

THE MALAYSIAN VAPE INDUSTRY STUDY 2023



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MALAYSIAN VAPE CHAMBER OF COMMERCE

Table of contents

FOREWORD /	2
EXECUTIVE SUMMARY /	3
VAPE INDUSTRY LANDSCAPE /	4
FINDINGS ON CURRENT VAPE INDUSTRY LANDSCAPE AND CONSUMER PREFERENCE /	6
FINDINGS: MALAYSIA VAPE LANDSCAPE, BUSINESS AND USAGE /	7
HOW OTHER COUNTRIES ARE LEVERAGING VAPE AS A SMOKING CESSATION APPROACH /	12
MVCC RECOMMENDATIONS TO THE GOVERNMENT /	13
OUTLOOK /	16

Foreword

It was in 2015 that the government said that they would introduce the much-needed regulations for Malaysia's fast-growing vape industry. This came about after many years of calls by industry players prior to that to regulate the market. It took eight years since that announcement was made that we saw the Government take the first step to regulate the industry this year.

In early 2023, the Federal Government first indicated intent to tax and regulate the industry. This was followed through with the decision to gazette an excise duty of 40 sen per millilitre for vape liquids with nicotine content, is a notable step towards regulating the sector. This new duty came into effect on 1 April 2023, together with the Ministry of Health's exemption on nicotine liquid for vape substance from the Poisons Act 1952.

This is a significant step towards regulating the use of vape products as it paves the way for the introduction of comprehensive and appropriate regulatory framework that can ensure the safety and responsible use of vape products in Malaysia.

It is essential now for the government to establish clear regulations and guidelines to govern the sale, distribution, and usage of vape products. By implementing a robust regulatory framework, Malaysia can effectively address concerns related to product quality, safety, and responsible marketing practices.

Clearer regulations will not only safeguard consumer interests but also contribute to the development of a thriving and responsible industry. By providing a stable and well-regulated environment, Malaysia can attract foreign direct investments, create job opportunities, and support the growth of Bumiputera entrepreneurs within the vape industry.

While the Ministry of Health has tabled the Control of Smoking Product for Public Health Bill 2023 in Parliament recently to demonstrate its intent to regulate vape products, it has been referred to a Parliamentary Special Select Committee, indicating the need for further review and evaluation.

While discussions are on-going on how to regulate the vape industry, it continues its fast-growing trajectory. In 2019, the retail value of the vape industry in Malaysia was RM2.27 billion. In 2023, the industry has grown by 53% to RM3.48 billion. It has facilitated the growth of many local entrepreneurs and provided jobs for thousands of Malaysians, especially for Bumiputera communities.

We hope this report will provide further insights into the growing vape industry in Malaysia, which can contribute towards making the right decisions in regulating the market.



Ridhwan Rosli
Secretary-General
The Malaysian Vape Chamber of Commerce (MVCC)

Executive summary

Vape market continues to grow /

- Global vape market size is expected to grow to USD182.84 billion by 2030, with a Compound Annual Growth Rate (CAGR) of 30.6% from 2023 to 2030
- Retail value for Malaysia's vape market grew from RM2.27 billion in 2019 to RM3.48 billion in 2023, up by at least 53%
- Malaysia vape users are estimated to have increased by 27% from 1.1 million in 2019 to 1.4 million users in 2022

Workforce related to the vape industry is rising /

- Vape manufacturers stand at 250 while importers increased to 100
- Dedicated vape retail stores are down to 2,500 in 2022 compared to 3,000 in 2019
- Rising availability of vape products in around 7,500 general retail stores in Malaysia
- Those employed in the vape industry in Malaysia increased to 31,500 in 2022, compared to 15,000 in 2019

Two different surveys were conducted focusing on industry and consumers /

- Phase 1: Industry Insights from 306 industry players from key locations in Malaysia, namely Kuala Lumpur, Selangor, Melaka and Penang. It was conducted from November 2022 to January 2023
- Phase 2: Consumer survey from 1,000 respondents conducted in 2023

↳ Vape industry landscape

Global vape market /

According to Grandview Research, the global vape market size is expected to grow to USD182.84 billion by 2030, charting a CAGR of 30.6% from 2023 to 2030. In 2019, the global vape market was estimated at USD12.41 billion.

The rise of the vape industry is due to concerns users have about traditional cigarettes, and their desire for less harmful alternatives. Vaping is seen as a less harmful alternative, generating vapour instead of smoke, and is increasingly recognised as an effective less harmful alternative to quit smoking traditionally. Consequently, more individuals, particularly recreational smokers and those seeking to quit entirely, are switching to vape products.

The rising awareness of less harmful alternatives to tobacco use has been increasingly documented by evidentiary studies and given support by the Public Health England UK, National Health Service Scotland, the Royal College of General Practitioners and Cancer Research UK, the Canadian Ministry of Health and the New Zealand Ministry of Health, among others.

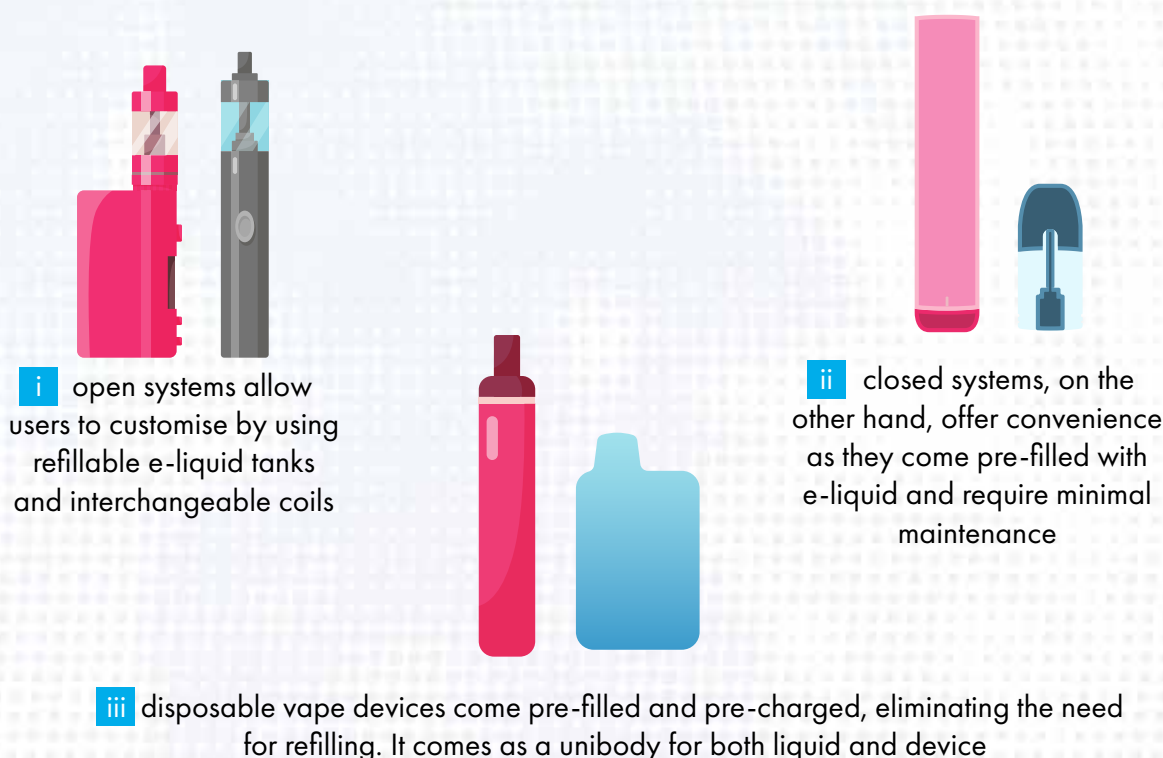
Recent figures released by the Office for National Statistics UK found that smoking rates reached a low in 2021, partly because of the increase in vaping. The Office for National Statistics UK underlined that vape had played a significant role in reducing the prevalence of tobacco smoking across the UK. Rising consumer awareness of smokeless, less harmful products is predicted to drive industry growth.

Malaysian vape market /

The vape industry's retail value in Malaysia has grown from RM2.27 billion in 2019 to RM3.48 billion in 2023, a rise of approximately 53%. At the same, vape users have increased by 27% from 1.1 million in 2019 to 1.4 million users in 2022. Rising awareness of vaping being less harmful and a viable alternative to quitting smoking has been one of the reasons vape users have increased. Available statistics also show that smoking prevalence has been declining, from 29.5% in 2000 to 21.3% in 2019.

Malaysia is well-known internationally for its strength as a high-quality vape liquids manufacturer. The manufacturing of high-quality vape liquids has become a thriving export business, driving growing foreign direct investment into the country and strengthening the vape ecosystem.

There are a variety of options for consumers, including open, closed and disposable vape products.



Regulatory development on vape products in Malaysia /

There have been calls by industry players since 2015 to regulate the vape industry to ensure the safety and quality standards for vape products are introduced.

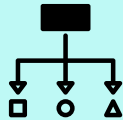
The Federal Government has started taking steps towards regulating the vape industry by implementing an excise duty of 40 sen per millilitre for vape liquids containing nicotine starting 1st April 2023, together with the exemption of nicotine in vape liquids as controlled substances from the Poisons Act 1952.

Subsequently, the Ministry of Health tabled the Control of Smoking Products for Public Health Bill 2023 before it was referred to a Parliamentary Special Select Committee for further review.

Findings on current vape industry landscape and consumer preference

Methodology

The MVCC conducted two studies among the industry players and consumers to understand the vape industry in Malaysia, including the market value, users and their consumption habits, and the reasons they vape.

INDUSTRY		CONSUMERS
November 2022 - January 2023	 STUDY DURATION	April 2023
306 industry players involved in the vape business	 NUMBER OF PARTICIPANTS	1,000 individuals aged 18 years and above, vape users only
Respondents from Kuala Lumpur, Selangor, Melaka, Penang	 LOCATION	Nationwide
Store-to-store visit	 METHODOLOGY	Online survey

Findings: Malaysia vape landscape, business and usage

Industry

Industry segment growth

Vape industry retail value rose to RM3.48 billion in 2023, an increase of 53% (2019: RM2.27 billion)



Number of vape businesses is evolving

The number of businesses involved in the vape industry as a core business has evolved in 2022 compared to 2019

MANUFACTURERS

were at **200** in 2022



GENERAL RETAIL

stores selling vape products estimated at **7,500**



IMPORTERS

were **100** in 2022

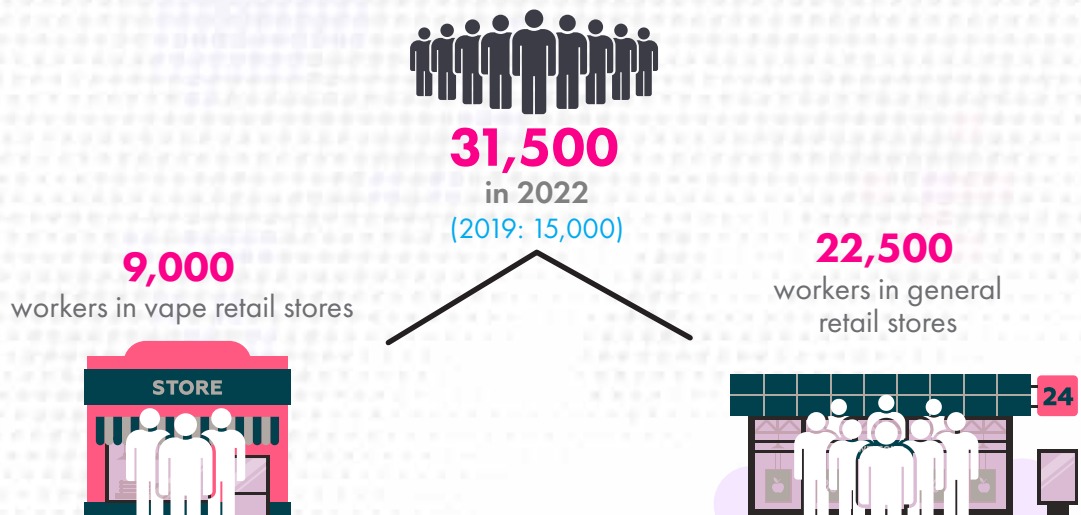


RETAIL SHOPS

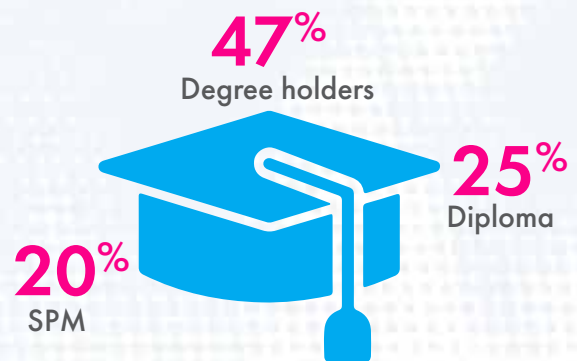
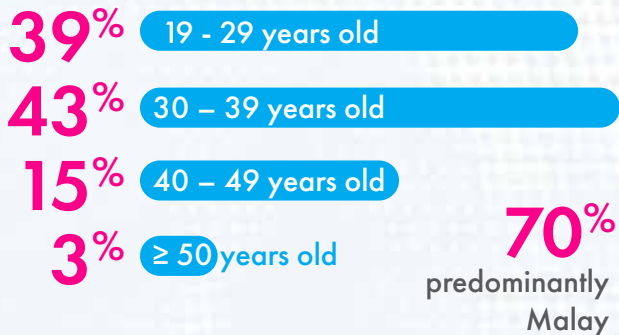
selling only vape products down to **2,500** (2019: 3,000)

Number of workers directly employed in the vape industry increased

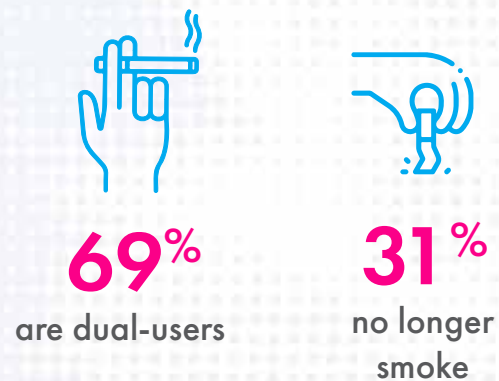
The number of those employed in the sectors related to the vape industry in Malaysia has risen



Demographic of users



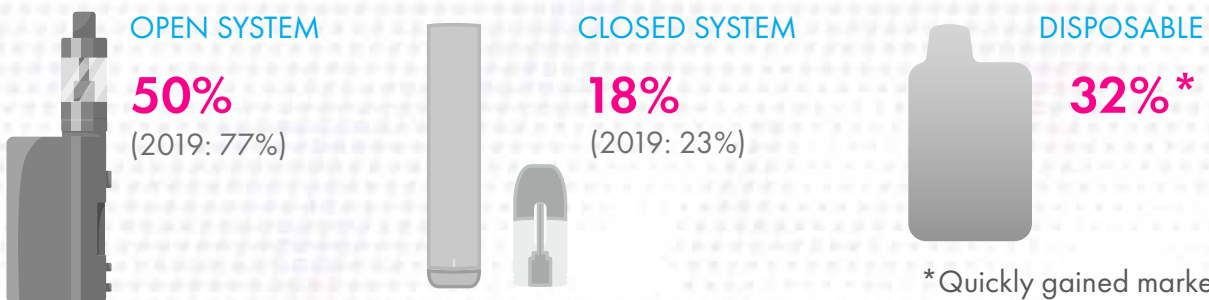
For those who vape



Consumption and spending habits

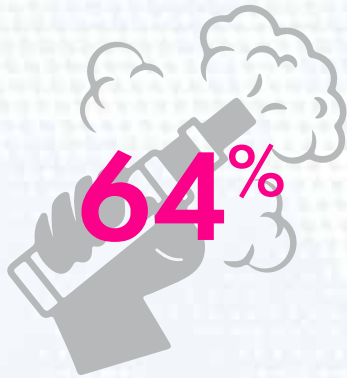
- Total vape users 1.4 million (estimated) compared to 1.12 million in 2019

TYPES OF PRODUCTS USED



* Quickly gained market share in a short time

■ Vape users who vape everyday



■ E-Liquid choices

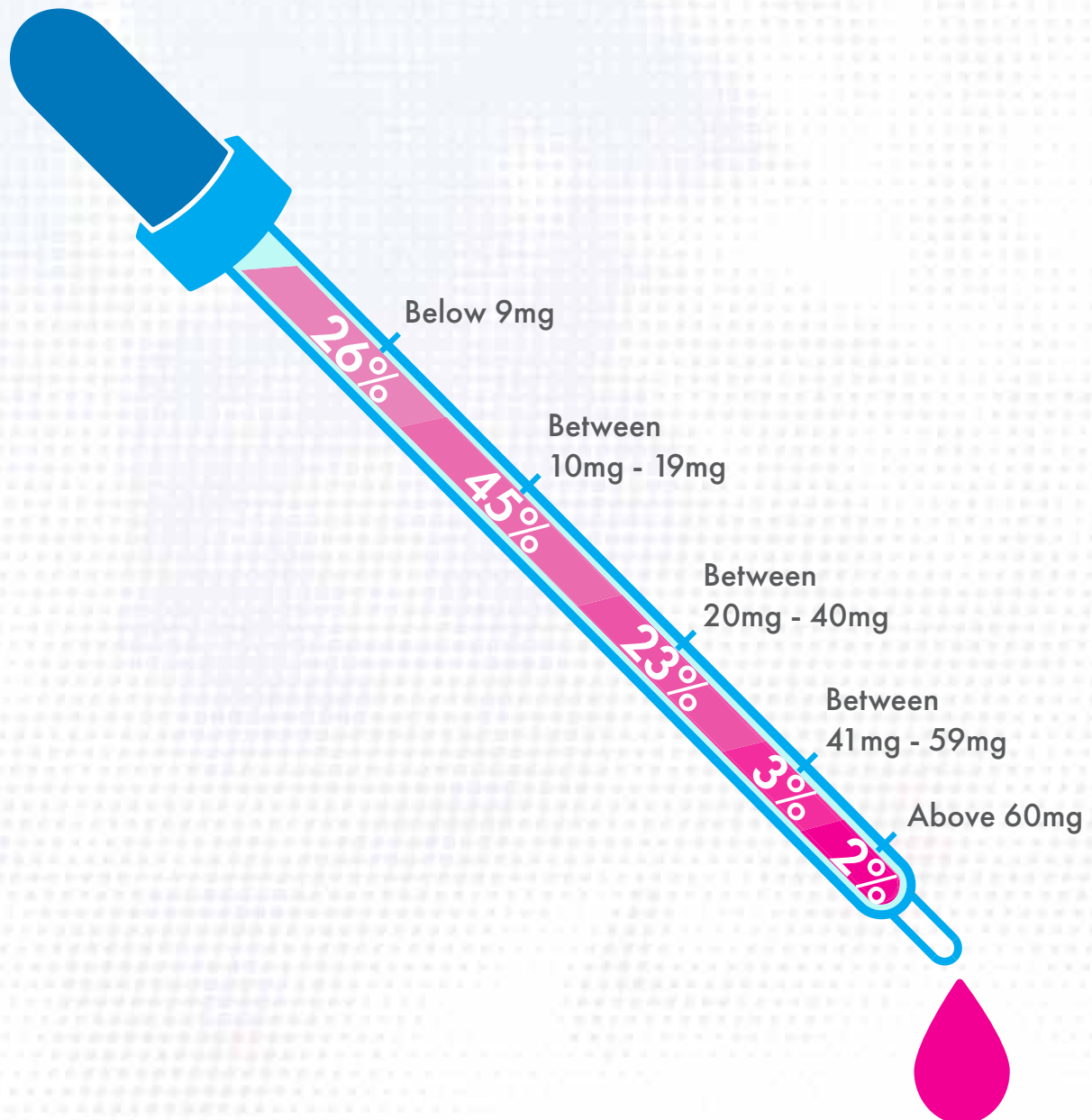


34%
nicotine only

28%
non-nicotine

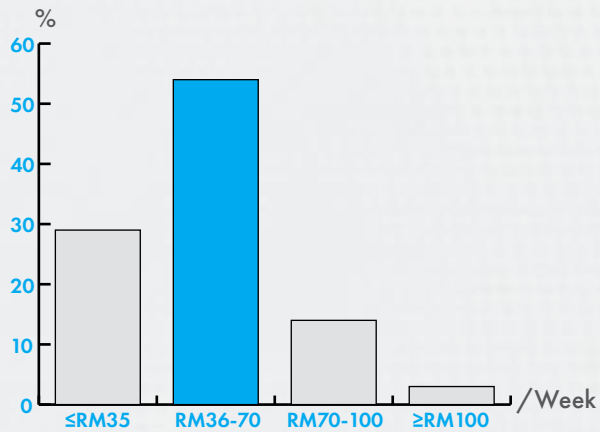
38%
both

■ Strength of nicotine per millilitre (ml) used in e-liquid

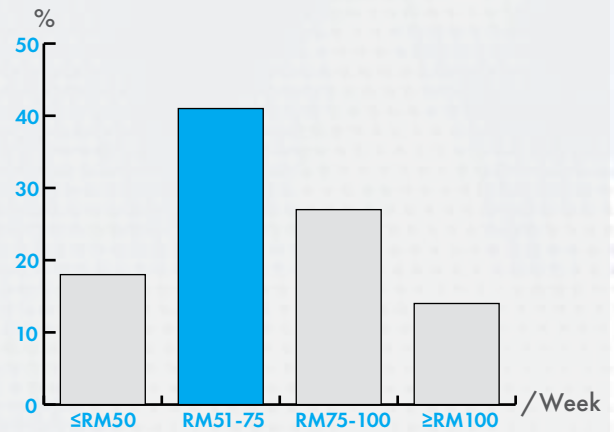


■ Monthly spend on vape products

Spend on **Pods & e-liquids** for open/closed system



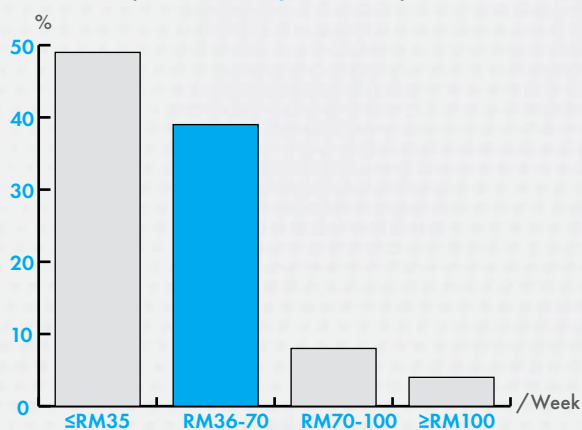
Spend on **Devices** for open/closed system



RM2.56 billion

on average spent on open/closed systems annually

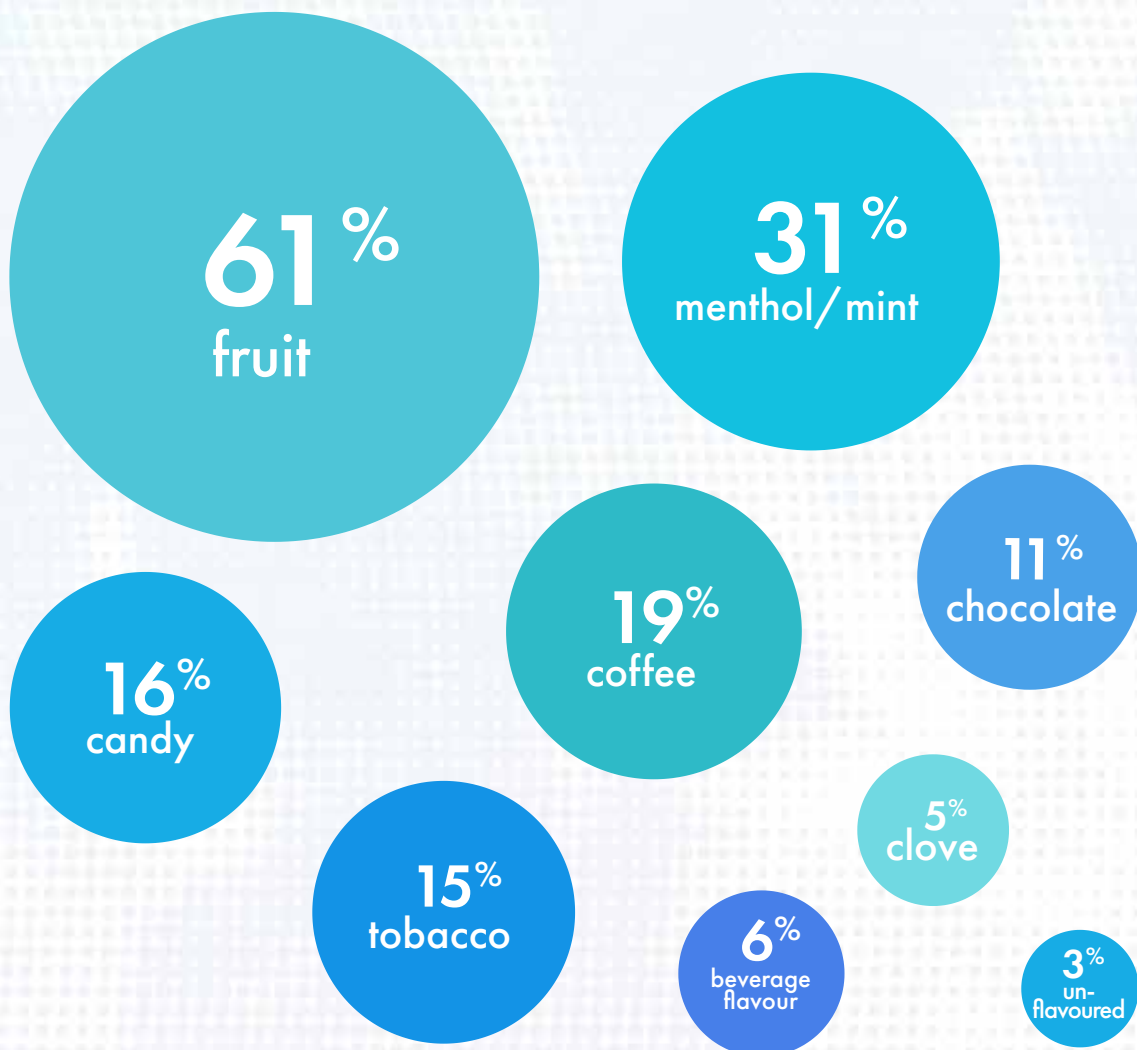
Spend on **disposable** system



RM925 million

on average spent on disposable products annually

■ Flavours bought regularly for vaping



■ Reasons for using vape, reasons for switching to vape



45%

less harmful compared
to cigarettes



45%

helps me quit
smoking



36%

cheaper than
cigarettes



How other countries are leveraging vape as a smoking cessation approach

The World Health Assembly adopted the global target of a 30% relative reduction in the prevalence of tobacco use by 2025. As countries worldwide grapple with the consequence of tobacco addiction, Sweden and the UK have paved a unique approach to regulating vape and utilising it as a tool to help tobacco smokers quit.

Sweden, close to being world's first smoke-free country

Sweden has taken significant steps to reduce smoking by making smoking cessation programmes widely available and offering support and resources for smokers to quit their harmful habits. In addition, the country has promoted vaping as a harm reduction strategy, implementing educational initiatives to encourage responsible vaping practices, particularly among young people, in order to prevent unintended consequences.



As a result of these efforts, Sweden is well on track to achieving the World Health Organization's goal of reducing tobacco use among adults to less than 5% by 2025. This success can be largely attributed to the country's tobacco harm reduction (THR) policies, which aim to minimise the risks associated with smoking traditional cigarettes by providing smokers with alternative options as vape and smokeless tobacco products.



England offers 1 million vape starter kit

England recognises the power of vaping to help people quit smoking, and the government took a bold step by offering 1 million free vaping kits to smokers as part of a comprehensive smoking cessation programme. This approach aimed to provide smokers with a less harmful alternative to traditional cigarettes, reducing their exposure to harmful toxins.

The initiative was met with enthusiasm from the public health community, who saw vaping as a viable option for smokers looking to break free from their addiction. The programme is carefully being monitored and evaluated to ensure its positive impact on public health. The approach undertaken by Sweden and England offers an opportunity against tobacco addiction. Their embrace of vaping as a harm reduction strategy demonstrated the potential for progress when supported by robust policies and public health initiatives.

MVCC recommendations to the government

No implementation of Generational End Game (GEG)

The on-going review of the tobacco bill by the Parliamentary Special Select Committee is a positive step towards regulating the vape industry. With this review, there is hope that the vape industry can finally be properly regulated, providing clearer guidelines for both businesses and consumers.

However, the implementation of the GEG policy for the vape industry should be avoided. The primary concern lies in the potential adverse economic impact it may have on the sector. The vape industry is experiencing significant growth, with many Bumiputera entrepreneurs finding opportunities and livelihoods within this market. Implementing the GEG policy could stifle this growth, leading to job losses and affecting the livelihoods of many, especially those in the Bumiputera community.

It is also essential to stop equating vaping with traditional cigarettes, which may not be appropriate. Several studies have demonstrated that vaping is a less harmful alternative to smoking. Such evidence highlights the need for a nuanced approach to vaping regulation. Rather than treating vaping in the same way as smoking, policymakers should consider the relative harm reduction potential of vaping and tailor regulations accordingly to encourage smokers to switch to vaping to quit smoking.

Implement appropriate regulations on the vape industry

While many recognise the need to regulate the vape market, discussions on how to proceed are still on-going, after many years. A decision must be made holistically, as growing evidence from various studies conducted in the UK and New Zealand show that vaping is an effective part of THR strategies.

Banning it altogether or in the long term, as the Control of Smoking Product for Public Health Bill 2023 suggests, may not be ideal as it sends a wrong message for current smokers who are looking to reduce or quit smoking by switching to vaping.

It is hoped that the Government will take into account the survey findings presented in this report when drafting laws to regulate the vape industry. Specifically, we recommend the Government to introduce laws to:

- Prohibit sale and consumption by individuals under the age of 18
- Enable vape products to be promoted at retail to adult smokers as a less harmful alternative compared to smoking cigarettes. A prohibitive regulation on marketing activities related to vape products will only create a loss in opportunity for smokers to switch to vaping. A balance needs to be struck to ensure activities are not targeted at individuals under the age of 18 and encourage smokers to quit smoking with vape products
- Enable the availability of vape products in sales channels similar to cigarettes to ensure smokers have access to the products. The market has also started to evolve, with vape products being sold in general retail outlets. It is expected that there will be rising availability of more general retail outlets
- Ensure no prohibition on open system, closed system or disposable products, given that studies have shown a wide range of consumer preferences for these products. Instead, put a size limit for products based on market preference. Based on current products in the market, it is recommended that a maximum limit of 20 ml for liquids are in place for all systems



- Ensure processes and procedures to regulate product standards in ingredients are in place as practiced in the EU, UK, and New Zealand. For example, setting the nicotine ceiling per ml up to 40 mg per ml (94% preference from survey respondents), prohibition of banned substances
- Ensure vape products are not taxed heavily to encourage products to be priced competitively to enable smokers to switch to vape products
- Ensure no restriction of flavours in vaping, given that a huge majority of the consumers are into fruit flavours. Otherwise, a ban or restrictions on flavours will create a segment of illegal products. However, it is important to ensure the products meet the ingredients standards and it is recommended that the Government come up with specific standards on product ingredients to prohibit the use of banned substances

Support economic advantages /

Vape businesses have evolved for the past few years. The vape industry has been valued at RM3.48 billion in 2023, an increase of 53% from RM2.27 billion in 2019. The number of general retail stores selling vape products is growing and is now estimated at 7,500. The number of employers in the sector has increased by more than 50%, from 15,000 in 2019 to 31,500 in 2022. All these will eventually benefit the Malaysian economy.

There is also the opportunity for the industry to grow in meeting the increasing demand for disposable vape products. By implementing clear regulations and oversight mechanisms, Malaysia can effectively manage the rising popularity of disposable vapes, promote consumer safety, and maintain a responsible marketplace for these products.

Spur Bumiputera entrepreneurship /

The vape industry in Malaysia is a growing sector that offers job opportunities for Bumiputera entrepreneurs, particularly in the aftermath of the pandemic.

In fact, findings have shown a staggering increase of 110% of workers employed in the vape industry in 2022 compared to 2019. It fosters legitimate businesses, primarily owned by Malay entrepreneurs, and strengthens the ecosystem to meet the growing market demands.

By supporting and nurturing this industry, Malaysia can drive economic growth, empower the Bumiputera entrepreneurs to succeed and build a thriving ecosystem.

Attracting Foreign Direct Investments (FDI) /

Malaysia has a tremendous opportunity to attract FDI in the vape industry. However, the current lack of clarity from the Government regarding regulations, particularly concerning the use of nicotine in e-liquids, has hindered the influx of FDI. It is worth noting that globally, multinational companies have already made substantial investments in the vape industry, driven by its growth potential and increasing global demand.

To fully capitalise on FDI opportunities, Malaysia should proactively establish clear regulations that support and govern the vape industry. By doing so, Malaysia will be one step closer to achieving its goal of becoming one of the top 12 economies in the world in terms of competitiveness and ease of doing business, which is aligned with the Madani economy announced by the Prime Minister recently, capitalising on the industry's growth and global market demand.

Statistics from the global vape industry can further underscore the investment potential. According to Grandview Research, the global vape market was valued at USD12.41 billion in 2019 and is projected to reach USD182.84 billion by 2030, with a CAGR of 30.6%. This highlights the substantial growth potential and attractiveness of the vape industry for foreign investors. By creating a conducive regulatory environment, Malaysia can tap into this lucrative market and attract FDI, bringing in expertise, capital, and innovation to fuel industry growth.

Educating and increasing awareness /

It is important to educate Malaysians about vaping being a less harmful option for adult smokers to quit because it helps clear up any confusion or misinformation. By providing accurate information, we can help people make informed decisions about their health. Vaping is a less harmful alternative to traditional smoking, and by spreading awareness, we can help smokers understand that it is a viable option for quitting.

Many smokers struggle to quit because of the addictive nature of nicotine. By promoting vaping as a smoking cessation tool, smokers can have a chance to break free from tobacco while still enjoying a similar experience. It is all about harm reduction and finding healthier alternatives. When people realise that vaping can significantly reduce the health risks associated with smoking, they are more likely to consider it as a way to quit.

By educating Malaysians about the benefits of vaping for smoking cessation, we are not just empowering individuals to make better choices, but also contributing to public health goals. When more people transition from smoking to vaping, we will see a reduction in smoking-related health issues and the associated healthcare costs. It is a win-win situation that promotes better outcomes for everyone involved.



Looking back at the rise of businesses related to the vape industry, there are many economic advantages to supporting a regulated vape market in Malaysia. Despite the uncertainty, the industry has been creating jobs and keeping close to 30,000 people employed in the vape ecosystem.

The vape market in Malaysia is anticipated to witness continuous growth in the years ahead as more smokers switch to vaping as a substitute for smoking, which is relatively lower in risk compared to cigarettes.

Given the rising awareness about the harmful effects of traditional cigarettes, consumers are shifting to vaping as a means to reduce their smoking habits.

It is estimated that the local vape industry can potentially increase its market value to RM10 billion if it is well-regulated. The revenue from taxing vape products can run into billions which will help the government's coffers and be used for national development initiatives. It goes to reason that the sooner the government regulates the vape market, the faster the industry will be able to contribute to the national economy.



