

# Tobacco as a Strategic Category

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# Travel-Retail Growth

## Travel-Retail Industry Revenues (Billions)

Compounded Annual Growth Rate: 8.6%



■ Asia Pacific ■ Europe ■ Americas ■ Middle East ■ Africa

# Structural Advantages



# *Economic Moat*

**“A good business is like a strong castle with a deep moat around it. I want sharks in the moat. I want it untouchable”**

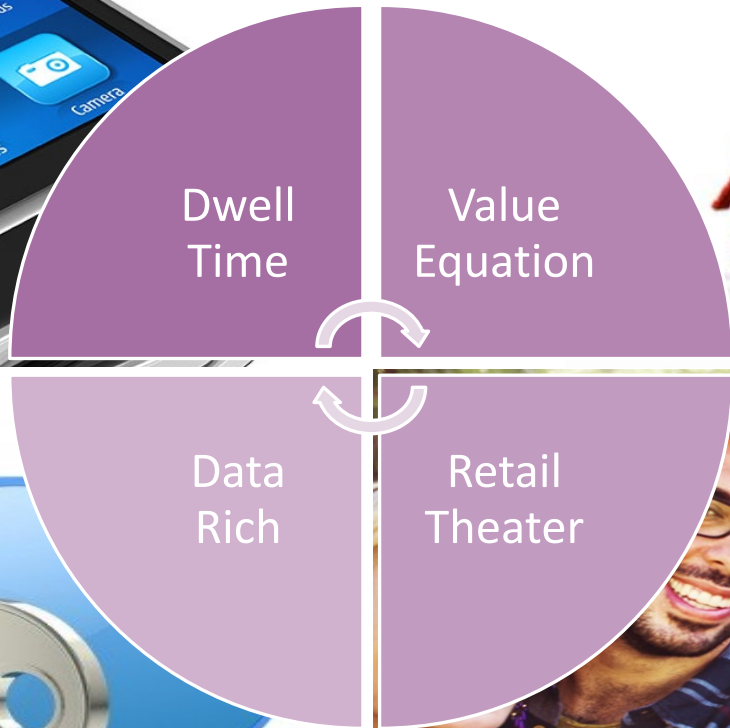
- Warren Buffett



# Conventional Wisdom



# Erosion of Structural Advantages



# Economic Models

## Return on Equity



## Return on Investment



# *Tobacco as a Strategic Category*



## The Tobacco Category...

...drives footfall

...communicates value

... increases market basket

... is pursuing innovation




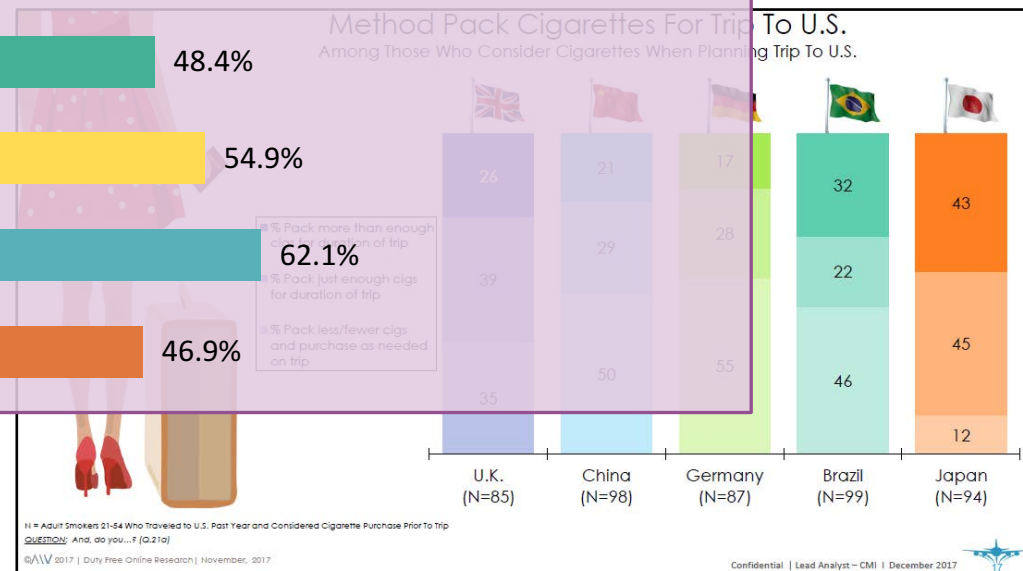
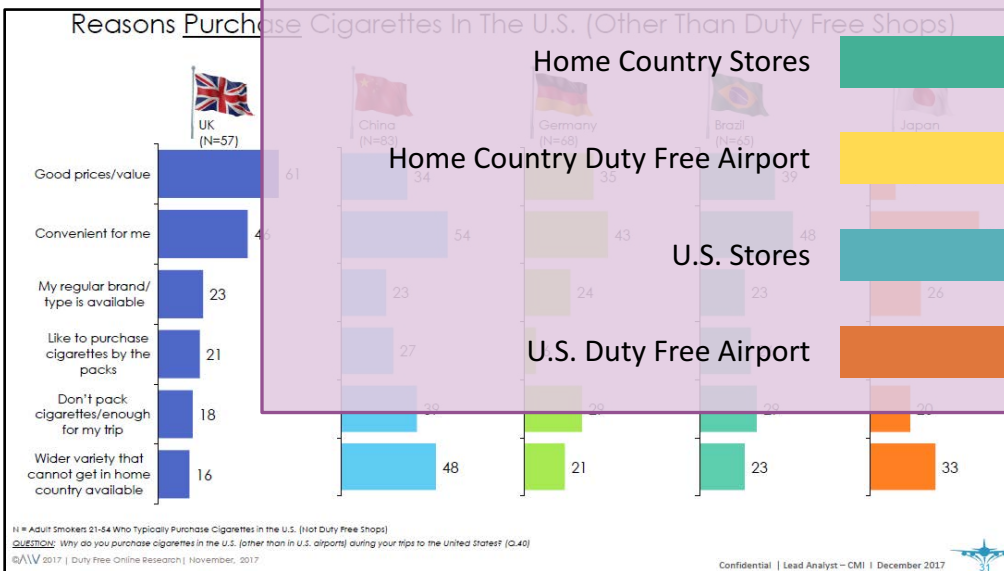
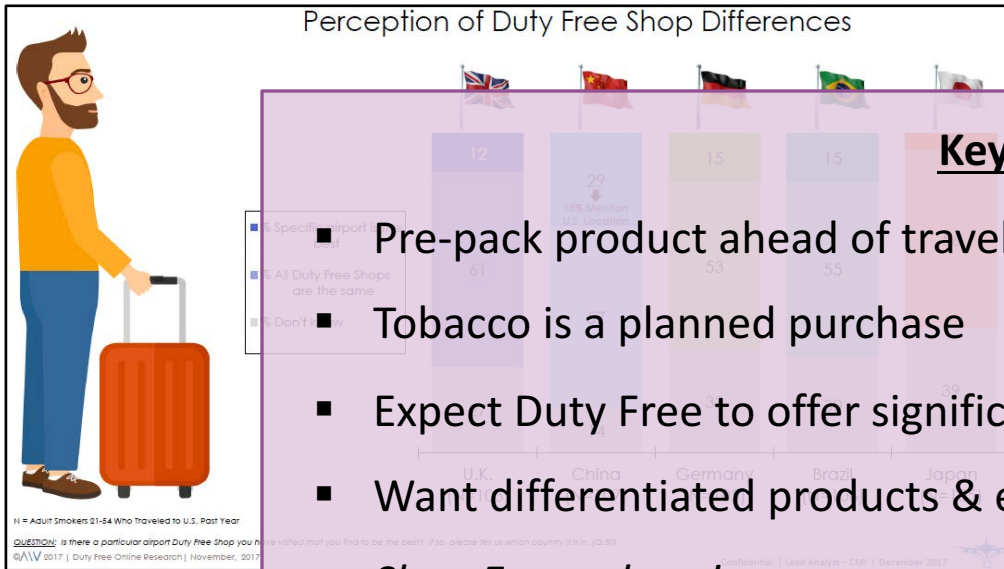
# *The Main Thing*

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The main thing is to keep the  
main thing the main thing.

Stephen R. Covey

 quozfancy

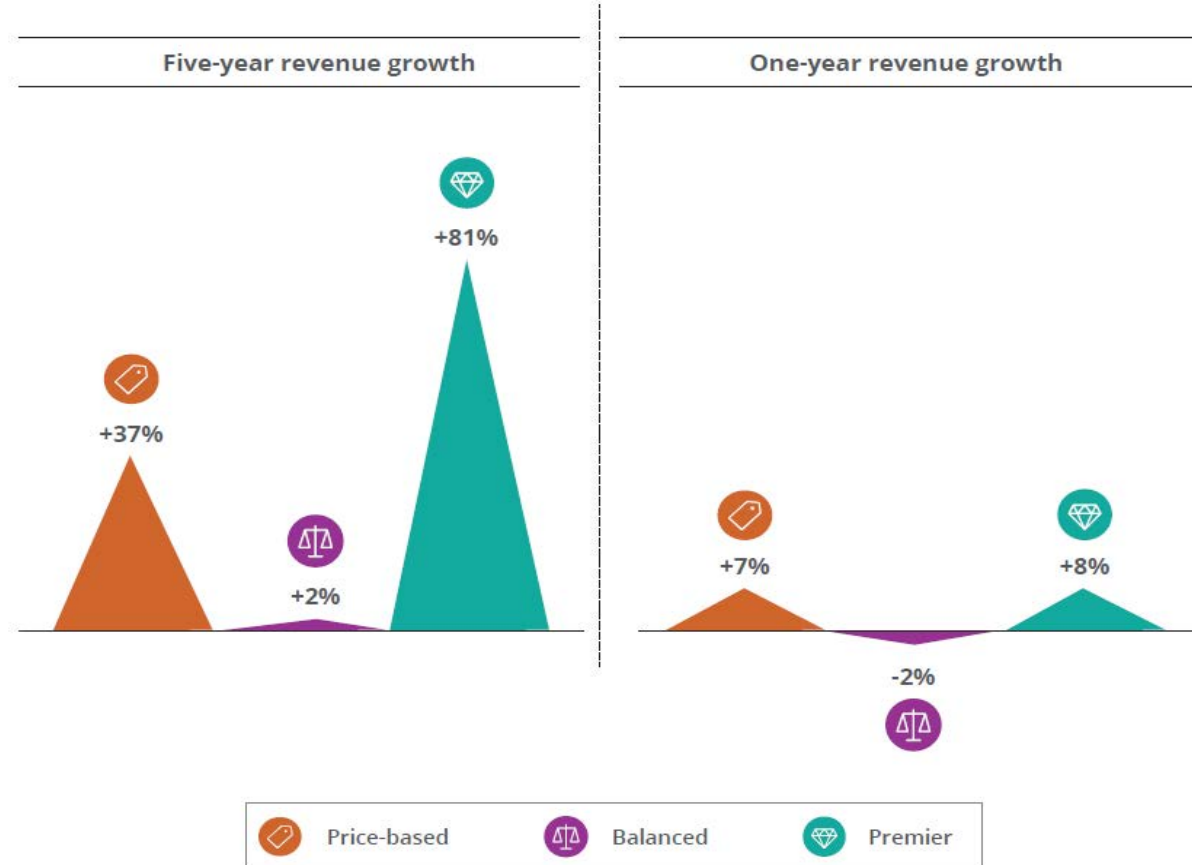


# Retail Landscape



58% of low-income consumers are choosing to shop in-store.

52% of high-income consumers are choosing to shop online.



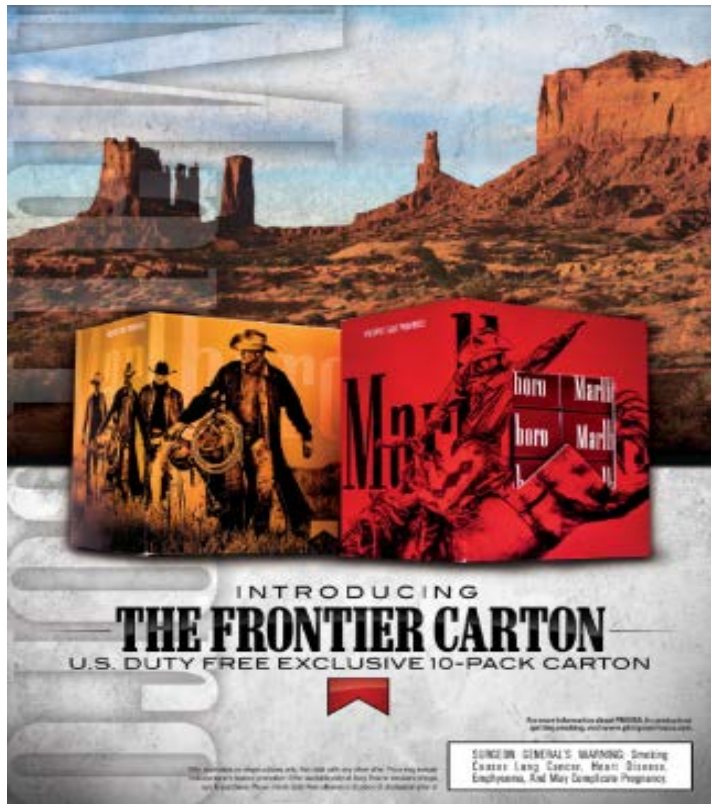
# Enhancing the Marlboro Commercial Offer



# Marlboro Duty Free Brand Architecture

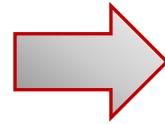


# Exclusive Travel-Retail Offers

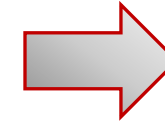


# Evolution of Value Offers

Tote (1000)



Slim Tote Promo (800)



Volume Savings Promo



- Provide brand and quantity flexibility to Adult Smokers
- Provide higher savings to Adult Smokers
- Simplification

# Visually Stunning Merchandising





# Innovative Tobacco

## Smokeless



Not yet available in Duty-Free

## Heat not Burn



Not yet available in United States Duty-Free

## Vapor



Not yet available in Duty-Free

# Summary

## Duty Free Industry

- Erosion of Structural Advantages
- Opportunity for improved collaboration across industry
- Better use of data to improve travel-retail commercial offers

## Tobacco Category

- Strategic category
- Drive footfall
- “Halo Effect” of tobacco value proposition
- Pursuing Innovation