

ROLLING TRADE

Zig Zag is a fast-growing brand in the UK, and it is thanks to independent retailers that it sold over 100 million units last year. Chris Rolfe reports

It makes a refreshing change when the director of a growing and vibrant company says 100% of sales come from independents and that, despite being in talks with multiples, he would be happy to keep it that way.

The message comes from Andrew Armstrong, commercial director of Zig Zag, which started out in the UK in 1998, importing and distributing a global brand already well established in the USA, New Zealand and the Far East, but with no presence in the UK.

Set a seemingly ambitious target of selling six million booklets in 1999, the company exceeded all expectations and achieved a total of 10 million. This rose to a massive 115 million in 2004, out of a total UK sales figure of 585 million.

What makes this success all the more noteworthy, however, is that all this has been achieved through the independent channel.

IMPULSE PURCHASES

"We sell solely through independents, cash & carries, wholesalers and symbol groups," says Mr Armstrong. "Requisites is a sector dominated by independents, with 86% of all sales going through this channel because our products are bought on impulse."

Zig Zag competes with Swan, which has seen its market share fall in recent years, and Rizla, which sells around 300 million booklets each year. But, says Mr Armstrong, its size and strength are often underestimated.

"Most market data comes from multiple channels. As we sell through independents, it looks as if our market share is minute, when in reality it is around 20%. We now have the other 80% to go for and we are ready to take Rizla on."

BRAVE WORDS

It is a bold statement from a relatively new kid on the

block, but Mr Armstrong has many reasons for confidence.

Firstly, working with independents, without relying on the multiples, strengthens Zig Zag's position.

"Retailers have picked up that the margins can be as high as 60% and they need to devote more gantry space to these products. Independents are key because they have total control over what goes where and they can devote more shelf space if they want."

He admits that Zig Zag is in discussion with four major supermarkets, but stresses this will never become a priority because of their mere 14% share of the market.

"We could take it or leave it," he says.

A GROWING MARKET

Secondly, the requisites market is enjoying healthy growth, with filters growing by 8% year on year and papers by 2-4%. Younger adult consumers are entering a papers market



that has grown 40% in six years and was dominated ten years ago by "cloth caps and ferrets". Traditional smokers are also increasingly dividing their habit between cigarettes and roll-your-own.

Then there is his confidence in the Zig Zag brand: "I believe we have the best quality premium product, and that is what consumers base their

TOP FIVE ROLLING TOBACCOS IN INDEPENDENT STORES

| Brand | Share of sales | Year-on-year change (%) |
|-----------------|----------------|-------------------------|
| Golden Virginia | 47.1 | +1.3 |
| Amber Leaf | 16 | +6.7 |
| Drum | 12.5 | +5.0 |
| Old Holborn | 9.7 | -21.8 |
| Cutter's Choice | 6.2 | +8.8 |

TOP FIVE ROLLING PAPERS IN INDEPENDENT STORES

| Brand | Share of sales | Year-on-year change (%) |
|---------------------|----------------|-------------------------|
| Rizla Regular Green | 36.2 | -1.6 |
| Rizla Regular Red | 13.9 | -3.5 |
| Rizla Regular Blue | 7.3 | -3.9 |
| Swan Green Regular | 6.7 | -6.9 |
| Rizla King Size Red | 4.1 | -14.6 |

Source: Imperial Tobacco

Swedish Match 'Combi Pack' targets younger market

Swedish Match recently launched a 'Combi Pack' for its Styx brand, which is aimed at 18-30 year old students and first jobbers. The packs combine 50 papers and 50 slimline filters in a pocket-sized flip-top box.

Natalie Bridge, category manager at Swedish Match, explains the move.

"Younger roll-your-own users tend to roll on the move,

and with more of them using filter tips, we wanted to provide a product that would prove convenient.

"It is also contemporary looking, which is key to this image-conscious market. The Styx brand has had an excellent response from both consumers and retailers, and we believe the Combi Pack will soon establish itself as a 'must-have' on the tobacco gantry.

Look out for:

- Increasing awareness of the Styx brand through a large advertising and PR campaign targeted at 18-30 year olds.
- Promotions in magazines including FHM, Loaded, Q and NME.