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Popularity of shisha in the West continues steady growth

The consumption of shisha throughout the world continues to grow at a steady rate. Even in Egypt where, at the end of last year, tax was hiked up to 150 per cent of the retail price from a level of just 50 per cent, consumption rates have climbed slightly. JTI asked some of the sectors major players about their thoughts on the current 'state of play'.

Nakhla Tobacco of Egypt, which celebrates its centenary this year, is the world leader in the supply of shisha. In November last year, Japan Tobacco (JTI) agreed to purchase the company, an acquisition the cigarette manufacturer said will broaden its product range and provide a base for eventual expansion in the Egyptian cigarette market. "Our acquisition of Nakhla offers an excellent opportunity for growth in the waterpipe segment and widens our brand portfolio," said Fadoul Pekhazis, a regional president for Japan Tobacco International. "The acquisition enhances JTI's geographical footprint in the Middle East and Africa,

and over the long term, provides a platform for JTI to participate in the sizeable cigarette market in Egypt," he said.

Nakhla's Regional Export Manager, Ahmed Elibiary, gave other reasons why his company is currently so upbeat. "Over the past 10 years or so, we have seen an increase in shisha consumption in the US and Europe and indeed most western countries," he says. "Another indicator that demand is growing is that there are a lot of new molasses producers operating in the West to satisfy the shisha market there. At the same time, we ourselves have witnessed growth, especially in the US.

But why should something so intrinsi-

cally Middle Eastern have gained such incredible popularity in the West? "Because shisha represents a culture," explains Elibiary. "It's about going out and meeting with friends, it's about socialising, it's associated with good times. With normal cigarettes, you can have your cigarette with you, you can smoke anywhere, in the bar after a meeting or by yourself, but with shisha it's more of an occasion. After a long day at work, you want to go out and meet your friends, sit in a café or maybe gather at someone's house. It's more of a social event, so that's why it's particularly attracting a lot of new adult smokers. In such a social group, people are always ▶

competing about things like who can prepare the best shisha, who mixes the best flavours, and so on. It's not only a matter of sitting and smoking. It's the whole experience."

In the last few years, Nakhla's business has been growing at a dynamic rate, as Elibiary explains. "Our business has seen growth all over the world. We now export to more than 100 countries, and we're increasingly getting new customers in remote locations like islands in the Indian Ocean and many parts of Latin America. Our company has existed since 1913, so we're proudly celebrating our centenary this year. It's a family-owned and -managed business. We started out producing non-flavoured tobaccos, and in the late 1980s Nakhla Tobacco was the first company in the world to introduce the concept of flavours in waterpipe tobacco. This made us a pioneer in shisha tobacco then after that, as the popularity of flavoured tobacco began to catch on in the West, a lot of competitors started appearing." According to Elibiary, Nakhla has been able to stay ahead of the competition through its vast know-how, and by in-



Ayse Adams

with mint'. Nakhla Mix is a whole new brand of mixing flavours, some of the most popular combinations being ice raspberry mint, ice lemon mint, water melon mint and ice apple. These are all

your called 'Flames', which is a blend of cinnamon and vodka flavours.

So how does he see the future? "The shisha business will continue to grow in the coming years," he confidently predicts. "At first when it caught on in the West, many thought it was just a fad that would fade away, but we've been conducting growing business in the West now since 1990 which proves that it's here to stay."

According to Elibiary, shisha smoking is also growing in the East. "In Egypt, however, the non-flavoured line is by far the most popular, but even here as the younger generation increasingly takes it up, flavoured brands are gaining in popularity," he says. "At present the Egyptian market comprises 70 per cent non-flavoured and 30 per cent flavoured, but I would estimate that, within about seven years, it might be more or less 50-50. In the export business, 90 per cent is flavoured as against just 10 per cent non-flavoured, and usually the non-flavoured is mainly for Egyptian expats living abroad."

Herbal bases gaining in popularity

Tobacco Technology Inc. (TTI) is a tobacco flavour company dedicated to all aspects of the tobacco flavouring business, but it is now particularly enjoying the rising popularity of shisha in comparison to the other rather stagnant tobacco segments. "Shisha smoking is considered a social activity, which is finding acceptance among today's smokers who are interested in trying new flavours," says Ayse Adams, Director of Sales at the company. "To respond to this need, we are finding that shisha companies are continuously looking to add diverse and innovative flavours to their product list. By continuously researching and developing flavours, TTI has remained a market leader in emerging fusion flavours."

TTI's strategy is continually to add new and innovative flavours to its product range. "In addition to working with more traditional fruit flavours, we are introducing fruit and spice combinations and non-traditional flavours and ingre-



Nakhla two apples brand

troducing a constant line of new flavours and new packaging. "We've just introduced Nakhla Mix line. It's about mixing flavours. Nowadays, people don't just say 'I want apple, strawberry or peach'; they say 'I want strawberry or orange mixed with peach, or raspberry

combinations of two flavours mixed together. In addition to this, we have more than 50 individual exotic flavours, like cardamom, cinnamon and recently we've even brought out Shisha on the Beach, in honour of the well-known cocktail Sex on the Beach, and a new fla-

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dients that appeal to the taste palate of various markets,” explains Adams. “TTI remains the leading flavour house for new flavour innovations for shisha. To guarantee performance, all flavours are smoked numerous in house by TTI’s flavour testing panel before being sent for our customers to sample.”

As an example of ongoing commitment to the shisha industry, TTI recently built a ‘Hookah Lounge’ at its US facility, which is used by the TTI flavour testing panel when evaluating shisha flavours. “We believe this to be the only purpose-built environment for shisha testing within the flavour industry, emphasising our commitment and support of the shisha market,” says Adams.

TTI is now finding that its non-tobacco / herbal bases for shisha smoking are gaining popularity. “Finding the right base is the key as it needs to be smooth and be able to absorb the flavours. TTI has the experience and expertise to support this development,” says Adams. “As these bases continue to improve, we expect an increase in the consumption of herbal shisha. In addition, shisha flavours are getting more popular for e-cigarettes as well. Shisha continues to grow and is becoming established within the tobacco market as its own separate industry.”

According to her, as far as regulation is concerned, in the US shisha falls under pipe tobacco classification. At present, pipe tobacco is not directly regulated by the FDA. In the East, generally there are no shisha regulatory restrictions, but it is possible that any future FDA ruling may be implemented in various forms by other countries.

Branching out into new areas

One of the world’s major suppliers of shisha tobacco is Starbuzz Tobacco based in Anaheim, California, a company that specialises in the shisha sector above other forms of tobacco. The company’s Regional Vice President, Jake Jacobson, told TJI about the new directions in which shisha seems to be going. “The shisha market has branched off into so many different unique and innovative

directions with modern influence, and I am even more proud that Starbuzz has played such a huge role in the mainstream growth,” he says. “My vision is to never stop innovating and creating. Inventing and introducing new flavours is not just a passion of mine but a staple in my company’s vision. Although I feel all my new flavours are exciting in their own ways, I’ve had most enjoyment from taking traditional flavour concepts and adding the notorious Starbuzz modern refinement.”

According to Jacobson, Starbuzz has introduced many different products into its catalogue in recent years. “Having started as just a hookah tobacco company, we have now successfully entered into various markets: boutique candles, electronic cigarettes, quality hookah pipes, natural charcoal, hand-rolled cigars, tobacco-free alternatives, and even designer clothing,” lists Jacobson. “We have been fortunate to be able to succeed in so many unique segments but as always, we have our eyes set on the next new project. The last one, the Starbuzz E-BUZZ electronic cigarette product has taken the world by storm. For the first time ever, consumers are able to take their favourite Starbuzz tobacco flavours with them wherever they go. In addition to this, we are working on not only developing, but perfecting our steam stones product, which will allow fans all over the world to enjoy our infamous flavours in a non-tobacco, nicotine-free form.”

So what can we look forward to from Starbuzz in 2013? “It’s always truly rewarding to see our customers and fans enjoying new flavours as well as new inventions,” says Jacobson. “2013 will be a very exciting year for us and people should definitely visit both our Facebook page and our Starbuzz Blog to keep up with all our new announcements.”

Stabilisation of the shisha market?

Contrary to other suppliers, German flavour company Hertz & Selck does not predict such huge growth in the West-



Photo: a



Photo: Fotolia

ern shisha market. “The total use of shisha tobacco in the so-called Western world in our opinion will stabilise, hardly any growth or decline,” says CEO, Lutz Dörning. “However, this may vary between Western to Eastern European countries. In Western Europe, we reckon the volume will slightly decline or remain stable, whereas in Eastern Europe, including the CIS countries, it will slowly grow.”

According to Dörning, the most popular flavours are mainly the best-known ones like double apple, grape or other pure fruit tastes. In his experience, these flavours are also growing in popularity in the Arabic-speaking world, a view that was of course confirmed by Ahmed Elibiary of Nakhla. Fantasy notes are more popular in the US and as a niche market also in other Western and Eastern European states.

Dörning is waiting with interest to see what happens after the take over of Nakhla Tobacco by JTI. According to him, points to look out for are whether JTI will develop a different marketing strategy with different tastes and new ideas and whether, as Jeremy Cassels-

Smith Davis of TTI maintains, herbal waterpipe blends start to make inroads into the market share of tobacco blends. “We are, however, satisfied with our business,” smiles Dörning. “We have again increased turnover, and we moved the company to new premises in April 2012, which now gives us more capacity and bigger lab facilities. Moreover being 100 per cent dedicated to tobacco, we are looking forward to a bright future as far as tobacco is concerned, in spite of new regulations to be expected sooner or later.”

Mane promises new announcements in April

Unlike Hertz & Selck, another European flavour company, Mane of France, is continuing to notice significant increases in shisha sales in the West. “We have seen significant increase in demand in the USA and more recently in Europe, in particular Germany, the Netherlands and Poland,” says Roger Penn, Director of the company’s Tobacco business unit. As far as new flavours are con-

cerned, in Penn’s view although current markets tend to favour the ‘traditional’ flavours like double apple and grape, there has been more recent demand for floral and other fruity flavours, in particular more citrus ones, plus some ‘bakery’ flavours such as cheesecake in the US.

“We are continuing to experience significant growth in this segment worldwide,” concludes Penn. “As far as innovations are concerned, there are many and we will be highlighting these during EUROTAB 2013 in Krakow, Poland in late April.”

Tim Glogan

In essence

- ▶ JTI’s takeover of Nakhla to boost investment in the sector
- ▶ Mixed flavours gaining popularity in the West and even, to a certain extent, in the East
- ▶ Non-tobacco, herbal shisha catching up with tobacco-based in many markets