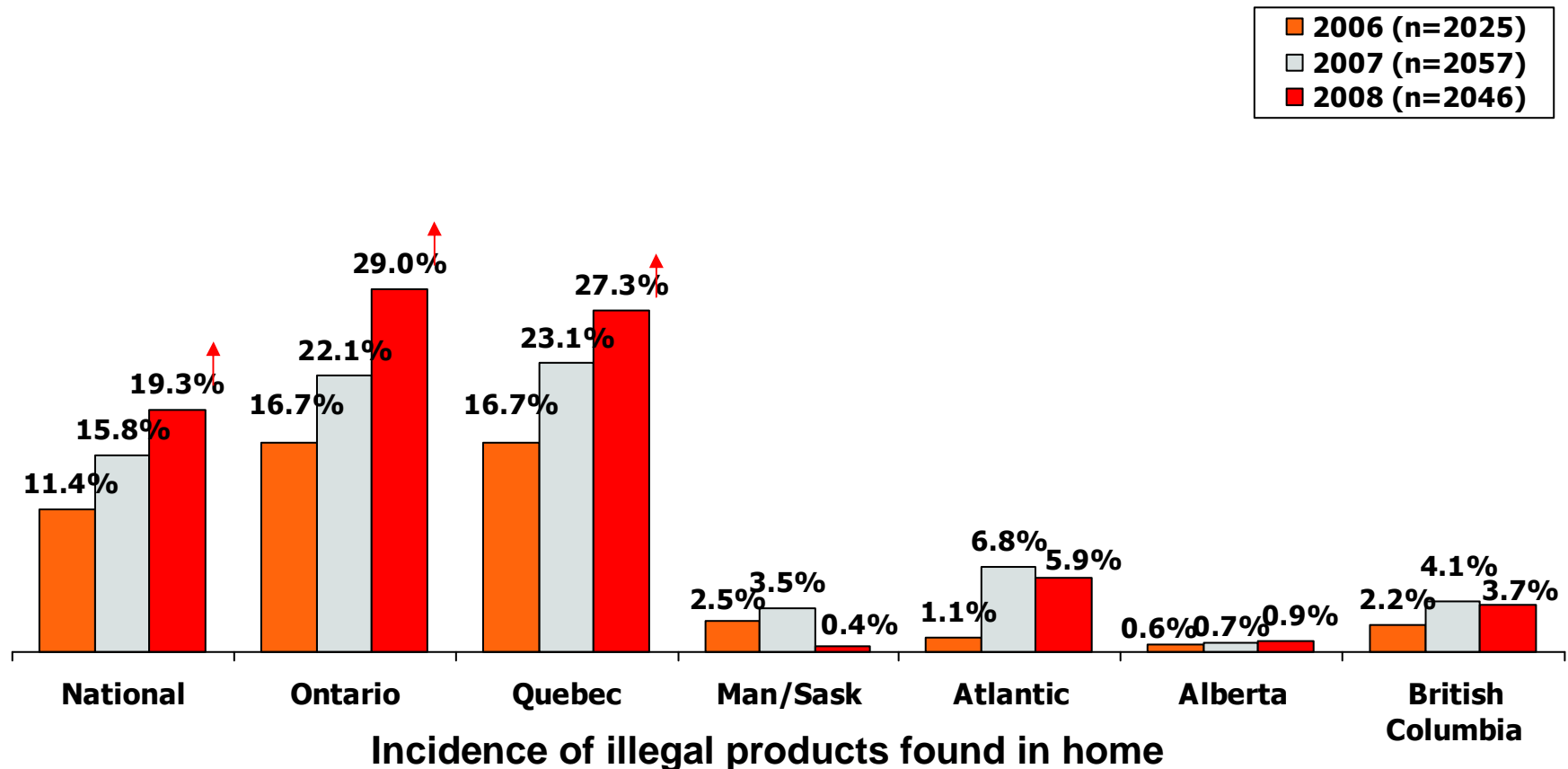
Almost one-half of cigarettes purchased in Ontario is illegal.



Illegal Tobacco Found in Canadian Homes

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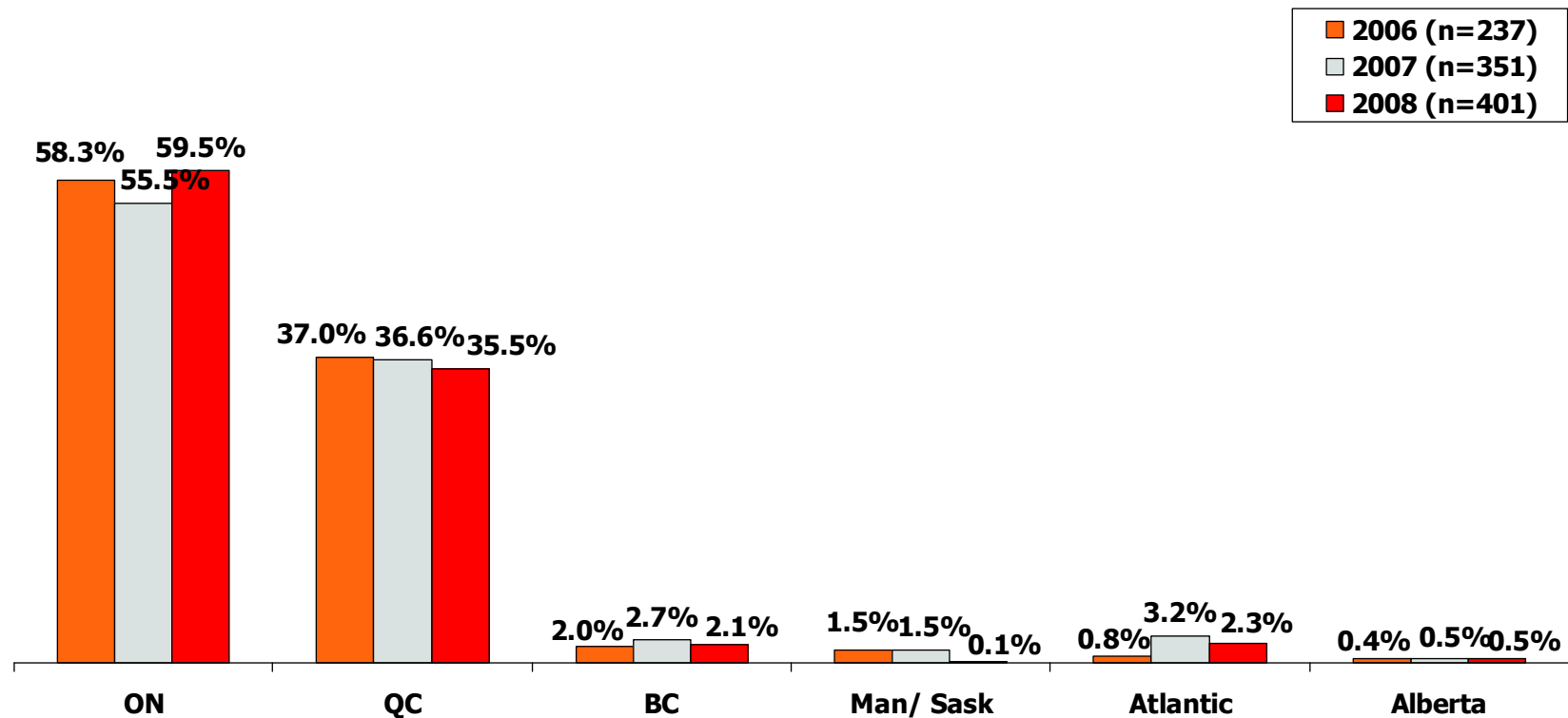
Illegal tobacco was found in almost 30% of smokers' homes in Quebec and Ontario.



Geographical Distribution of Illegal Tobacco Smokers

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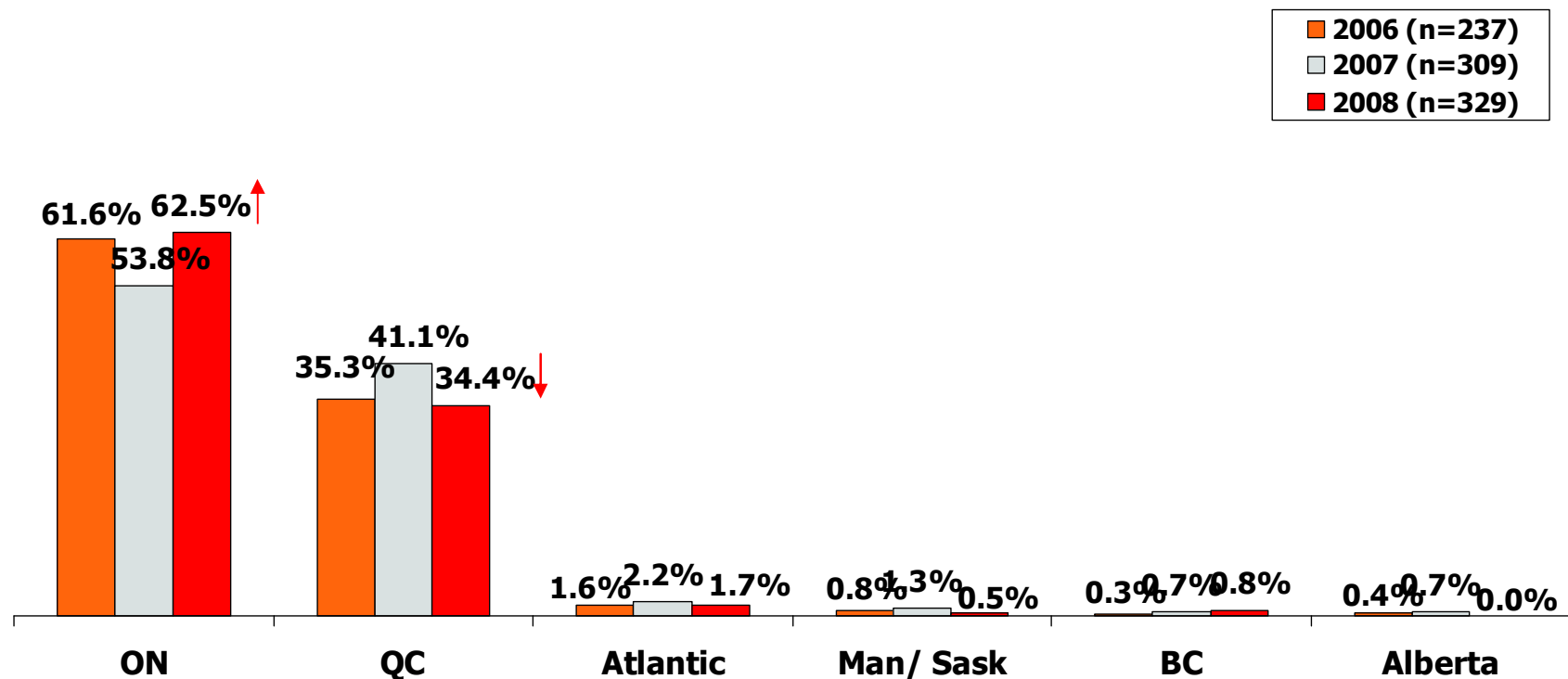
As in previous years, illegal tobacco smokers are most likely to be found in Ontario and Quebec (95% of illegal tobacco smokers).



Geographical Distribution of Illegal Share of Purchase Volume

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Of the illegal purchase volume, 62.5% of cigarettes purchased are found in Ontario and about a third in Quebec

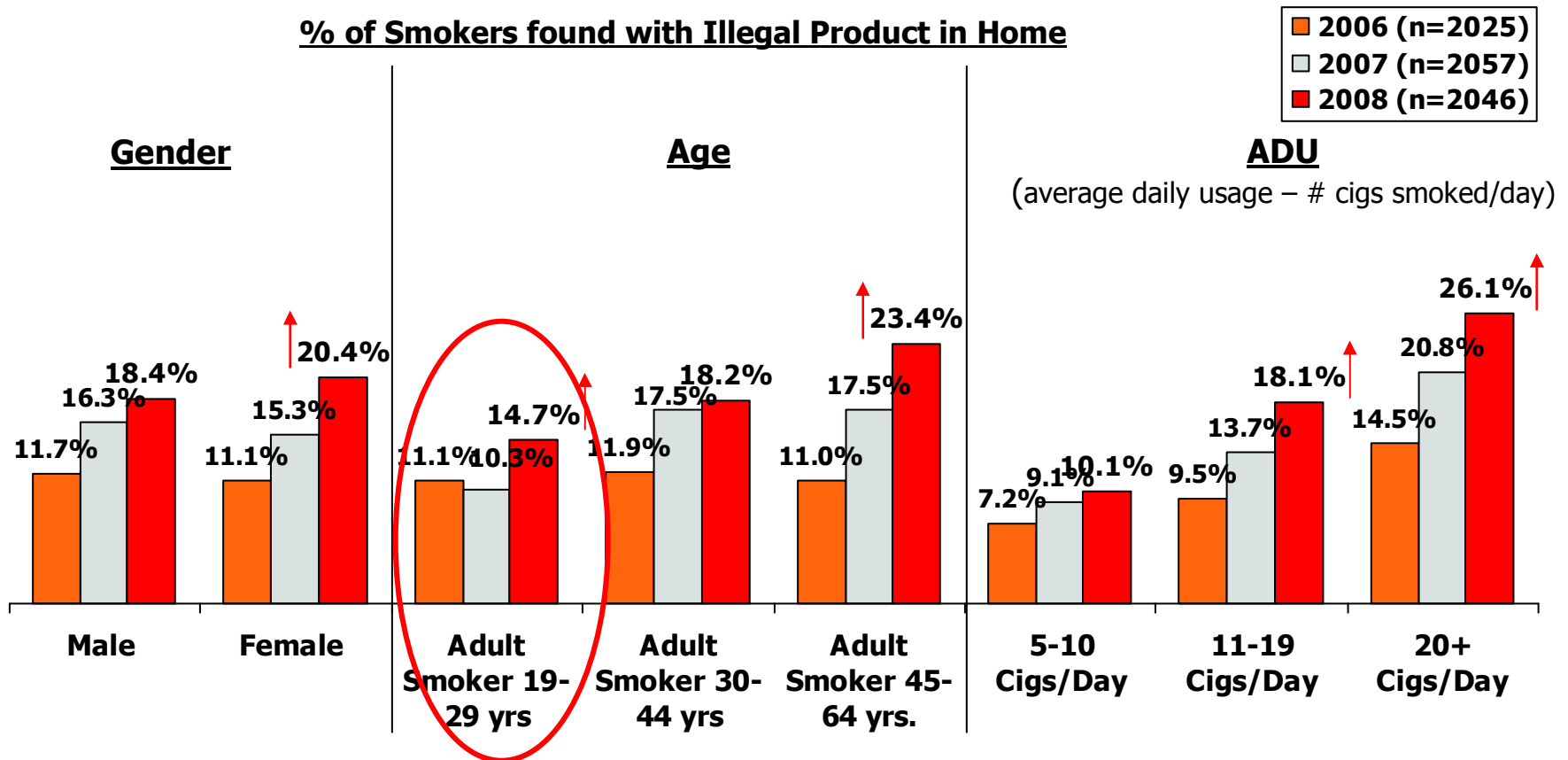


Who are the Users of Illegal Tobacco?

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Young adult smokers are moving towards illegal tobacco.

% of Smokers found with Illegal Product in Home



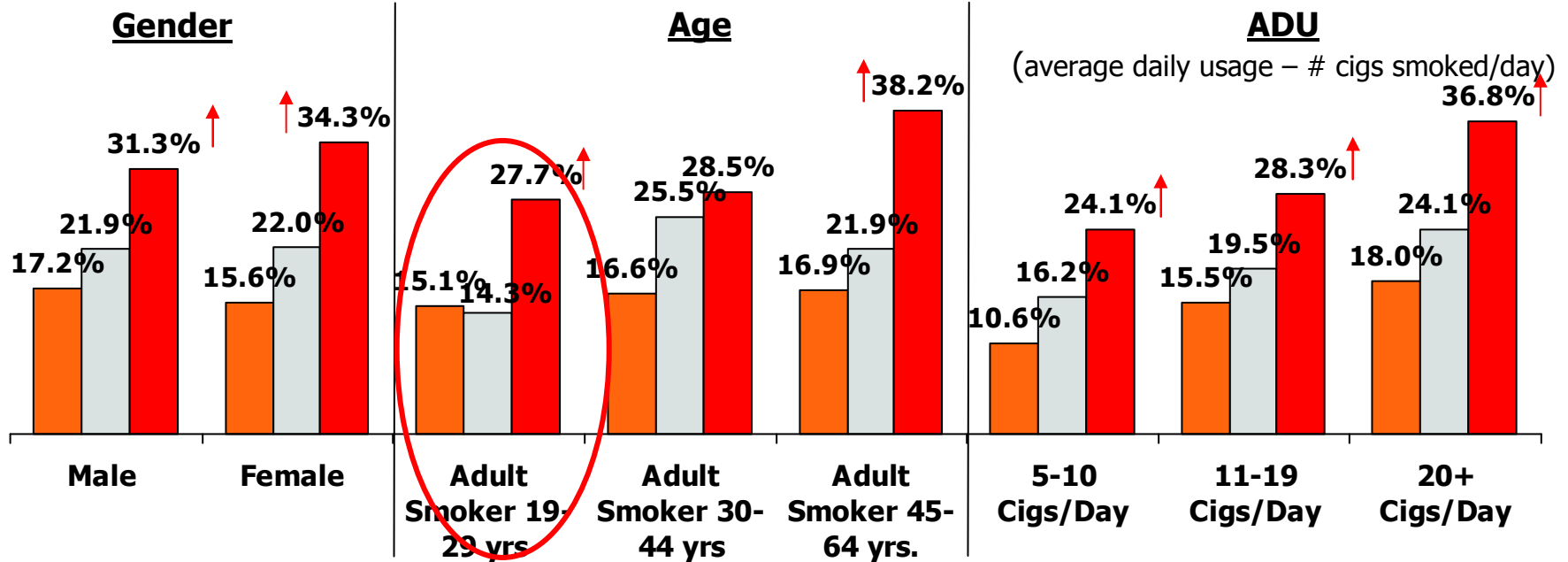
They Make up What Share of Total Purchase Volume?

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A significant increase in the share of purchase volume among young adult smokers.

% of Past 7 Day Purchase of Illegal Product by Demographics

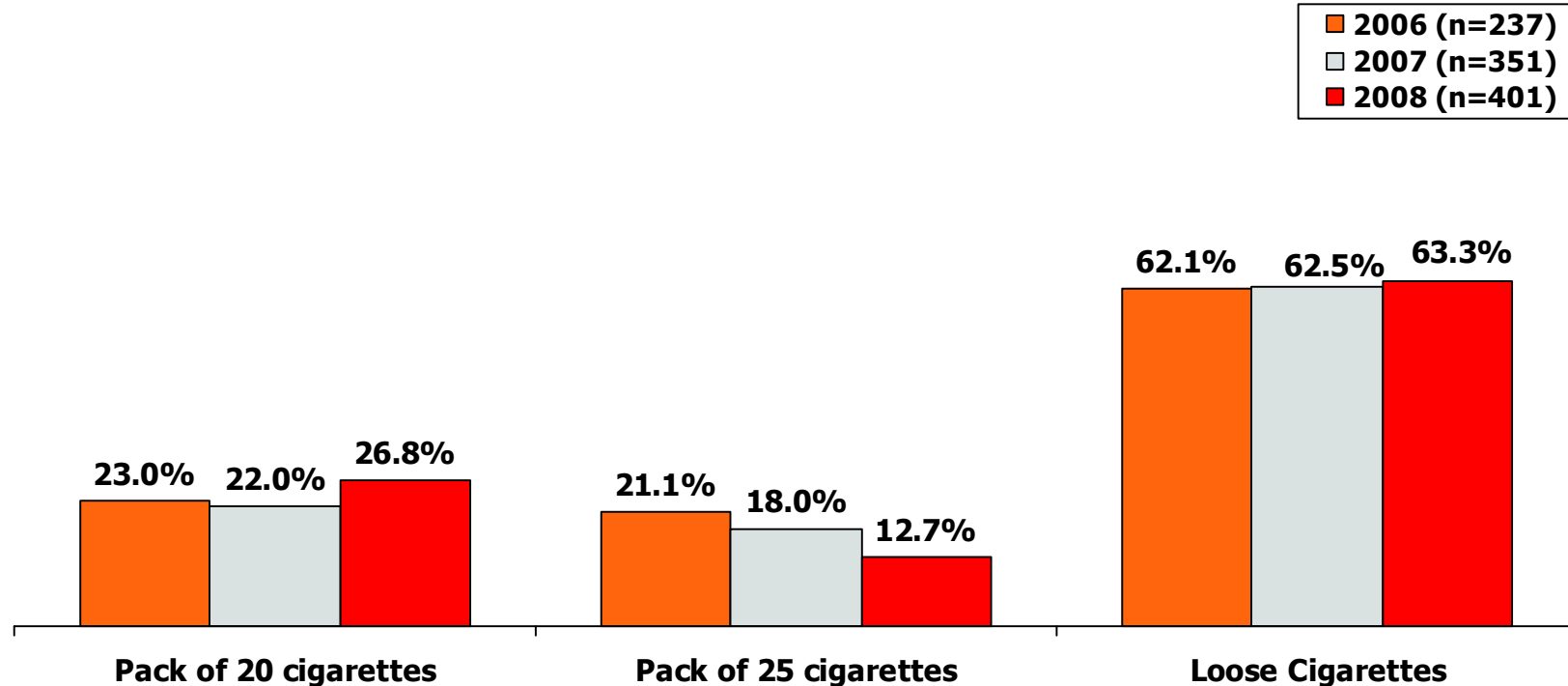
■ 2006 (n=2025)
■ 2007 (n=2057)
■ 2008 (n=2046)



Pack Format of Illegal Cigarettes

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Loose cigarettes (baggies) are the format of choice.

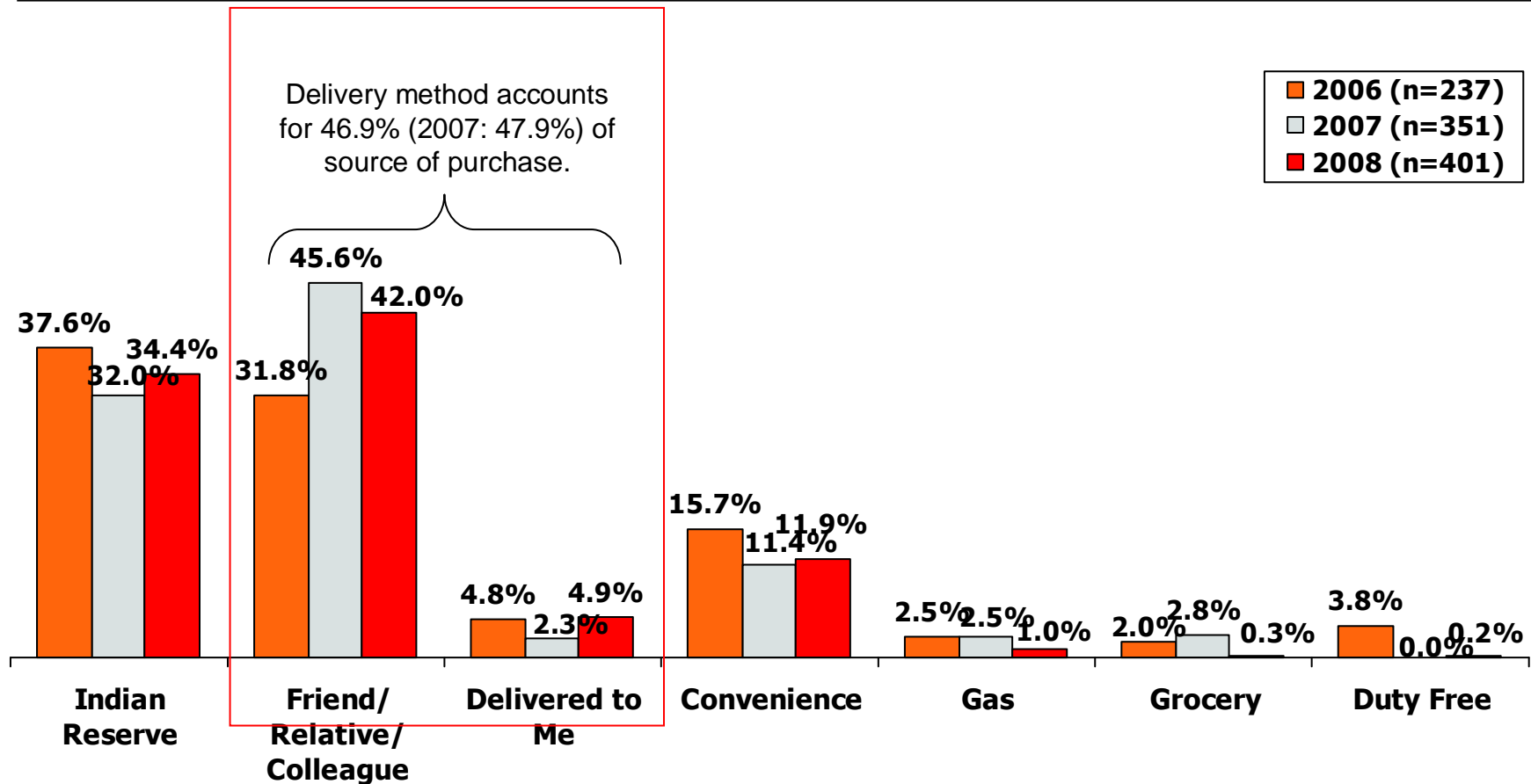


Note that in this study, actual cartons (not loose) were recorded in their base format (20s/25s), so cartons are implicit in the 20s/25s figures above.

Purchase Patterns

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Smokers of illegal cigarettes continue to have their illegal tobacco delivered to them.



This Problem Touches All Canadians

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We cannot keep turning a blind eye to this problem.
Inaction erodes respect for law and order and undermines tobacco control measures.

- About **13 billion illegal tobacco cigarettes** are being sold in Canada (2008).
- Governments are losing over **\$2 billion in tax revenues** (2008).
- Illegal tobacco is available at “**pocket money**” prices and readily accessible to **minors**.
- Illegal tobacco sales are supporting organized crime networks according to the RCMP.
- Illegal products **do not comply** with any of Canada’s tobacco control measures – quality is a public concern.
- Hard-working, small retailers are seeing their **businesses flounder**.

Note: Various sources have been used to compile the information contained in this slide.

Appendix I

The GfK Group:

- Founded in 1934
- 4th 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

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- **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.**
- Note: The study also measured counterfeit and suspected international brands. To ensure historical comparison, counterfeit and suspected international brands were not included in the reporting of illicit.

Methodology

■ Pack Swap Methodology

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- 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 centers 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 5th and June 13th, 2008.
- NOTE: Data has been compared from 2007 where possible.

Significance

- Numbers have been tested for significance at the 95% confidence level.

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Denotes a significantly higher result



Denotes a significantly lower result

- Based on sample, the level of confidence around reported figures is:**

- Results based on National TM Sample (n=2046) +/- 2.2%
- Results based on Atlantic Sample (n=155) +/- 7.9%
- Results based on Quebec Sample (n=522) +/- 4.3%
- Results based on Ontario Sample (n=722) +/- 3.6%
- Results based on Man/Sask Sample (n=136) +/- 8.4%
- Results based on Alberta Sample (n=242) +/- 6.3%
- Results based on B.C. Sample (n=269) +/- 6.0%
- Results based on National RYO Sample (n=312) +/- 5.5%