

Hello, it is great to be joining you all today. It is now two years since I last spoke to you at this forum.

Then, I was barely a year into the role. I was new to our industry and new to Imperial. What a lot has changed in these two years!

When we met in London in September '21, we were still in the midst of the Covid pandemic. Today, the immediate threat of the virus thankfully has passed – though we continue to deal with its economic and social legacy.

Our industry has changed too.

We have seen huge innovations and a growing diversity of products. These have given adult consumers exciting new – and potentially healthier – alternative choices.

But they have also created new challenges for our sector, which I know the GTNF is engaging with very deeply.

And what about me? Well, I am no longer the industry's 'new boy'.

One of the great pleasures of this role has been to get to know so many of you. From peers, partners and analysts, I have learned about our unique heritage, and been inspired about the possibilities for our future. Many thanks to all of you for your insights, your patience and your friendship.

And thank you in particular to Elise and the GTNF Trust for giving me this opportunity to speak to you all again today.

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Two years ago, at the London conference, I laid out a vision of how Imperial could play a distinctive role in this industry's exciting transformation. I said that Imperial, as the smallest of the global tobacco and nicotine companies, should be the industry's challenger.

In any sector, challengers play an important role.

Challengers drive increased consumer choice. They stimulate stronger competition. And they spur on innovation.

Challengers succeed by doing things differently; by getting closer to consumers, by being more agile, and by collaborating better with partners.

But being a challenger also means you recognise your limitations. As the smallest player, you should never try to offer everything, everywhere, all at once.

Two years ago, as we developed Imperial's new approach, we felt that the conditions were right for a strong challenger to emerge and thrive in this industry.

The conditions were right because of three very important changes which were taking place.

First, we saw that consumers were becoming more local and more tribal in their brand loyalties.

And consumers were starting to use multiple brands and categories for different moments in their day.

We saw that this growing diversity of consumer behaviours was underpinned by a divergence in regulatory regimes.

Different countries have taken long-term decisions to endorse different categories of NGP, for example through preferential taxation.

And, of course, some countries have so far chosen not to support NGP of any category.

We knew these trends meant we needed strong consumer insights, combined global best practices, and getting very close to local preferences.

The second big change we saw taking place in our industry was that the pace of our industry was accelerating – with new categories emerging very rapidly.

We knew therefore we needed the ability to make good decisions fast – to operate with agility.

And the third change we saw was that our industry was becoming a thriving ecosystem of businesses innovating in diverse areas from flavours and ingredients to devices and packaging, and on to marketing and sales.

We knew this meant that we needed to become better at harnessing this ecosystem by operating in a collaborative way – building deep, long-term partnerships.

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This was our thinking two years ago. So how well is it all going now?

Well, I would be the first to admit we haven't always got it right. This is the nature of business, of innovation, of trying new things.

But, overall, we are pleased with where we are.

We have assembled a fantastic team which combines experience from the world's best consumer companies and Imperial's deep industry and local market expertise.

We have built new capabilities in consumer insights, marketing and sales.

We have invested in data. And we are unifying dozens of legacy systems into a single solution – one that will enable better-informed, faster decision making.

We have evolved a new collaborative approach to innovation. This is exemplified by our new "Sense Hub" in Liverpool which brings together in the same space consumers, our own product developers, and third-party partners.

All these investments were designed to help us become a stronger challenger. And I am pleased to say these investments are paying off:

We have stabilized our core combustible business.

We now have credible offerings in all three categories of next generation products – vapour, heated tobacco and modern oral.

And, though it is still early days, we are now starting to make a meaningful contribution towards this industry's long-term mission to reduce harm.

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So, where do we go next?

Back in 2021, I spoke about the world's one billion smokers travelling on one billion very different journeys.

This was the idea that every consumer is different and will choose their own path to a healthier future.

Over the past two years Imperial has conducted the largest piece of consumer research in its history – to better understand these one billion journeys.

We used an approach called “demand spaces”. Demand space analysis is well established in other consumer sectors but is still quite new in tobacco and nicotine.

This method breaks down the lives of our consumers into individual moments when they enjoy our products, for example, morning or evening, in the home or out and about, alone or with friends.

We interviewed 8,600 consumers across eight countries, collecting in-depth information on 16,000 different consumption occasions.

This work has given us a more nuanced understanding of how consumers are moving towards potentially healthier choices.

Moment by moment, there are wide variations in how consumers behave.

We learned that, in some markets, next generation products are already the dominant category for certain moments or occasions – the moments, for example, when people meet with friends outside of the home.

Equally, however, we learned that there are certain moments – which account for a high proportion of nicotine consumption – where next generation products have made very few in-roads.

These are typically moments when people are on their own at home, for example taking a break between tasks.

Standing back, there are two big messages for our industry.

First, we can see that next generation products are no longer a niche category. In certain occasions, they have already become a mainstream, well-established alternative to cigarettes.

And that is a very important milestone on our collective industry journey.

Second, however, we still need to be humble.

The fact that there are large spaces in people's lives where our new products have yet to find a firm footing means, together, we still have much work to do.

We need to work harder together to create even better alternatives to the traditional cigarette.

Innovation, partnership, and deepening the industry's ecosystem are now more important than ever.

And we need to provide reassurance to those consumers who are reluctant to consider alternatives to smoking.

That means finding new ways of communicating the potential harm reduction benefits of NGP – sadly, too many people still believe that vaping or heated tobacco is just as risky as smoking.

And it means we need to use our collective experience to help policymakers build more orderly regulatory environments that inspire greater trust among adult consumers.

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As we learn more about our consumers, it is becoming clearer that in our industry there will be no silver bullet – no single winner who takes it all.

Consumers are not converging around a single product or category. Instead, they are choosing different products for different occasions in their lives.

And underpinned by their differing regulatory approaches, individual countries are developing their own very distinctive nicotine cultures.

France, for example, is a large vape country. Next door, Italy is Europe's largest heated tobacco market. Then, across the Alps in Austria, modern oral is the most popular next generation category.

Three neighbouring countries. Three very different patterns of consumer behaviour.

For us at Imperial, this is really exciting.

These insights tell us that there is room for many players in this industry, each with different propositions targeting different consumer niches.

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Imperial has been playing catch-up in next generation products.

But now I believe we do have the capabilities to secure our fair share of this market – and play a meaningful role in harm reduction.

The journey to the future typically never runs in a straight line.

We will have to continue navigating emerging challenges. That means playing our part in minimising youth access, curbing climate change and managing uncertain macro-economic conditions.

However, as you might have gathered by now, I am an optimist.

And I believe that if, collectively, we continue to stay close to our consumers and continue to work openly and collaboratively, there is a bright and healthier future ahead.

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