

**GTNF 2016**

**Brussels**

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**Session No. 9: Hardware and technology**

Hardware technology in the vapor industry has dramatically improved since the devices first hit the mainstream market in 2007. The session's moderator, Mark Kehaya, chairman of Madvapes, which has more than 70 retail stores in the U.S., said that constantly rising customer retention rates in his vape shops have been driven by these continuous improvements in vapor hardware. Simply said, today's devices are easier to use and much more customizable to individual preferences. These two factors keep customers coming back.

Since 2015, in Madvapes stores, 90 percent of product has been replaced three times, according to Kehaya. Agreeing with the moderator, one large e-cigarette manufacturer said that his company sees technology as the main driver of customer retention too. "Adding capabilities such as temperature control were instrumental in improving the consumer experience," said the panelist. "Innovation keeps customers coming back."

Using baseball as a metaphor as to where the vapor industry is in its innovation life cycle, most panelists believed that the industry is still only in the third or fourth inning (out of the customary nine). "There is still some work to be done," a panelist said. "Maybe we are in the second inning; it's just so hard to tell."

Another panelist urged the industry to keep the customer in mind when innovating. "In 10 years, we will look back at these devices and say, 'See how simple they are.' We say there has been a lot of innovation, new products every week. We seem to believe this is good for us. What we may be doing is making things too complicated for the general consumer," he said. "The purpose of innovation should be to better the experience, not making them harder to use."

Kehaya thought the speaker made a good point. "You can't have everything in one device," he said. "That just won't work." The panelists unanimously agreed that the industry needs technology that better helps the consumer use vapor devices and makes it easier for smokers to switch. "This isn't an analog industry," a panelist said. "This is an electronic industry. We all need to remember that."

While the innovation in vapor has come quickly, most panelists aren't expecting the technological improvements to slow down anytime soon. The panelists agreed that regulation will continue to impact innovation. As regulations change, devices and even e-liquids will change to better adapt to the regulatory environment. "There is also massive room for improvement in the e-liquid side of the industry," a panelist said.

While the U.S. market may be slowed by regulation, the U.K. market and other countries will continue to see new devices on vape shop shelves. These products will help keep the vapor markets across the globe growing. "The consumer gets what the consumer wants," added a panelist. "If the devices exist they are going to find their way into the U.S. market. They'll find their way into every market." The

greatest concerns as the industry moves forward will be industry consolidation and overregulation. “It doesn’t make sense to regulate people back to traditional cigarette smoking,” a panelist said.

In closing, panelists told attendees that there are still numerous opportunities in the vapor industry regardless of regulations. The do-it-yourself segment could grow. There is also definitely going to be growth in closed systems. “The problem with closed systems is, I have yet to see a closed system that compares to the vapor quality produced by an open system. Closed systems are also significantly more expensive,” a panelist said. “Technology will help to improve those problems as the industry moves forward.”