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Session 1: The evolving market: challenges facing suppliers

It was clear what the tobacco and nicotine industries were up against almost from the start of the very first breakout session on the first day of the Global Tobacco & Nicotine Forum (GTNF), which was held in Brussels, Belgium, on Sept. 28–29. The theme of the conference was "Managing transformation," which led one participant to say that the suggestion that these industries had to manage transformation was putting it "very mildly." What he seemed to mean was that some of the change that was happening and that was coming could better be described as delivering a dislocation rather than a transformation. He evidenced this by pointing out that at the 70th annual Tobacco Science Research Conference the previous week, the first two papers had been presented by the U.S. Food and Drug Administration and had comprised statistical modeling of public health issues. This he described as a paradigm shift for tobacco scientists.

The session was titled "The evolving market: challenges facing suppliers," but the debate spread wider on at least two fronts. Some participants talked of opportunities as well as challenges arising from the evolution of the market, and here, for example, heat-not-burn products were mentioned a number of times as offering potential. However, questions were raised about whether that potential would be realized, when it would be realized and to what extent it would be realized. And because of such uncertainties, even the opportunities seemed to present challenges. The session spanned the full gamut of known knowns, known unknowns and unknown unknowns.

The session title was expanded, too, because it became clear that manufacturers felt themselves to be in, if not the same boat as suppliers, at least in one plying the same choppy seas. This need come as no surprise, as the manufacturers are themselves suppliers of a sort. And a moment's thought indicates that there are suppliers to the suppliers that could also lay claim to being part of the armada.

Certainly, manufacturers play a key role. One participant said that from a supplier's perspective, the key to the future was keeping in touch with its customers so as to be able to understand the changes that were happening. And, at the same time, manufacturers needed to make sure that suppliers were involved early on because some of the changes that were taking place required complex responses that did not lend themselves to overnight solutions.

This last point is clearly of concern because in a market that is fracturing into two distinct parts—a high-volume, established but declining tobacco market (the endgame issue was raised) and a relatively low-volume, unsettled but emerging nicotine market—suppliers are sometimes struggling to know where they should be making investments.

One supplier said that he was getting pinched cost-wise as he invested in meeting compliance requirements, even though his income was a fraction of his customers' incomes. And another asked how it was possible for suppliers to invest in developments when there was no money on the table for such developments. He perhaps explained the relationship best when he said that five years ago he was being asked whether his company was investing the money it made

from the tobacco business in the tobacco business, whereas now he was being asked why it was invested in diversifying.

The bottom line seemed to be that suppliers simply had to ask themselves whether they wanted to work with the tobacco industry and take on the current and likely future compliance issues that that entailed. Some participants indicated that this was a question that was made more complex by working across multiple industries, since a change to a product to meet a requirement within one industry might not be acceptable within another industry. And another suggested that this was a question that was more urgent than it perhaps appeared because change was probably going to happen faster than most people were currently predicting.

Most of the discussion was driven by the need to meet regulatory changes, generally those concerned with the revised EU Tobacco Products Directive and the U.S. deeming regulations, both of which largely came into force this year, but also those derived from the World Health Organization's Framework Convention on Tobacco Control. As one participant pointed out, in the past, regulations had often been a driving force for tobacco industry changes that had allowed suppliers to become involved with their customers in innovation and developments, but clearly some of the current crop of regulations were not fully defined and so had left the industry in limbo.

There was a suggestion from manufacturers that suppliers should try to work with regulators to meet the regulators' public health goals while helping to devise regulations that were workable, and some indicated that they were indeed trying to do this. But there was also a sense that regulatory burdens, both those caused by a need to comply with regulations and those created by the need to help formulate workable regulations, were becoming too much, or were likely to become too much, especially for less sophisticated suppliers.

In the U.S., with the deeming regulations in place, the challenge for manufacturers and suppliers alike was seen to be concerned not so much with an evolving market, which is something businesses can handle and often welcome, but with a locked market. And there could be little demand for new equipment or new types of supplies when a manufacturer could not change its products.

But at the same time, it was said that there was a need for suppliers to work with manufacturers on the products that were going to be on the market in 10 years' time and the compliance issues that they would raise. It didn't matter whether these were tobacco products or medicinal products; they just needed to be products that provided consumers with the satisfaction they sought.