

**GTNF 2016**

**Brussels**

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**Session 12: Innovating to meet the needs of consumers**

Innovation in the vapor industry is constant. It's these rapid changes in technology that have allowed it to blossom so quickly. In less than a decade, the market has seen NJoy's King cigalikes replaced by cigalikes with sophisticated microchips that control vapor production. The simple refillable tank pen-style devices have been replaced by sophisticated drip mods with temperature control and coil recognition. Closed systems evolved into open systems and are now moving back toward closed systems. Technology has allowed the vapor space to evolve from one style of device into numerous options to help cigarette smokers find a better alternative.

One panelist, a scientist who neither smokes nor vapes, summed the entire session up in two sentences. "I am the first to put my hand up and say e-cigarettes are a fantastic innovation," he said. "However, we need to accept there are a large number of people that will continue to smoke, and they need to be supported as well." This is why there is so much room in vapor for so many different "styles" of product. "We need a lot more products in between smoking and quitting smoking. Whatever it takes, it's so important."

Moderated by Ron Tully, founder of TNV Ventures, the 12th and final session of the GTNF centered on trends in the vapor industry and the impact they have on the consumer (and vice versa). Vapers unquestionably enjoy the ability to customize their nicotine consumption experience. "The varied consumer tastes and habits allow for numerous types of products in this industry," said a panelist. He is correct. While heat-not-burn as a replacement for cigarettes is big in Japan, for example, very few use heat-not-burn for nicotine delivery in the U.S.

The vapor industry is growing around the world. Even China now has a developing vapor market, although its vapers are looking more to use vapor as a means to quit smoking than to lower the cost of smoking. In markets such as Asia and the Caribbean, the low cost of combustible cigarettes continues to present a challenge to the advent of vapor products. If regulation doesn't crush technology, however, the vapor industry will find ways to lower price points to better serve these markets, according to one panelist.

Marijuana was also discussed as a growing consumer need that could be served better by the vapor industry. Currently, 27 U.S. states have some form of legal marijuana, and five more states have recreational marijuana on their 2016 ballots. The marijuana market in the U.S. is valued at more than \$30 billion, five times the estimated (\$6.6 billion) value of the U.S. vapor market (the legal cannabis market is currently worth an estimated \$6 billion). Vaporizing THC is fast becoming the most popular way to consume the active ingredient in cannabis. In fact, many of the innovations we see in vapor today (such as temperature control) actually originated in the marijuana market.

Even in the face of strict regulations, vapor will continue to innovate. New e-liquid mediums and hardware devices are coming soon, according to several panelists. Without innovation, the category is

dead. "I hope and believe innovation will continue to serve all of these consumers, whether they cloud chase or use closed systems or disposables," said a panelist. "A lot of innovation in vapor has been in response to the consumer. We need that to continue."