

The UK Tobacco Industry

Global status

Two of the world's four largest tobacco companies - British American Tobacco (2nd) and Imperial Brands (formerly Imperial Tobacco) (4th) - are based in the UK. Japan Tobacco International, the third largest global tobacco company (excluding China), owns the former UK-based multinational company Gallaher.

UK market share

Top 10 selling UK cigarette brands: 2016 ¹				
Rank	Brand Name	2015 Sales (£m)	Year-on-Year % Change	Manufacturer
Total volume change year-on-year: -3.5%				
1	Sterling	1,511.3	-4.2	JTI
2	Mayfair	1,046.1	-8.6	JTI
3	Lambert & Butler	787.7	-11.3	ITL
4	Marlboro	782.2	-5.0	PMI
5	Richmond	724.3	-10.9	ITL
6	Players	718.9	61.2	ITL
7	JPS	677.2	-19.2	ITL
8	Carlton	540.6	5.9	ITL
9	Silk Cut	503.5	-5.2	JTI
10	Windsor	461.9	-18.0	ITL

The total value of cigarette sales in the UK in 2016 was £12.1bn.¹

UK market trends

The cigarette and tobacco market in the United Kingdom is dominated by two companies, Imperial Tobacco and Japan Tobacco International which between them control around 80% of the market.

Smoking peaked in the UK in 1974 and since then sales of cigarettes and other tobacco products have declined steadily. During 2016, overall sales of manufactured cigarettes fell by 3.5%.¹ In recent years there has been a decline in the sale of premium brands and a corresponding growth in economy-priced cigarettes, roll-your-own (RYO) and electronic cigarettes. Economy-priced cigarettes now account for more than half of all cigarettes sold in the UK.²

However, despite this decline in sales of manufactured cigarettes, tobacco remains highly profitable. In recent years the UK tobacco market has generated annual operating profits of

more than a billion pounds.³

Hand-rolled tobacco

Since 1990, there has been an increase in the proportion of smokers using hand-rolled tobacco (HRT). In contrast to manufactured cigarettes, sales of hand-rolled tobacco grew slightly in 2016 and this category is now estimated to be worth £2.2bn.¹

According to industry estimates, around 1 in 3 adults smokers mainly use hand-rolled tobacco.² HM Revenue & Customs estimates that about 32% of all HRT smoked in the UK is smuggled (mid-point estimate). This is equivalent to £800 million a year in tax revenue losses.⁴ For more information on the illicit trade see: [ASH fact sheet: Illicit Trade in Tobacco](#).

Top selling hand-rolled tobacco: 2016 ¹			
Brand Name	2016 Sales (£m)	Year-on-Year % Change	Manufacturer
Total volume change: 1.4%			
Amber Leaf	864.1	8.3	JTI
Golden Virginia Classic	404.1	-1.0	ITL
Gold Leaf	219.4	15.8	ITL
Cutters Choice	195.4	10.7	BAT
Golden Virginia Smooth	182.3	4.4	ITL

Electronic cigarettes

Electronic cigarettes (vapourisers) usually contain nicotine but, unlike tobacco cigarettes, they do not produce smoke. Sales of electronic cigarettes have risen dramatically in recent years in the UK and are currently estimated to be worth £174.6m.⁸ For more information on electronic cigarettes see the ASH fact sheet on the [Use of e-cigarettes among adults in Great Britain](#) and [ASH briefing on Electronic Cigarettes](#). All of the major tobacco companies have invested in the development of electronic cigarettes or similar nicotine delivery devices and all now have products on sale in the UK.⁶

Company profiles

Imperial Brands plc

In 2016, Imperial Tobacco changed its name to Imperial Brands, although its core business is still tobacco. It is the fourth largest global tobacco company and in 2014 it had an approximately 45% share of the UK cigarette market.⁷ In 2015, the company reported overall operating profits of £3,100m, slightly higher than the 2014 figure of £3,026m.⁸ The company operates in over 160 markets and has market shares greater than 15% in the UK, Australia, France, Germany and Spain.⁹

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.⁸ Imperial entered the electronic cigarette market through its wholly-owned subsidiary Fontem Ventures.¹⁰ The company developed its own brand of electronic cigarettes called Puritane in early 2014. By July 2014, Imperial had also purchased the Blu electronic cigarettes brand from Lorillard.⁶

Japan Tobacco International (JTI)

Japan Tobacco International acquired Gallaher, the UK's third largest tobacco company, in 2007. JTI is the international division of Japan Tobacco and is the world's third largest

international tobacco company (excluding China). Brands include Mild Seven and the former RJ Reynolds brands, Winston and Camel. In 2016, the company became the UK market leader with a 42.3% share of the UK market.¹¹ Brands include Mild Seven and the former RJ Reynolds brands, Winston and Camel. In 2015, JTI sold 393.9 billion cigarettes, a year-on-year fall of -1.0%. The company reported an operating income of ¥ 379.5 bn from international tobacco sales.¹²

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 1998.¹³

In 1999, JTI bought the international tobacco operations of RJ Reynolds. Formerly a state-owned company, Japan Tobacco was privatised in 1985 and since then has diversified into pharmaceuticals and food production.¹⁴

In late 2014, JTI acquired the UK electronic cigarette brand E-lites from the original owner Zandera Limited.⁶

British American Tobacco (BAT)

British American Tobacco is the second largest tobacco company in the world (excluding China), operating in more than 200 markets.¹⁵ The company is based in the UK but only has an estimated 8% share of the UK cigarette market.¹⁶ 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 2015, BAT produced 663 billion cigarettes worldwide (down -0.5% from 667 billion in 2014) and reported an operating profit of £4,557 million, an increase of 0.2% on £4,546 million in 2014.¹⁷

In 2008 BAT acquired the Turkish tobacco company Tekel for \$1.72 billion.¹⁸ 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 included a 100% stake in snus manufacturers Fiedler & Lundgren AB.¹⁶

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 was 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".²¹ In addition to pending US litigation, as at 31 December 2015, the company had active product liability claims filed against it in 14 countries. In addition, medical reimbursement actions are being brought against the company in Argentina, Brazil, Canada, Nigeria and South Korea.¹⁷

In 2013, BAT was the first international tobacco company to launch electronic cigarettes in the UK.¹⁵ In 2015, it launched a 'heat-not-burn' product called glo iFuse in Romania.¹⁵

Philip Morris International (PMI)

PMI is the largest tobacco company in the world (excluding the Chinese tobacco industry) with a 28.7% share of the international market.²⁰ PMI operates in more than 180 markets and sells 6 of the top 15 brands, including the world's leading brand, Marlboro.²¹ During 2015, PMI produced 847.3 billion cigarettes, a 1% drop from the previous year.

In 2016, PMI launched its iQOS, heat-not-burn tobacco product in the UK.²⁰

In 2008 Altria, the parent group of Philip Morris, split its tobacco operations. Altria retained control of Philip Morris in the USA while Philip Morris International (PMI) became a separate company operating in countries outside the US. PMI has an estimated 7% share of the UK market, largely through its Marlboro brand.¹⁶

UK Cigarette Consumption

In the financial year 2015-2016, 30,974 million cigarettes were released in the UK for consumption, compared to 32,661 million in 2014-2015.²³

For related information on tobacco see: [ASH Fact Sheet: The Economics of Tobacco](#) and [ASH Fact Sheet: The Illicit Trade in Tobacco](#).

Employment

In the UK, the tobacco industry has been steadily reducing its workforce over several decades, largely as a result of mechanisation and rationalisation.²³ Over the next 1 – 2 years all of the remaining production in the UK will be phased out. In 2014, both Imperial Tobacco and JTI Gallaher announced that they will be ceasing production in the UK.^{24 25}

Tobacco related organisations

The following organisations are directly funded or supported by the tobacco industry. In addition, the tobacco companies have many links with other organisations, some of which act as front groups for the tobacco industry. For further information see the ASH briefing [Tobacco Front Groups & Third Party Lobbying Tactics](#) and [The Smoke-filled Room](#), an ASH report which reveals the tactics used by the industry to try to undermine government health policies.

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 Ltd. and Imperial Brands. 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)

FOREST is a lobbying group which campaigns against tobacco control activity. It is largely funded by 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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