

# Rolling to Higher Profits

With cigarette prices off the charts, more and more customers are looking to a quickly growing trend to save money: roll-your-own and make-your-own cigarettes.

Roll-your-own (RYO) refers to the assortment of products that allows the consumer to roll their own cigarettes – cigarette papers and loose tobacco. In contrast, make-your-own (MYO) refers to filtered tubes and injectors. Both papers and tubes, along with a quality loose tobacco, enable the consumer to produce a product comparable, if not superior, to a premium factory-made filtered cigarette.

The main appeal of roll your own is certainly price advantage. As taxes drive up the prices of factory-made cigarettes, the size of the RYO/MYO market has grown dramatically.

Generally estimated at only about 1-1.5 per cent of the entire tobacco market as recently as ten years ago, the RYO/MYO segment now accounts for over three per cent of the North American cigarette market. Moreover, there is a strong argument that this market will continue to grow significantly. In Europe, where higher taxes have long been the norm, the RYO/MYO market share is closer to 20 per cent.

Roll-your-own is one of the few bright spots in a decreasing industry. At half the cost the consumer gets the same quantity and a superior quality of tobacco as compared to mass-produced cigarettes. It's also becoming very trendy with younger adults, especially around colleges and universities.

Savvy retailers are realizing that, inch for inch, cigarette papers are perhaps the highest gross margin category in the store. As retailers recognize the growth and profitability of RYO/MYO, they are providing the category with more visibility, additional space, more accessories and promotion.

Suppliers are seeing the trend, too, and have responded with strategies and a growing range of products to meet the increasing demand. The key is spotting the trends and moving quickly to capitalize on them. So, what's hot?

## All Natural


The most popular all-natural papers to hit the market are natural hemp fiber papers. Pure hemp papers burn evenly and dissolve completely, eliminating the paper taste and leaving virtually no ash. Being tree free these papers also appeal to the environmentally conscious consumer. An all-natural gum line, rather than a glue line, is also favored by RYO customers.

## Bigger is Better

A typical cigarette is 84mm, yet the standard "regular size" cigarette paper is only 70mm. The American market leading '1 1/4' (78mm) size, much closer to a true "cigarette size" is becoming increasingly popular in the Canadian market. King Size papers (110mm), long a staple in Europe, have also recently gained a strong foothold in Canada. King Size sales are growing strongly in urban markets due to the recent but waning popularity of 'blunts.' Blunts got consumers rolling larger, but these customers are now switching to King Size as a more cost effective, higher quality alternative.

## Extra Thin

Less is more when it comes to papers. Paper manufacturing technologies have progressed significantly over the past decade resulting in stronger thinner paper that consumers are flocking to. Historically Zig Zag white has been the thinnest of the traditional Canadian brands, and the best seller. A new breed of 'extra thin rice papers' – Smoking DeLuxe being one example – have quickly become market leaders internationally and are making significant inroads with the Canadian consumer as well.

Convenience store retailers should be prepared for this explosive growth by properly merchandising the right assortment of RYO and MYO products in their stores to capitalize on this great sales and profit opportunity. 

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