

Retail's role in advancing PMI's smoke-free strategy

By [Lauren Hartzberg](#)

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Philip Morris South Africa (PMSA) has opened the doors to its new flagship boutique Iqos store in Canal Walk, Cape Town, five years after the smoke-free brand was introduced to the local market.



Source: Supplied

The company has openly committed to a move away from the cigarette business and continues to expand its Iqos portfolio of electronic tobacco devices designed to heat rather than burn tobacco, and the brand's retail footprint.

Iqos heats specially-created tobacco sticks, called Heets, at a controlled temperature, avoiding combustion and “producing an aerosol that emits on average 95% lower levels of harmful chemicals than an ordinary cigarette”, according to the company. While the device provides a nicotine fix and tobacco-taste satisfaction for smokers, Iqos does not produce smoke, ash or a cigarette smell.

Since 2008, the Marlboro and Chesterfield maker has invested over \$9bn in scientific research, product- and commercial development, and in production capacity to drive the continuous innovation of smoke-free products.

“Our significant continued investment into stores like the Canal Walk site, reinforces our commitment to achieving a smoke-free South Africa, with a product that is a much better choice for adults than continued smoking. It’s a commitment like this that is in line with PMI’s full-scale global effort to offer adult smokers better alternatives that can ultimately replace cigarettes,” commented [Branislav Bibic](#), managing director of PMSA.



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Iqos accounts for 30% of global revenues

Speaking during a panel at the Cape Town store launch, Ulrich Tromp, director of external affairs at PMSA, confirmed that regular cigarettes remain a big part of PMI's business, but stated that the company is "working to change that" in line with its publicly stated mission to build a "smoke-free future".

Iqos is currently available in 71 markets globally, and is expected to be available in 100 markets by 2025. PMI employs nearly 1,000 scientists, engineers, technicians and support staff to facilitate the delivery of smoke-free solutions, including those employees based at its research and development facility, dubbed The Cube, in Neuchatel, Switzerland.



Source: Supplied

In the first quarter of 2022 alone, smoke-free products represented more than 30% of PMI's total net revenues, and the company aims to grow this percentage to more than 50% by 2025. Ninety percent of PMI's commercial spend is directed towards the smoke-free category, and even the bulk of marketing activities on the popular Marlboro brand is focused on guiding users towards Iqos as an alternative.

Through products like Iqos, PMI aims to provide people who intend to continue smoking with a "reduced risk alternative" to traditional cigarettes.

"By now everyone knows the harmful effects of smoking. Despite all the awareness campaigns, only 1 out of 10 smokers

will quit successfully. What do you do with the other nine? Iqos is not targeting non-smokers, but we are targeting existing smokers who want to continue smoking,” said Tromp.

“ We're out at [@canal_walk](#) for the launch of the new [#Iqos](#) boutique store - five years since the smoke-free brand launched in the country. [@InsidePMI pic.twitter.com/NmmX2xcOdV](#)— Bizcommunity Retail (@Biz_Retail) [June 30, 2022](#) ”

Touch, taste, learn, engage

For PMI, Iqos stores play a key role in converting cigarette smokers to the smoke-free brand.

The slick design of Iqos products extends to the layout and interiors of the brand's boutique stores. Visit one of them, and you'll know what to expect from the Iqos retail experience no matter where you are in the world.

More importantly, the stores are an environment for adult smokers to engage with the brand in a more physical way and to learn about the science behind the product - an experience difficult to replicate at the average supermarket kiosk where many South Africans purchase their nicotine products.

The brand's boutique stores include a dedicated area where visitors can witness the science behind Iqos being demonstrated. These stores also boast 'discovery bars', where Iqos users can explore the various Heets' flavours available and even do a chocolate pairing that enhances the different tobacco aromas.



Source: Supplied

“Retail is a key opportunity for us,” David Kadalie, PMSA's director of consumer experience, said at the Cape Town event.

He explained, “It's so important to have a space where smokers can come in and experience the science, understand how the product works and try it out, because it's very difficult to capture all those elements when you're in a [supermarket], where dwell-time and opportunities to engage and educate are limited.

“Spaces like [the Canal Walk store] allow smokers to really engage [with the product], and also offers our growing user base the opportunity to see what beautiful accessories we have, the new flavours there are, and to enjoy a taste experience to see which Heets variant they prefer.”

Kadalie noted that Iqos has recorded double-digit growth since it landed in South Africa five years ago, and according to

PMI, 70% of cigarette smokers who switch to Iqos will do so successfully and fully commit.

But this switch relies on education around product use and a fair amount of handholding during the transition phase, with Iqos representatives regularly checking in on users throughout the journey.



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From product brand to platform brand

With 1 billion cigarette smokers worldwide and 11 million in South Africa alone, Kadalie said it's been encouraging for the company to witness a growing appetite among smokers in search of less harmful alternatives. However, he mentioned that PMI is aware that "one solution won't necessarily address the preference of every nicotine user today" and shared that the company has a platform of products currently in development.

"Iqos itself is shifting from a product brand to a platform brand, so there will be exciting things to come in the future," Kadalie said.

Over the last year, PMI announced a [spate of acquisitions](#) in the pharma space, and recently [agreed to acquire](#) Swedish Match, one of the world's biggest makers of oral nicotine products, in a multi-billion-dollar deal.

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