



EUROPEAN ELECTRONIC CIGARETTE & VAPORIZER MARKET

Size, Share, Analysis & Forecast: 2015-2025

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1 E-CIGARETTE MARKET DYNAMICS

1.1 INTRODUCTION

The market dynamics section of the report examines the diverse factors which govern the production and consumption of e-cigarettes in the European market. This analysis will provide an in-depth understanding of the direction in which the market is headed and the impacts of various factors on it. This section covers the market dynamics – namely the drivers, challenges, and the opportunities in the electronic cigarette market, listing and analyzing several factors that positively and negatively affect it.

1.2 MARKET DRIVERS

E-cigarette market in Europe is largely in the growing stage, with a number of standards and regulations becoming uniform and the entry of established tobacco companies in the market. Following are the key drivers which are largely aiding in boosting the market growth of e-cigarette in Europe.

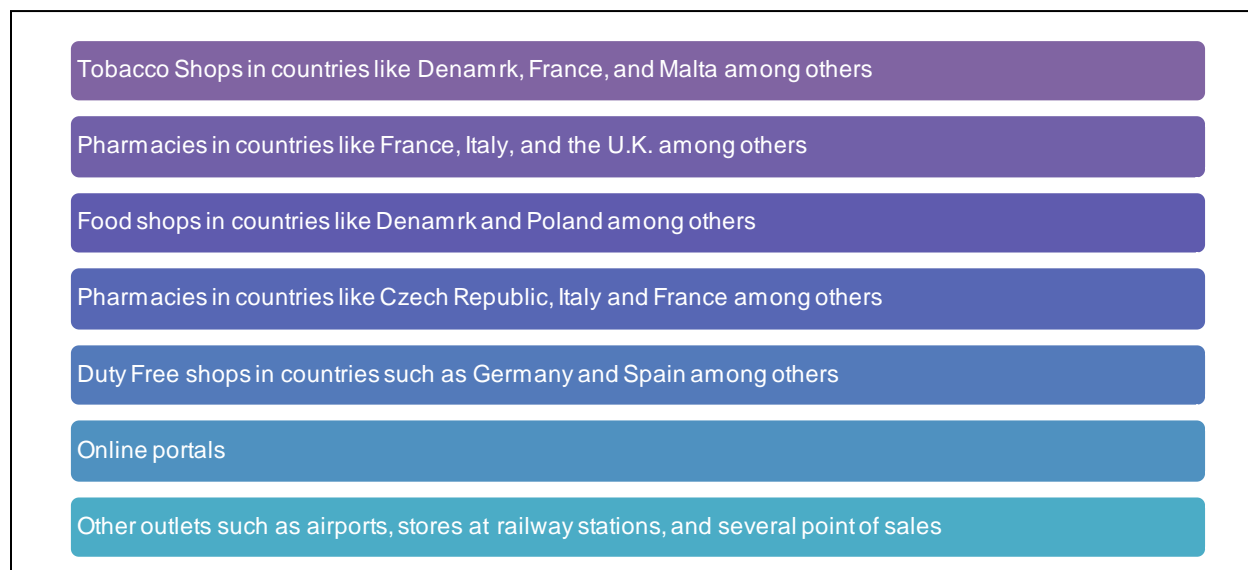
1.2.1 EASE OF ACCESS TO DISTRIBUTION CHANNELS

Europe is gradually becoming home to some of the biggest brands of electronic cigarettes such as Voke, SkyCig, and blu among others. The Big tobacco companies entered the electronic cigarette industry with strong financial muscle and established distribution channels. Moreover, as the standards and regulations are still taking shape, there are negligible barriers to the entry of new players in the market. It is relatively easier for a new entrant to supply or distribute their product through online channels.

The following are the distribution channels that the electronic cigarette companies are adopting:

FIGURE 1

PREVALENT DISTRIBUTION CHANNELS FOR E-CIGARETTES ACROSS EUROPEAN UNIONS



Source: BIS Research

These companies are producing an enormous range of products and marketing them in every possible way. These companies offer extreme personalization and customization of their products with some companies targeting an exclusive customer base.

1.2.2 SERIES OF ACQUISITIONS BY BIG TOBACCO COMPANIES

Tobacco giants are making slow but steady strides in the e-cigarette market by focusing on the development and commercialization of regulatory-approved, non-tobacco nicotine products. The upcoming years may see a rise in the number of patent lawsuits as the big tobacco companies vie with smaller independent rivals to gain market share.

2 EUROPEAN E-CIGARETTE MARKET ANALYSIS, BY KEY COUNTRIES

2.1 AN OVERVIEW OF THE EUROPEAN E-CIGARETTE MARKET

The European e-cigarette market is strengthening its foothold, taking the lead position in the global e-cigarette and e- vapor market, thanks to a series of major acquisitions of companies such as Nicocigs. Ltd., E-Lites, and Skycig among others. The industry is rapidly expanding majorly through online sales channel and the participation of Big Tobacco companies since 2012. Being a new category of product, e-cigarettes and vaporizers are subject to different regulatory frameworks across different jurisdictions and the situation is only evolving with time.

Europe being the largest market in the e-cigarette industry is home to conflicting regulatory regimes. For example, there are stringent rules surrounding the sales of e-cigarette in Austria and Belgium and most member states require a license for their sale. Moreover, in Britain, the number of users of e-cigarettes has almost doubled in the past two years but the Department of Health is of the opinion that they are not risk free and the country's Medicines and Healthcare Products Regulatory Agency wants to introduce new controls by 2016. Furthermore, a recent report from the 'Public Health' England mentioned that e-cigarettes required proper regulatory framework.

The primary concern for the European Union (EU) is the refillable e-cigarette and some EU countries wishes to ban them. There are several reasons for the distrust around refillable e-cigarettes, the primary on being the lack of regulations on the nicotine levels in the e-cigarettes. The users fill the e-cigarette's container themselves and therefore, it's not the manufacturer who establishes the level of nicotine, but the user. During the course of such actions the liquid may accidentally come into contact with the users' skin and give them nicotine poisoning or the children might drink it accidentally. The U.K. and possibly other countries have seen a tremendous increase in nicotine poisoning reports, often involving children.

On 19 December, 2012 the European Commission adopted its proposal to revise the European Union Tobacco Products Directive (EU TPD) 2001/37/EC which included proposals to introduce restrictions on the use and sales of e-cigarettes. On 8 October, 2013 the European Parliament in Strasbourg voted down the Commission's proposal to introduce medical regulation for electronic cigarettes, but proposed that cross-border marketing of e-cigarettes be regulated similarly to tobacco products, meaning that sales of e-cigarettes to under 18s would be prohibited in the European Union, along with most cross-border advertising. Warning labels also would be required.

2.1.1 MARKET STATISTICS

TABLE 1

EUROPEAN E-CIGARETTE MARKET SIZE BY COUNTRY (\$ MILLION), 2015-2025

Country	2014	2015	2017	2019	2021	2023	2025	CAGR
U.K.	XX	XX	XX	XX	XX	XX	XX	XX%
Germany	XX	XX	XX	XX	XX	XX	XX	XX%
Russia	XX	XX	XX	XX	XX	XX	XX	XX%
France	XX	XX	XX	XX	XX	XX	XX	XX%
Spain	XX	XX	XX	XX	XX	XX	XX	XX%
Italy	XX	XX	XX	XX	XX	XX	XX	XX%
Poland	XX	XX	XX	XX	XX	XX	XX	XX%
Czech	XX	XX	XX	XX	XX	XX	XX	XX%
Other	XX	XX	XX	XX	XX	XX	XX	XX%
Total	XX	XX	XX	XX	XX	XX	XX	XX%

Source: BIS Research

2.2 THE EUROPEAN E-CIGARETTE MARKET BY SALES CHANNEL

Online sales channel have been the most popular choice among e-cigarette suppliers in the European nations, however, the dominant revenue generating segment are the retail and convenience stores. Certain brands such as Voke (a BAT Brand) have been able to receive the MHRA (The Medicines and Healthcare Products Regulatory Agency) approval and sell their products as medicinal devices via pharmaceutical stores.

The following table lists the key e-cigarette brands available across the European nations and the sales/distribution channel they adopt.

TABLE 2

SALES CHANNEL OF KEY BRANDS OPERATING IN EUROPE

S. no.	Brand/ Company Name	Country	Sales Channel
1.	Cloud Cig	U.K.	Online
2.	Red Kiwi	Germany	Online/Retail Outlets
3.	Gamucci	U.K.	Online / Online Supermarket/ Retail Outlets
4.	Vapestick	U.K.	Online/Retail Outlets
5.	Ecig Group	U.K.	Pharmacy/ Online
6.	Nicocig	U.K.	Online/Pharmacy
7.	Njoy	U.K., Germany	Online/ Online Supermarket
8.	Blu	U.K.	Online/Retail Outlets
9.	Voke	U.K.	Pharmacy
10.	Volcano E-cigs	U.K.	Online/Retail Outlets

Source: BIS Research

Red Kiwi, Blu cigs, Gamucci, Njoy, and Nicocig among others are the top operating brands in the European nations. The above table is clearly highlighting the prevalent sales channel adopted in the European countries viz. online, retail outlets, and pharmacies among others.

2.2.1 MARKET STATISTICS

The following market analysis is based on the study of more than 150 brands operating in Europe across the major sales channel viz. online, retail and convenience stores, and pharmacies.

TABLE 3

THE EUROPEAN E-CIGARETTE MARKET BY SALES CHANNEL (\$MILLION), 2015-2025

Sales By Channel	2014	2015	2017	2019	2021	2023	2025	CAGR (2015-2025)
Online	XX	XX	XX	XX	XX	XX	XX	XX%
Retail and Convenience Store	XX	XX	XX	XX	XX	XX	XX	XX%
Pharmacies	XX	XX	XX	XX	XX	XX	XX	XX%
Total	XX	XX	XX	XX	XX	XX	XX	XX%

Source: BIS Research

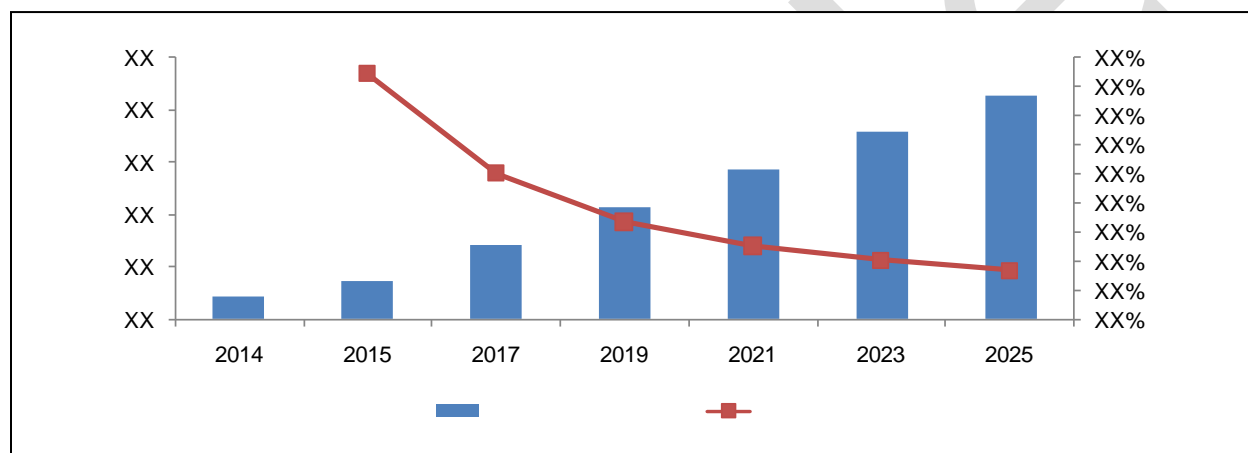
Online channels are the most widely adopted sales channel in European countries, especially for new entrants. The total revenue generated through the online channel accounted for \$XX million in 2014 which is anticipated to grow over \$XX billion by 2025 and become the biggest revenue generating sales channel in the region. The CAGR for the same will be XX% through 2015 to 2025.

2.3 THE U.K. E-CIGARETTE MARKET

2.3.1 MARKET STATISTICS

FIGURE 2

U.K. ELECTRONIC CIGARETTE MARKET SIZE (\$MILLION) VS. Y-O-Y, 2015-2025



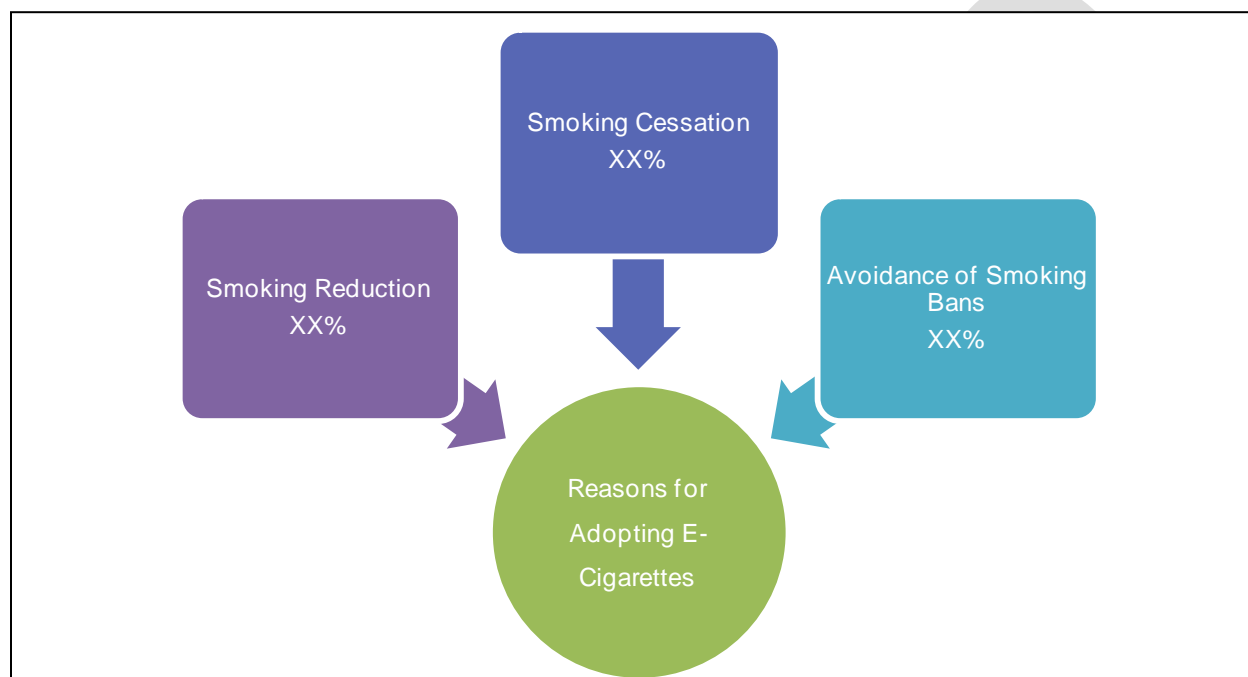
Source: BIS Research

The total market size for the U.K. in 2014 accounted for \$XX million and is expected to grow over \$XX billion by 2025 at an estimated CAGR of XX% from 2015 to 2025. The country will continue to remain the largest European market for e-cigarettes throughout the forecast period.

2.4 GERMANY

FIGURE 3

REASONS FOR USING ELECTRONIC CIGARETTES



Source: BIS Research, German Cancer Research Center

As suggested by the figure above, the primary reason for switching to or using electronic cigarettes is the product's propensity to be seen as a smoking cessation device. The other important reason for the popularity of electronic cigarette is reduction in smoking followed by the avoidance of smoking bans.

2.4.1 COMPETITIVE LANDSCAPE

Some of the key electronic cigarette players in the German market are Pipeline Electronic Cigarettes, red kiwi GmbH, Innokin, Joytech, Deutsche Benkert GmbH & Co. KG, SNOKE GmbH & Co. KG, among others.

2.5 ITALY

2.5.1 COMPETITIVE LANDSCAPE

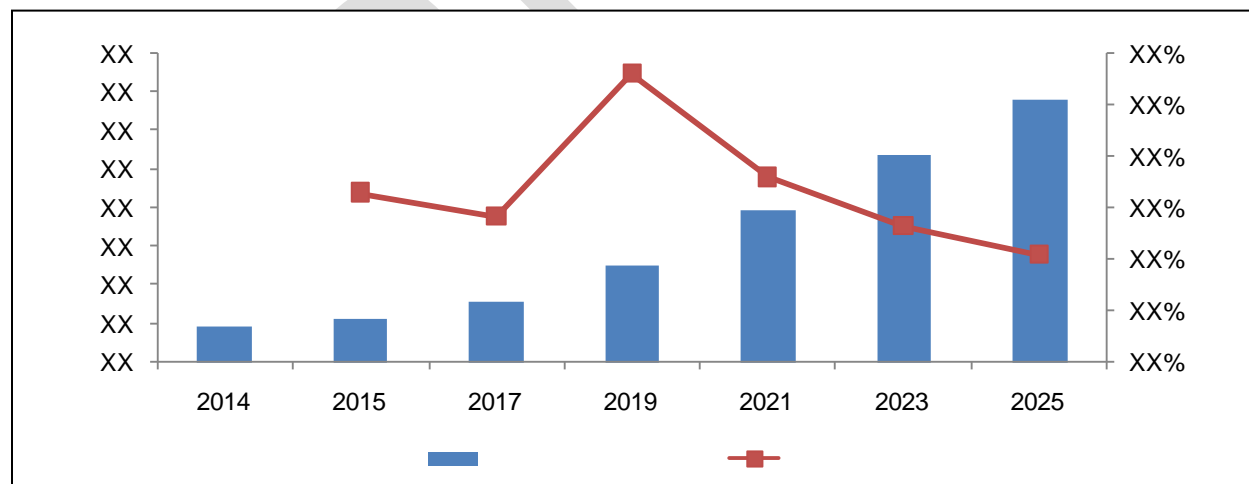
Phillip Morris International (PMI) expects to launch a new product in 2015 and to produce 30 billion HNB (heat not burn) cigarettes by 2016. An article in *Il Corriere della Sera* on 22 July, 2014 hints that PMI's €XXm (XX million US\$) investment in its Bologna facility, where the HNB (heat-not-burn) cigarettes will be produced, could be one of the reasons why the Ministry is considering classifying HNB cigarettes as "inhalation products".

SmokItaly, Puffcigarette, and DEA Flavor among others are the known e-cigarette players in the country.

2.5.2 MARKET STATISTICS

FIGURE 4

ITALY ELECTRONIC CIGARETTE MARKET SIZE (\$MILLION) VS.
Y-O-Y, 2015-2025



Source: BIS Research

3 COMPANY PROFILES FOR KEY PLAYERS

3.1 ELECTRONIC CIGARETTES INTERNATIONAL GROUP (ECIG)

3.1.1 SUMMARY

Particular	Specific (as of 2014)
Website	www.ecig.co
Contact Details	14200 Ironwood Drive Grand Rapids, Michigan 49534 United States Tel: 616-384-3496
Year of Establishment	2010
Ownership Type	Public
Company Type	Manufacturer, Retailer ,Distributor
Number of Employees	201-500 employees
Parent Company	-
E-Cigarette Brands	EI Rey , FIN, VAPESTICK , Victoria, VEC , VIP
Subsidiaries	FIN Branding Group LLC (U.S.), The VAPESTICK Group (U.K.), Ten Motives (U.K.), VIP Electronic Cigarette (U.K.), VEC (U.S.)
Competitors	Big tobacco, Phillip Morris International and Japan Tobacco, Imperial Tobacco Group

Source: ECIG Website, BIS Research

3.1.2 PRODUCT PORTFOLIO

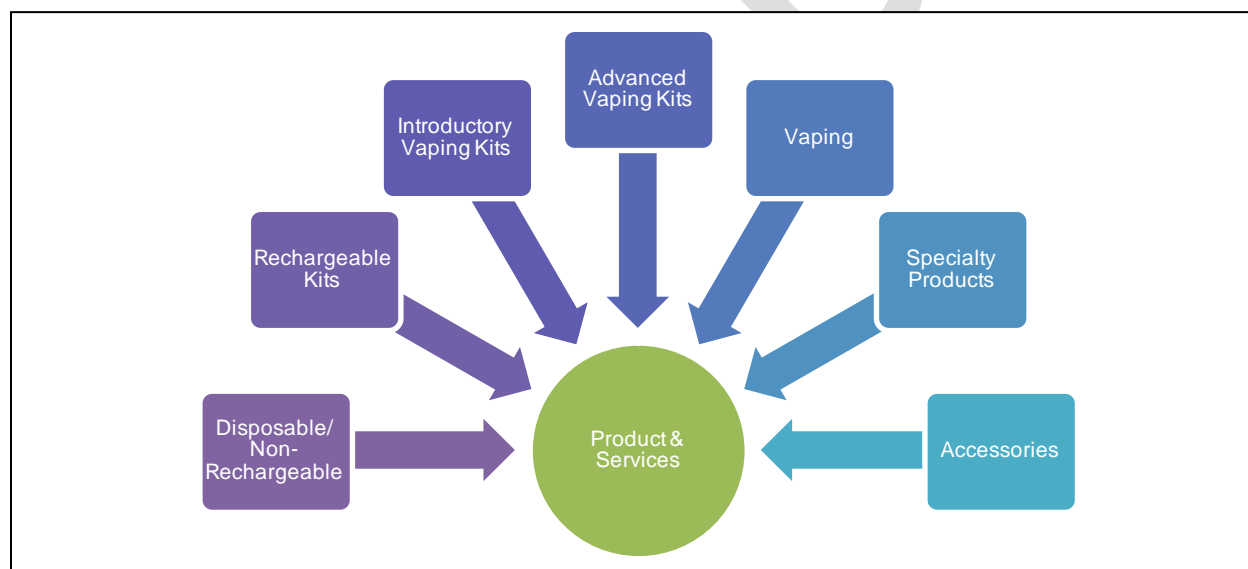
Electronic Cigarettes International Group manufactures, markets, and distributes many of the world's leading e-cigarette and vaping brands. They offer a full range of products, from disposable and rechargeable "cig-a-like" analogs, to advanced vaping products, and specialty items. In addition to being a leading provider of e-cigarette and vaping items, they sell directly

to consumers via prominent e-commerce and mobile websites, as well as own and operate retail stores and kiosks in selected countries.

The Electronic Cigarette International Group are driven by the latest micro-electronic technology, providing smokers with a real “smoking” experience without the fire, flame, tobacco, tar, carbon monoxide, ash, stub or smell found in real cigarettes. The Electronic Cigarette International Group offers a full range of products, from disposable e-cigarettes to the most advanced vaping products. As a result of their extensive online business as well as global operations, ECIG is able to capitalize on e-cigarette and vaping trends.

FIGURE 5

ECIG: PRODUCTS & SERVICES- A SNAPSHOT

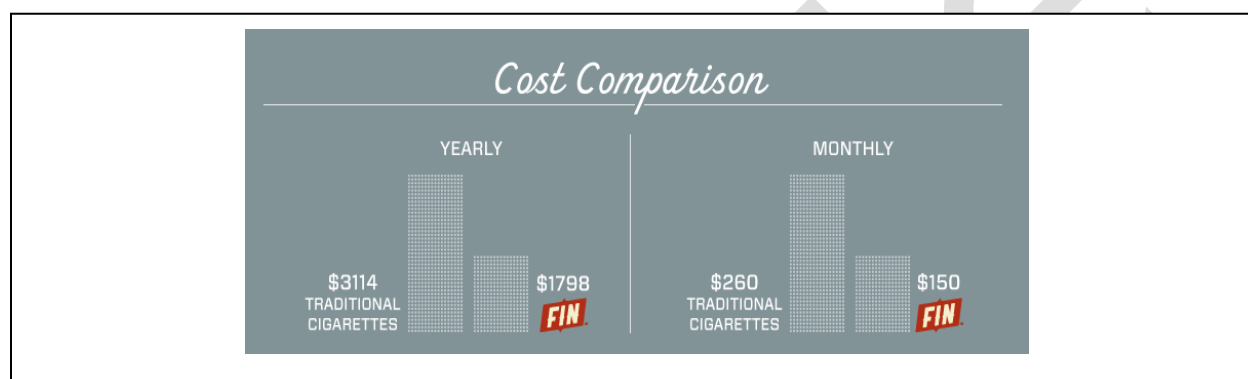


Source: ECIG Website, BIS Research

3.1.2.1 Fin Branding Group LLC

FIN is a family owned and operated company in the United States. FIN exists to provide a better alternative to smoking through integrity and responsible business practices. Each disposable FIN e-cigarette is the equivalent of 2 packs or 40 traditional cigarettes. The company offers the brand of electronic cigarettes, FIN, in several varieties, including

disposable and rechargeable electronic cigarettes. FIN e-cigarettes are available online and at retail locations nationwide with distribution in all 50 states in more than XX outlets. FIN is distributed across all major channels and is one of the top three brands in the convenience, drug, mass, and food channels.

FIGURE 6**COST COMPARISON WITH TRADITIONAL CIGARETTE****FIGURE 7****FIN: PRODUCT PORTFOLIO**

Source: Fincigs Website, BIS Research

3.1.2.2 VAPESTICK

The VAPESTICK range of high quality electronic cigarettes is the modern and stylish alternative to tobacco cigarettes. They deliver a very similar sensation to tobacco cigarettes, but instead of harmful tobacco smoke, VAPESTICK electronic cigarettes produce a water-based vapor that can come with, or without, nicotine.

The act of using any electronic cigarette has become known as 'vaping'. Their signature blue LED at the tip of every VAPESTICK electronic cigarette lets the world know instantly that consumers have chosen to vape, not smoke, with a VAPESTICK.

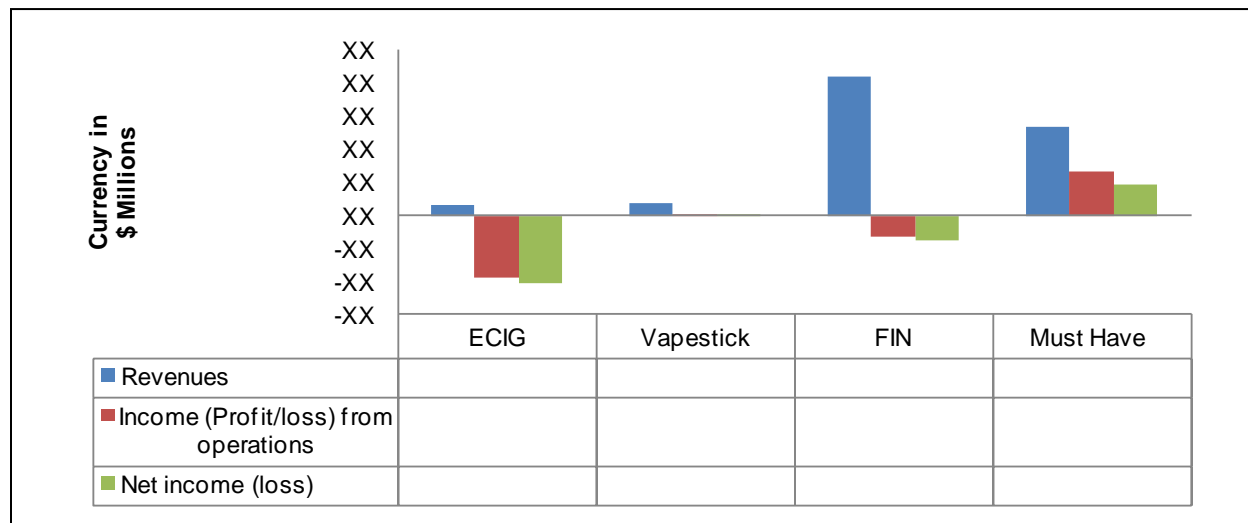
3.1.2.3 Victory Electronic Cigarettes (VEC)

Victory Electronic Cigarettes are driven by the latest micro-electronic technology, providing smokers with a real "smoking" experience without the fire, flame, tobacco, tar, carbon monoxide, ash, stub or smell found in real cigarettes. We offer smokers a tar-free way to enjoy smoking and the freedom to smoke almost anywhere. Smokers still get their nicotine, but not the side effects attributable to tar.

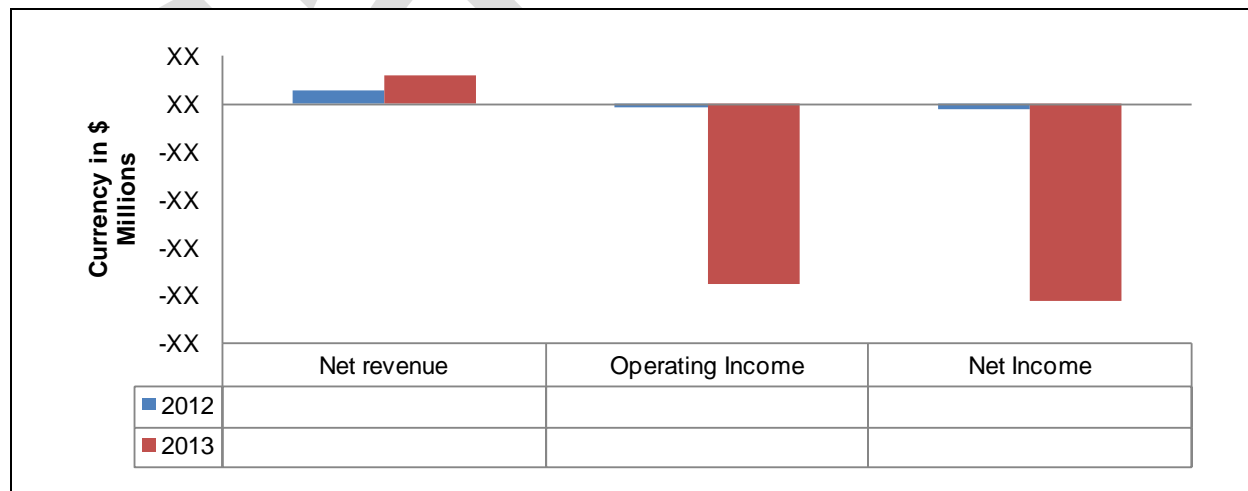
3.1.3 FINANCIALS

Financial details (2014)

- Revenue. For the nine months ended September 30, 2014, total revenue was \$XX million.
- Cost of Goods Sold. For the nine months ended September 30, 2014, cost of goods sold was \$XX million.
- Gross profit. For the nine months ended September 30, 2014, gross profit was \$XX million.
- Distribution, marketing and advertising expenses. Distribution, marketing and advertising expenses were \$XX million for the nine-month period ended September 30, 2014.
- Net income/(loss). Net loss was \$(XX) million for the nine month period ended September 30, 2014.

FIGURE 8**ECIG & ITS SUBSIDIARIES OVERALL FINANCIALS 2013 (\$MILLIONS)**

Source: Annual Report, BIS Research

FIGURE 9**ECIG & ITS SUBSIDIARIES OVERALL FINANCIALS
2012-2013 (\$MILLIONS)**

Source: Annual Report, BIS Research

3.1.4 KEY DEVELOPMENTS

Date	Strategy	Description
June 2014	Acquisition	Victory Electronic Cigarettes Corporation signed an agreement to acquire Ten Motives, one of the largest electronic cigarette companies in the U.K. and worldwide, for \$XX million in a combination of cash and stock.
May 2014	Product Launch	Victory Electronic Cigarettes Corporation announced the launch of Advanced Vaping System, with pre-filled or closed clearomizers to major customers in the United States under its FIN brand.
May 2014	Business Agreement	Victory Electronic Cigarettes Corporation signed an agreement with the Asian American Trade Association Council (AATAC) to distribute the portfolio of Victory and FIN branded products at all of AATAC's member retailers including 76, Gulf, Chevron, Circle K, BP, Sunoco, and other gas stations and convenience stores throughout the United States.
May 2014	Business Agreement	Victory Electronic Cigarettes Corporation announced its agreement with ASDA Stores Ltd., a subsidiary of Wal-Mart Stores, Inc., to expand its VIP brand across the retail chain throughout the U.K.
April 2014	Acquisition	Victory Electronic Cigarettes Corporation completed the acquisition of VIP, one of the leading and most profitable electronic cigarette companies in the U.K.
April 2014	Investment	Victory Electronic Cigarettes Corporation announced an investment of \$XX million behind its VAPESTICK brand for marketing campaigns in order to expand the brand's awareness and loyalty with consumers in the fast-growing UK electronic cigarette market.
March 2014	Business Agreement	Victory Electronic Cigarettes Corporation signed an agreement to expand distribution of its FIN brand portfolio across all Speedway Convenience Stores throughout the U.S.

Date	Strategy	Description
March 2014	Business Expansion	Victory Electronic Cigarettes Corporation announced that Mapco Express Inc., one of the largest company-operated convenience store chains in the U.S., has broadened their partnership with Victory Electronic Cigarettes with expansion of Mapco's "GreenStix" brand and the addition of the new Greenstix Dynamic King that Victory developed exclusively for Mapco.
February 2014	Merger	Victory Electronic Cigarettes and Fin Branding Group signed a definitive merger agreement to create one of the world's largest independent electronic-cigarette companies.
February 2014	Business Expansion	Victory Electronic Cigarettes Corporation subsidiary VAPESTICK brand entered an exclusive supply contract with Vaporecigarpt LDA, a major distributor in Portugal for expansion of the Company's electronic cigarette portfolio throughout the country.
January 2014	Business Expansion	Victory Electronic Cigarettes Corporation announced that its newly acquired VAPESTICK brand has now begun the roll-out of its premium e-cigarette products into Russia, as one of the first international e-cigarette brands to do so.
January 2014	Partnership	ECIG had signed a partnership agreement with Fields Texas Limited LLC ("Fields Texas").
December 2013	Acquisition	ECIG announced the signing of a definitive agreement to acquire VAPESTICK, for \$XX million in a combination of cash and stock.
November 2013	Event	VEC participated in the Wells Fargo Securities Inaugural E-Cig Forum in New York City held on Thursday, November 21, 2013.
November 2013	Business Expansion	VEC, had signed a comprehensive distribution agreement spanning Central America with Quipo S.A. de C.V. ("Quipo"). The agreement covers numerous countries in Central America, including El Salvador, Guatemala, Honduras,

Date	Strategy	Description
		Nicaragua, Panama and Costa Rica.
October 2013	Business Expansion	VEC, announced a major expansion of its U.S. retail business by enterint into a comprehensive distribution agreement with CST Brands, Inc., one of the largest independent retailers in North America.

Source: Expert Input, BIS Research

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