

KANTAR

Illicit Trade Monitoring Ukraine

Wave: October 2023
Report #10353

Prepared by Kantar Ukraine
December 2023



1 Research objectives, methodology

Research objectives

- The key objective behind the study is to understand the size and nature of DNP in Ukraine:
- To measure incidence and relative share of DNP cigarettes by countries, manufacturers & brands: total market and by manufacturers and brands
- To investigate a purchasing behavior of the consumers in relation to DNP cigarettes: point of purchase, price
- To study a profile of consumers purchasing DNP cigarettes



Methodology



Methodology

- F2F CAPI interviews
- Pack Swap
- Pack investigation
- Type of DNP products identification:
Counterfeit, Duty Free labeled / Illegal Export, Contraband
- 3 times a year (in 2023)



Sample

- 3000 smokers of manufactured cigarettes
- Representative sample for non-occupied and front-line areas of Ukraine
- Men and women 18,5-64 y.o.
- Quota on gender, age (calculated on base of smoking incidence data)
- Target audience includes both permanent residents and internally displaced people



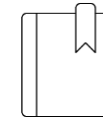
Geography

- Urban & Rural
- In 2023, research does not cover next occupied and front-line areas:
 - Lugans`ka obl
 - Donetsk`ka obl
 - Khersons`ka obl
 - Mykolayivs`ka obl, except city Mykolayiv
 - 30% of Kharkivs`ka obl
 - Zaporiz`ska obl, except city Zaporizhzhia



FW approach

- Personal interview and swap of currently smoking by respondent cigarette pack;
- Swapped packs are transferred to the central FW team to record pack details and descriptors for further identification of illegal products and Data processing



Reporting

- Results analysis
- Analytical report in PPT format in English

Geography



Regions covered by the study



Temporarily occupied and front-line areas,
which do not participate in survey:

- Lugans'ka obl
- Donetsk'ka obl
- Khersons'ka obl
- Mykolayivs`ka obl, except city Mykolayiv
- 30% of Kharkivs`ka obl
- Zaporiz`ska obl, except city Zaporizhzhia

Research flow



Screening

- Recruitment (key demographics)
- Screen for adults only
- Average daily consumption

Pack Swap

- It is offered to swap the current pack in exchange of an incentive
- If respondent refuses to swap a pack, the interview is considered as terminated

Interview

- Purchase behavior, regular brand, switching, demo questions

Duty Free labeled / Illegal Export & Contraband identification

- Record of swapped pack details at KANTAR office
- FW supervisor verified the assigned labels, pack details and descriptors
- Smuggled & Duty Free labeled / Illegal Export packs were identified by KANTAR

Counterfeit identification

- For Counterfeit identification comparative analysis of packaging and tax stamps is used (on the base of expertise).

FW Timing by waves

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2011									28-19			09-30
2012			06-28			01-27				26-06		07-28
2013			07-28			06-01				02-22		05-25
2014			05-28			23-11				03-23		05-24
2015		05-24		03-23		05-24		05-25		02-21		07-24
2016		05-24		05-24		06-24		05-25		03-21		05-22
2017		03-22		03-21		06-23		04-23		06-26		01-20
2018		02-21		03-20		01-20		02-21		25-13		04-21
2019		05-22		04-23		05-25		06-23		10-31		02-20
2020		05-24				03-23		06-26		08-28		
2021		02-19			12-31			03-20			2-19	
2022								10-30			10-30	
2023			02-22			02-22				03-23		



Study in 2023:

1. Residents of temporarily occupied settlements and residents of front-line areas do not participate in surveys.
2. Target audience includes both permanent residents and internally displaced people.
3. Three categories of illegal products are considered in this study:
 - **Counterfeit**
 - **Duty Free labeled/ Illegal Export**
 - **Contraband**

Duty Non-Paid (DNP)

Counterfeit

Identified by the expertise (comparative analysis of packaging and tax stamps)



Duty Free labeled/ Illegal Export

- Duty Free labeled - marked on packs as For Duty Free Only, but sold illegally through retail in Ukraine
- Illegal Export – produced by local Ukrainian manufacturers, without excise stamp, has signs of products for export (HW is not in Ukrainian), and sold illegally through the retail in Ukraine



Contraband

- Produced in other country (country or manufacturer is marked on pack), have foreign excise stamp and sold on the domestic market of Ukraine
- Other DNP products that do not refer to Counterfeit & Duty Free labeled/ Illegal Export (usually country and / or manufacturer is unidentified, without any excise stamp)



2

Key findings

Research results

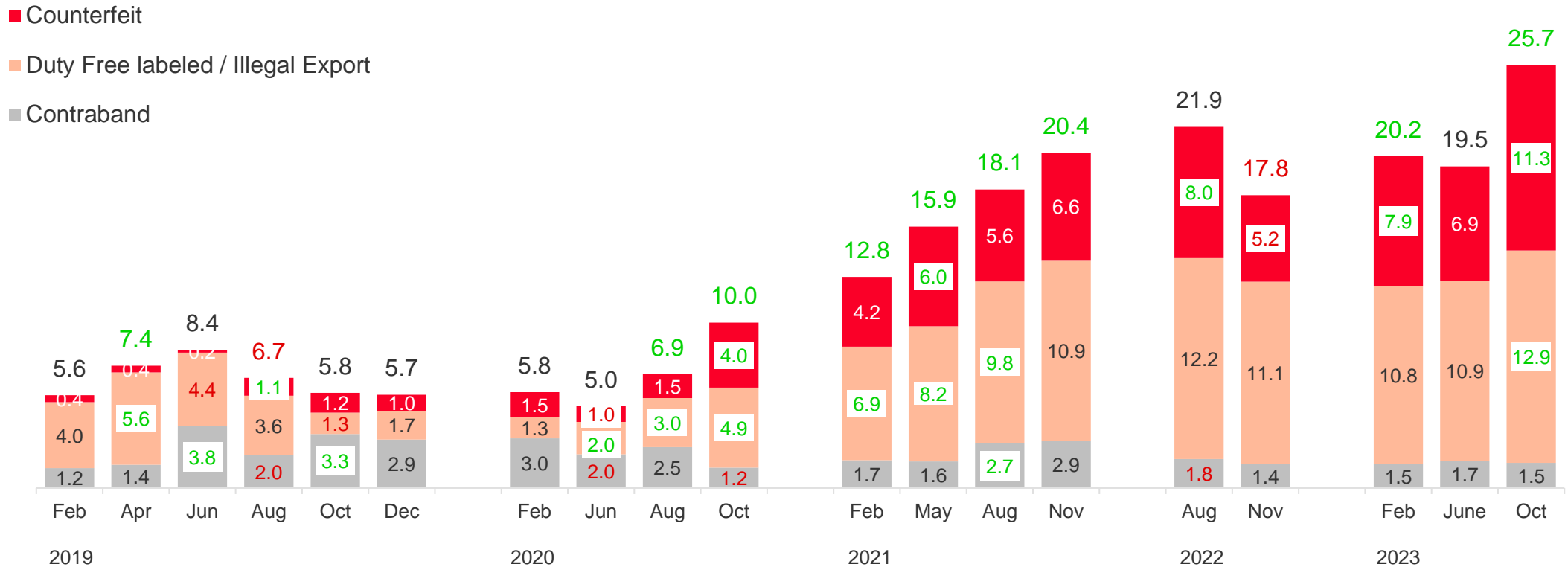
Summary

- In Y2023, Total DNP level increased to 21,8%, driven by growth of Counterfeit.
In October'23, share of illegal products reached 25,7% due to increase of Counterfeit and Duty Free labeled / Illegal Export.
- In Y2023, 26% of Counterfeit products have counterfeit excise stamps and labeled as produced by Ukrayinske Tyutyunove Vyrobnystvo and United Tobacco.
- 72% of Duty Free labeled / Illegal Export volume are marked as produced by Vinnykivska TF. Compliment (Duty Free labeled) is the most common brand in this group with share of 62%.
- 70% of Total DNP volume is distributed in the 8 oblasts of Ukraine:
Dnipropetrovs`ka – 17%; Odes`ka – 12%; Lvivs`ka – 9%;
Kharkivs`ka – 9%; Khmelnyts`ka – 7%; Kirovohrads`ka – 6%;
Chernivets`ka – 5%, Rivnens`ka – 5%.
- The sale of illegal tobacco products in kiosks and shops increased in 2023 compared to 2022. 68% of Illegal products are sold in kiosk and shops.



In October 2023, Total DNP level increased to 25,7% driven by growth of Counterfeit and Duty Free labeled / Illegal Export.

Key Findings: Total DNP dynamics, %



Sample: 2019-2020 – n=3000 per wave; 2021 – n=3300 per wave; 2022 – n=2800 per wave, 2023 – n= 3000 per wave
 How to read the data: DP + Contraband + Counterfeit + illegal Duty Free / Export = 100%
 June'23: DP=80,5%, Contraband=1,7%, Duty Free labled/ Illegal Export=10,9%, Counterfeit=6,9%

Data Volume weighted
 (via Average Daily Consumption)

61 / 43 Significantly Higher / lower vs previous period @ 95%

By annual values, Total DNP level in 2023 continues to grow, reaching 21.8%

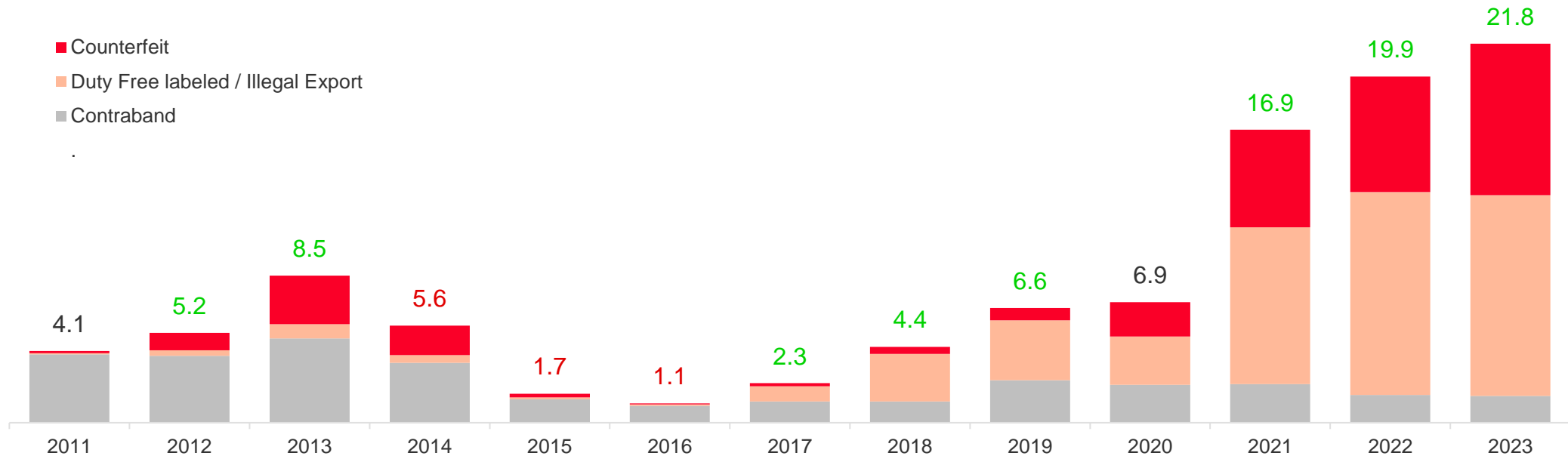
7 062 300 000
tobacco sticks



Taxes are not received in the estimated
Ukrainian budget in 2023

23 500 000 000 UAH

Key Findings: Total DNP dynamics, %



Sample: 2019-2020 – n=3000 per wave; 2021 – n=3300 per wave; 2022 – n=2800 per wave, 2023 – n= 3000 per wave
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Data Volume weighted
(via Average Daily Consumption)

61 / 43 Significantly Higher / lower vs previous period @ 95%

Based on Y2023 consumption data, the expected Total DNP volume is 8,1 bln. Sticks in 2023

Consumption (per year)*
Total DNP
Counterfeit
Duty Free labeled / Illegal Export
Contraband

2022	2023
100%	100%
19,9%	21,8%
6,6%	8,7%
11,7%	11,5%
1,6%	1,5%

2022 Bln. sticks	2023 Bln. sticks
39.4	37.0
7,8	8,1
2,6	3,2
4,6	4,3
0,6	0,6

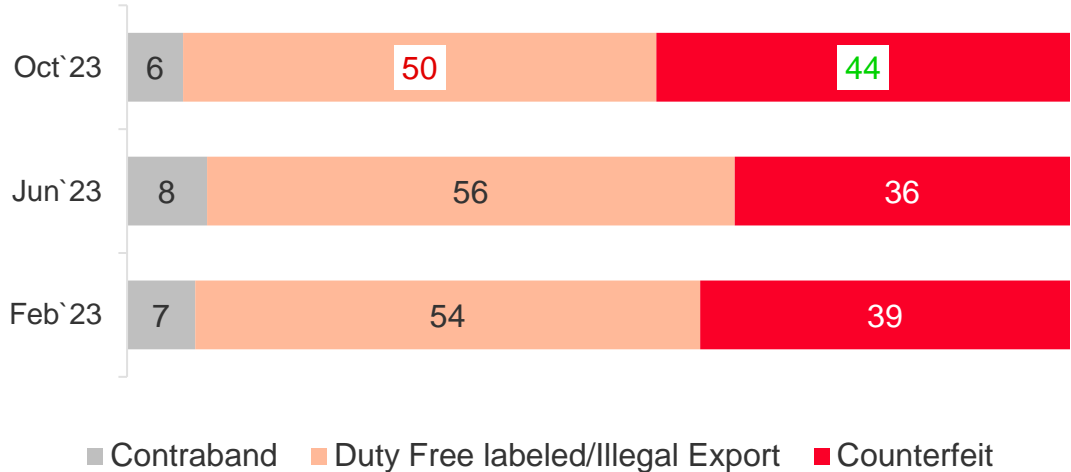
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Total DNP structure

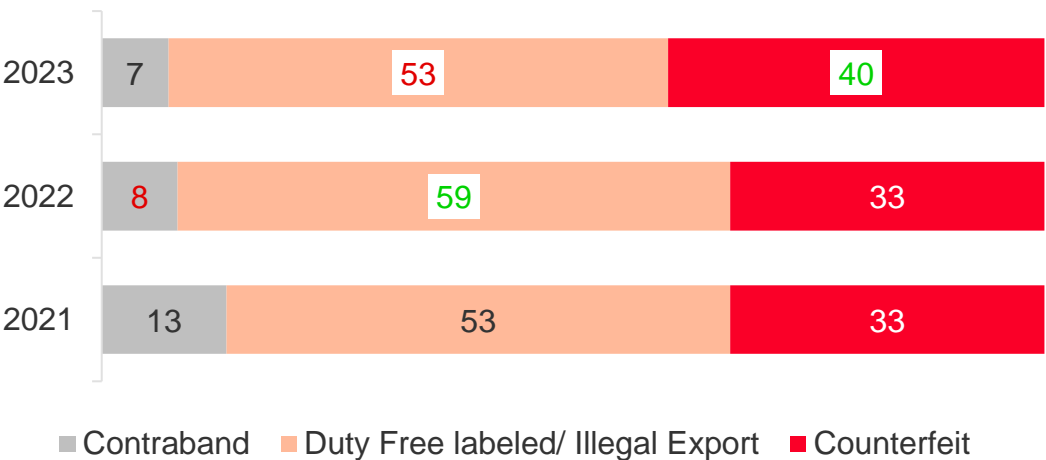
Research results

In Y2023, Duty Free labeled / Illegal Export remains the biggest group among illegal tobacco products, while share of Counterfeit increased.

Total DNP structure, %
Dynamics by waves in 2023



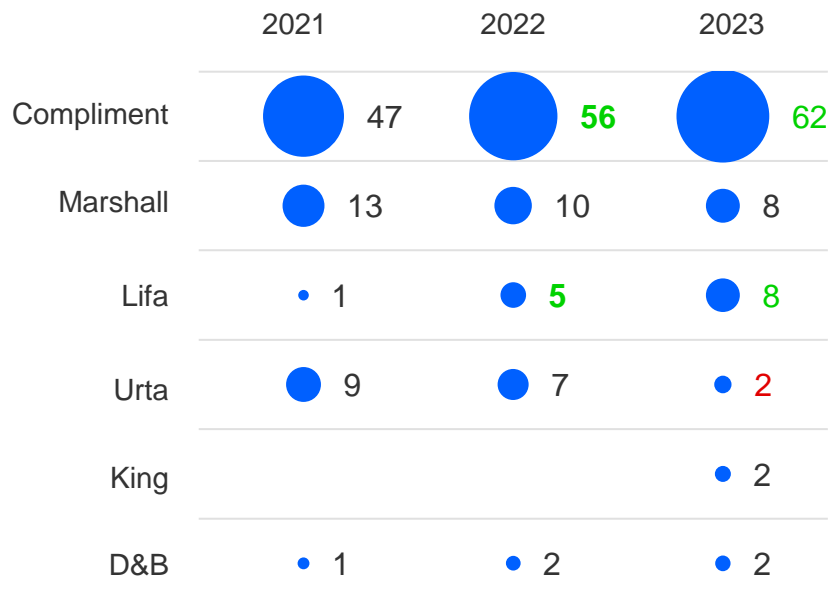
Total DNP structure, %
Dynamics by years (2021 – 2023)



As of 2023, 72% of Duty Free labeled / Illegal Export volume marked as produced by Vynnykivska TF. The most common brands in this group are Duty Free labeled Compliment and Lifa.

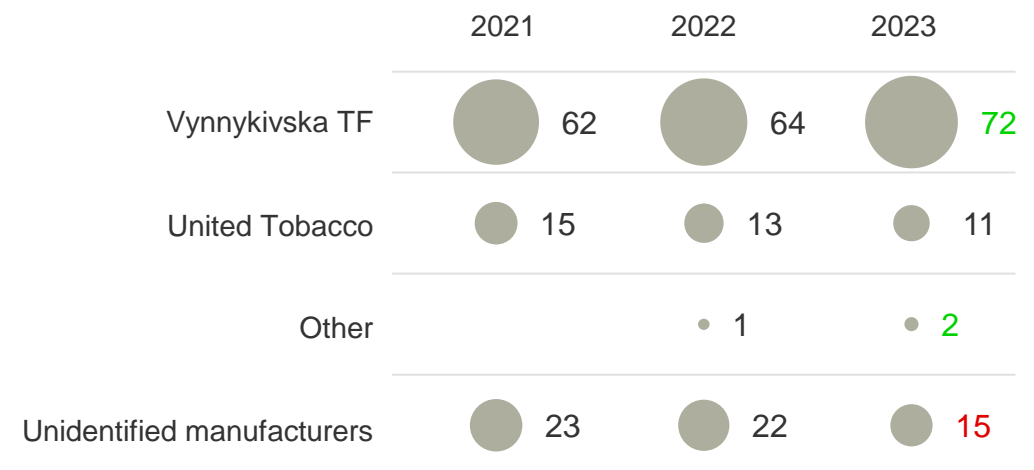
Duty Free labeled/Illegal Export, % Dynamics by years (2021 – 2023)

Main brands



Sorted by 2023

Manufacturers*



* As marked on packaging

The most common brands of Duty Free labeled / Illegal Export are marked as produced by Vynnykivska TF: Duty Free labeled Compliment 62%, Lifa 8%, Marvel 1.4%



Compliment SS



Compliment KS



Compliment Demi



Lifa SS



Lifa KS



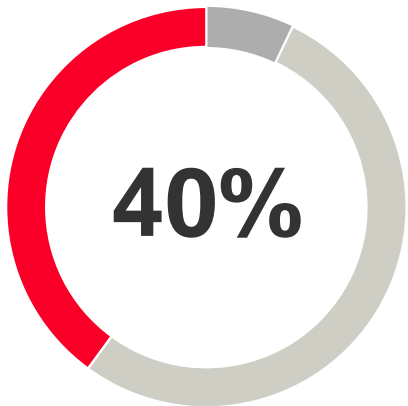
Lifa Demi



Marvel Demi

**Considering the data of 2023: 26% of Counterfeit products are the brands of local tobacco factories, which have counterfeit excise stamps.
74% - Counterfeit of international tobacco companies' brands, without counterfeit tax stamps.**

Counterfeit in Total DNP volume in 2023, %

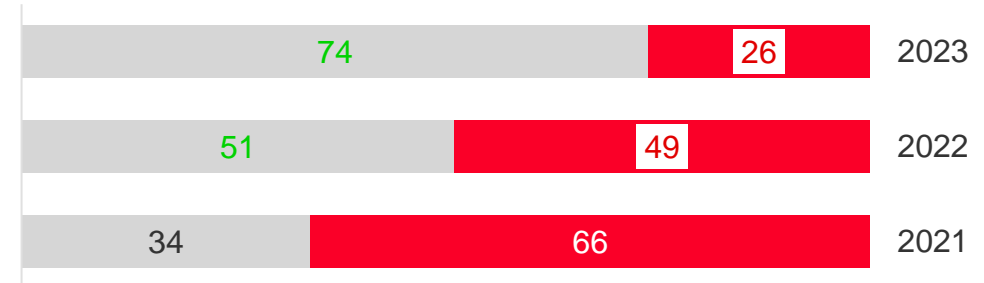


Counterfeit is **40%** of Total DNP volume in 2023

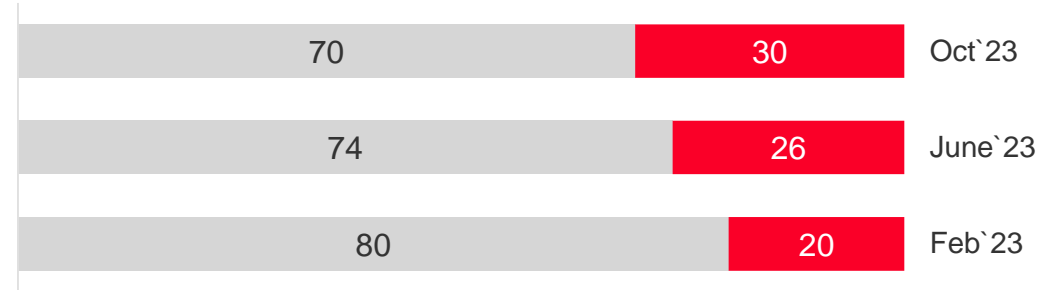
- Contraband
- Duty Free labeled/Illegal Export
- Counterfeit

Counterfeit structure, %

Dynamics by years (2021 – 2023)



Dynamics by waves in 2023

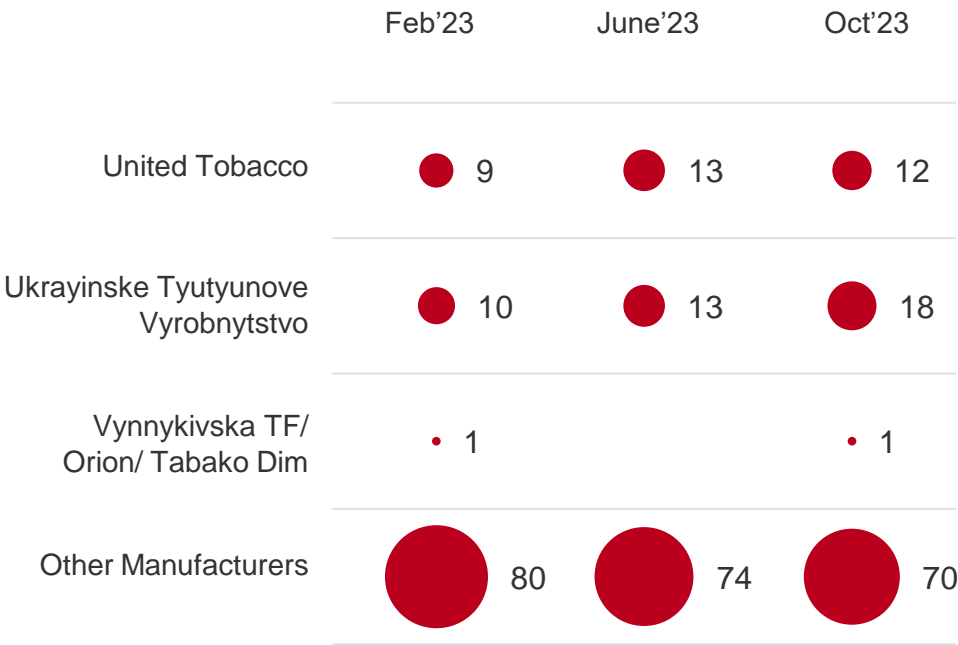


- Counterfeit of International Tobacco Companies' brands
- Counterfeit of Local Tobacco Factories' brands

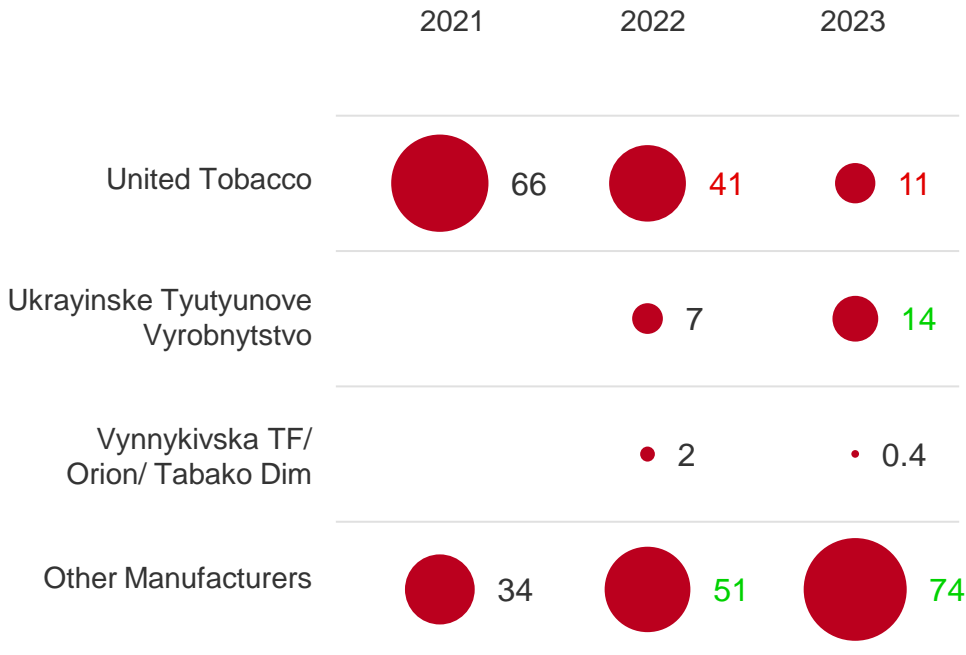
The main part of Counterfeit with counterfeit excise stamps are labeled as produced by Ukrayinske Tyutyunove Vyrobnystvo and United Tobacco.

Counterfeit by manufacturers*, %

Dynamics by waves in 2023



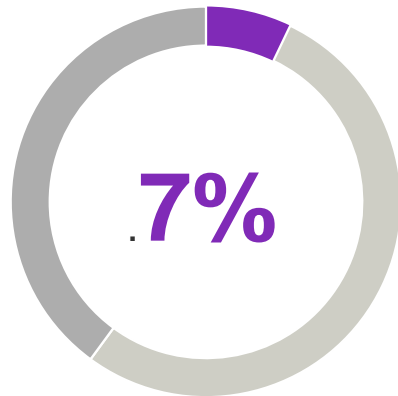
Dynamics by years (2021 – 2023)



* As marked on packaging

On Y2023 base, the main sources of smuggling volume are Moldova and Belarus. Country of origin is not specified for 52% of Contraband.

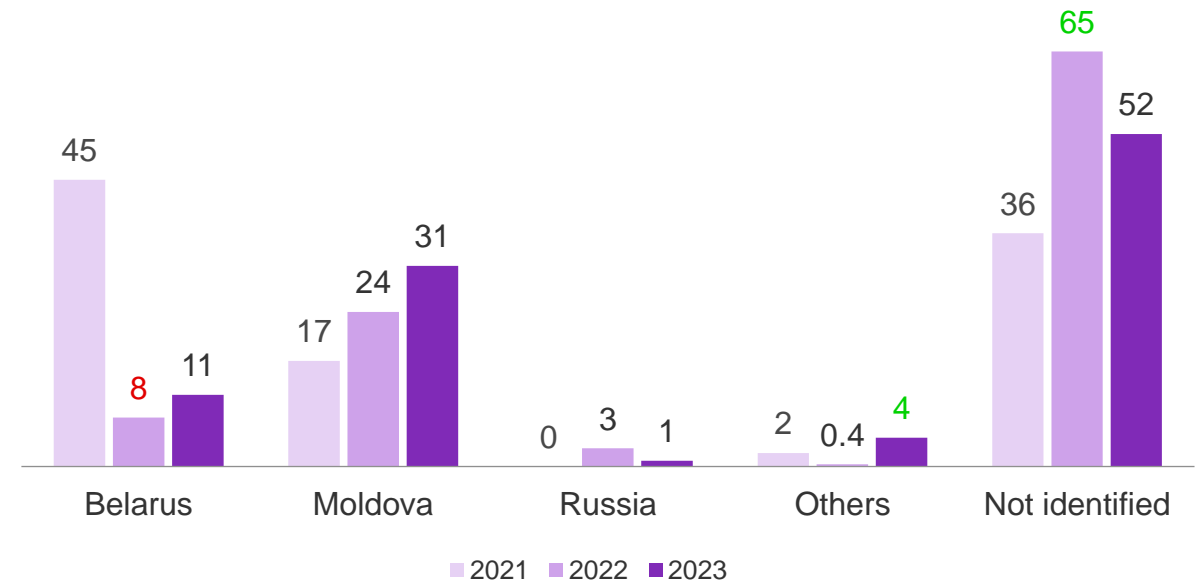
Contraband in Total DNP volume in 2023, %



Contraband is 7% of Total DNP volume in 2023

- Contraband
- Duty Free labeled/Illegal Export
- Counterfeit

Contraband structure by country of manufacture, %
Dynamics by years (2021 – 2023)



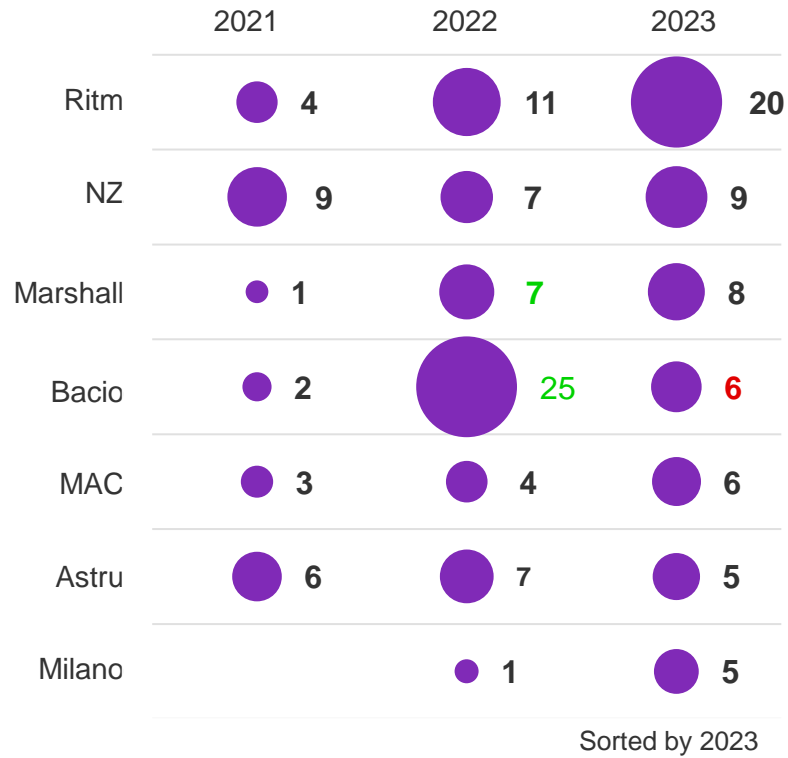
How to read the data: Total Contraband from all mentioned sources in each year = 100%

The most common brands among Contraband are Ritm, NZ, Marshall, Bacio, MAC.

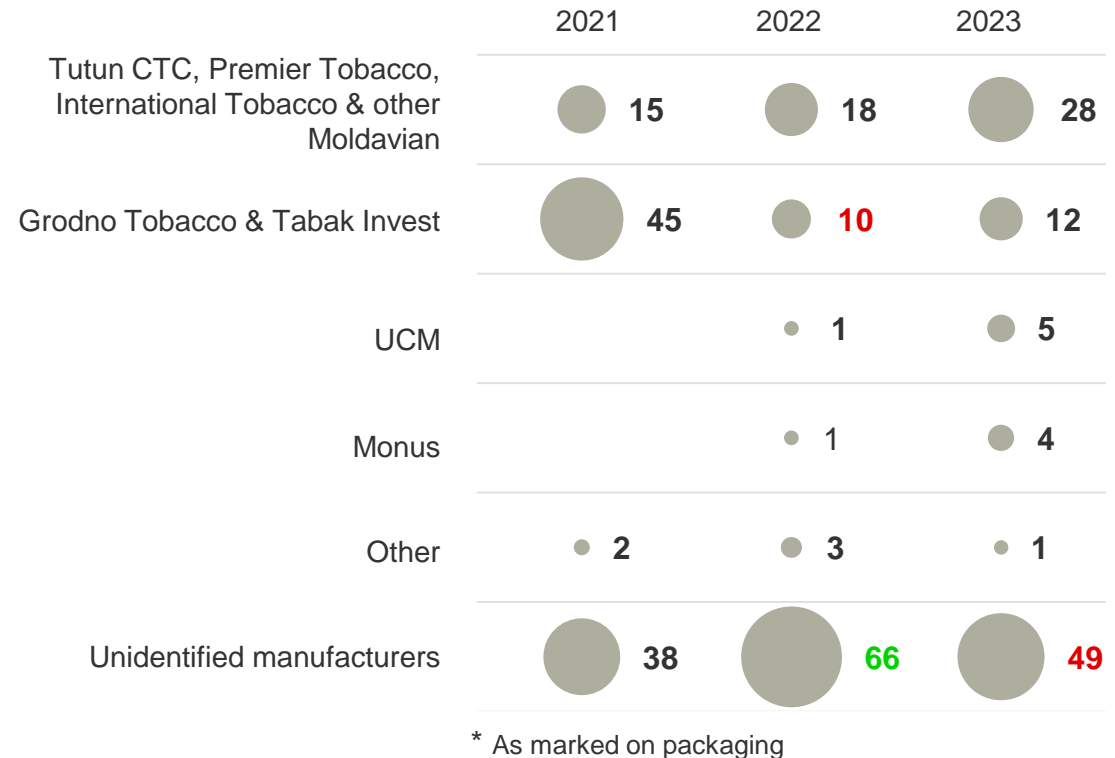
Contraband, %

Dynamics by years (2020 – 2023)

Main brands



Manufacturers*



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Regional structure

Research results

DP and Total DNP regional structure, %

		2021		2022		2023	
		DP	Total DNP	DP	Total DNP	DP	Total DNP
Base		11149	2051	4490	1037	7210	1790
East	Donets`ka	4,8	7,8	-	-	-	-
	Luhans`ka	1,5	3,1	-	-	-	-
North-East	Sums`ka	1,5	2,7	3,5	2,1	2,7	1,9
	Kharkivs`ka	7,3	12,6	4,4	6,6	4,5	8,6
South	Mykolayivs`ka	3,3	2,6	-	-	1,4	0,3
	Odes`ka	7,0	12,4	6,1	12,9	4,7	12,2
	Khersons`ka	2,8	3,9	-	-	0,0	0,0
South-East	Dnipropetrovs`ka	9,2	11,2	7,6	20,3	6,8	17,1
	Zaporiz`ska	3,6	6,1	1,7	1,5	1,4	1,7
North-West	Volyns`ka	2,5	0,3	3,2	0,1	4,5	0,2
	Rivnens`ka	3,1	2,9	3,2	4,7	3,6	5,4
	Khmelnys`ka	2,4	4,9	3,2	6,7	3,8	7,3
West	Zakarpats`ka	3,9	2,0	4,7	3,3	4,8	1,1
	Ivano-Frankivs`ka	3,8	1,3	5,5	1,1	6,2	2,4
	Lvivs`ka	7,0	6,4	9,9	6,6	9,2	9,0
	Ternopils`ka	2,0	1,3	2,5	3,4	3,6	2,6
	Chernivets`ka	2,2	2,6	2,9	2,6	2,9	4,6
Center	Kiev	4,2	3,9	11,9	7,1	10,3	4,3
	Vinnys`ka	2,3	1,6	5,8	3,8	6,0	2,7
	Kirovohrads`ka	3,9	0,9	2,4	4,5	2,5	5,9
	Poltavs`ka	3,0	1,5	3,8	3,7	4,3	4,1
	Cherkas`ka	8,8	4,4	4,4	2,5	4,2	3,3
	Zhytomyrs`ka	3,7	1,5	5,9	0,2	3,9	0,7
North	Kyivs`ka	3,8	1,4	5,2	5,5	5,1	3,5
	Chernihivs`ka	2,6	0,6	2,0	0,8	3,4	1,2

DP, Contraband, Duty Free labeled/Illegal Export & Counterfeit regional structure,%

		2021				2022				2023			
		DP	Contraband	Duty Free labeled / Illegal Export	Counterfeit	DP	Contraband	Duty Free labeled / Illegal Export	Counterfeit	DP	Contraband	Duty Free labeled / Illegal Export	Counterfeit
Base		11149	278	1086	687	2155	47	307	218	7210	123	942	725
East	Donets`ka	4,8	12,1	6,3	8,5	-	-	-	-	-	-	-	-
	Luhans`ka	1,5	1,3	1,2	6,8	-	-	-	-	-	-	-	-
North-East	Sums`ka	1,5	6,5	2,1	1,9	3,5	0,1	2,0	2,6	2,7	0,9	1,0	3,3
	Kharkivs`ka	7,3	12,9	15,3	8,2	4,4	2,3	6,3	8,0	4,5	11,3	5,7	12,0
South	Mykolayivs`ka	3,3	0,8	2,0	4,2	-	-	-	-	1,4	-	-	0,7
	Odes`ka	7,0	12,6	10,9	14,5	6,1	31,6	13,8	6,7	4,7	34,0	12,5	7,9
South-East	Khersons`ka	2,8	4,9	3,6	3,9	-	-	-	-	-	-	-	-
	Dnipropetrovs`ka	9,2	9,3	14,4	6,9	7,6	19,9	21,6	18,1	6,8	16,1	16,6	18,0
North-West	Zaporiz`ska	3,6	6,8	7,9	3,0	1,7	6,4	1,0	1,2	1,4	-	1,0	2,9
	Volyns`ka	2,5	0,4	0,3	0,1	3,2	-	0,1	0,1	4,5	-	0,2	0,2
West	Rivnens`ka	3,1	10,6	2,1	1,1	3,2	-	7,6	0,7	3,6	0,9	7,7	3,3
	Khmelnys`ka	2,4	5,9	6,5	1,9	3,2	10,4	8,1	3,4	3,8	9,5	10,2	3,0
Center	Zakarpats`ka	3,9	0,3	3,0	1,1	4,7	-	5,2	0,7	4,8	0,3	1,8	0,2
	Ivano-Frankivs`ka	3,8	1,4	1,2	1,4	5,5	0,4	1,3	1,0	6,2	-	1,4	4,0
North	Lvivs`ka	7,0	2,3	5,4	9,5	9,9	1,4	7,3	6,6	9,2	3,8	14,3	2,9
	Ternopils`ka	2,0	-	1,8	1,2	2,5	-	4,8	1,6	3,6	0,9	3,3	2,0
Center	Chernivets`ka	2,2	1,6	3,2	2,2	2,9	1,4	2,5	3,2	2,9	2,5	6,2	3,0
	Kiev	8,8	5,0	4,1	4,6	11,9	9,7	5,5	9,4	10,3	2,6	3,0	6,3
Center	Vinnys`ka	4,2	0,7	5,4	3,1	5,8	6,2	1,9	6,6	6,0	4,6	2,4	2,6
	Kirovohrads`ka	2,3	-	0,7	3,5	2,4	2,8	2,2	8,8	2,5	6,7	3,6	8,9
North	Poltavs`ka	3,9	1,7	0,4	1,4	3,8	2,8	2,0	6,9	4,3	2,5	2,2	7,0
	Cherkas`ka	3,0	1,2	0,6	3,0	4,4	-	2,4	3,1	4,2	-	3,8	3,2
North	Zhytomyrs`ka	3,7	0,6	0,5	3,5	5,9	-	0,2	0,3	3,9	0,9	0,5	0,8
	Kyivs`ka	3,8	0,4	0,9	2,7	5,2	2,1	4,0	9,1	5,1	1,6	2,2	5,6
	Chernihivs`ka	2,6	0,6	-	1,7	2,0	2,5	0,0	1,8	3,4	0,9	0,6	2,2

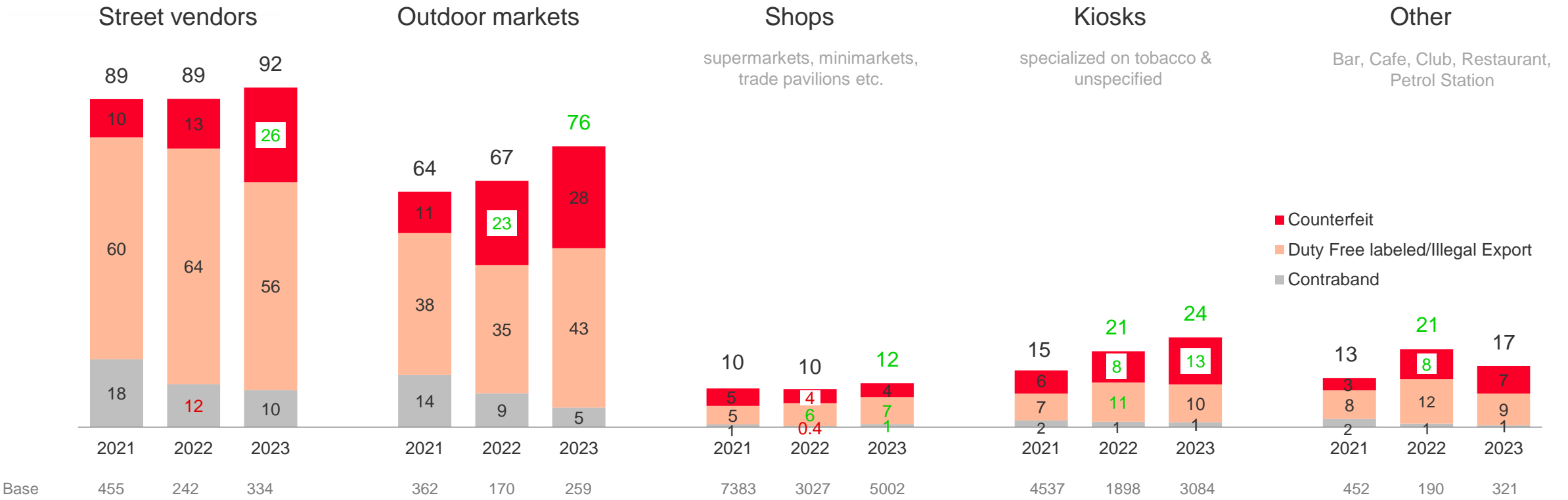
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Points of purchase

Research results

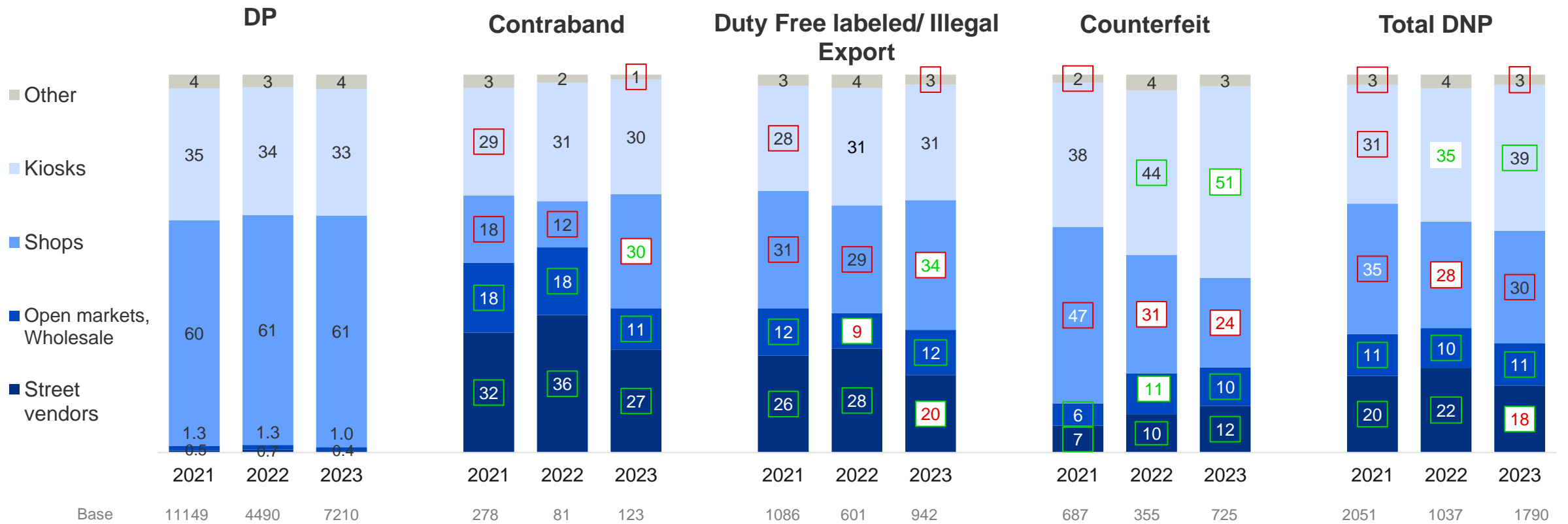
As of Y2023, street vendors and open markets remain the channels where mainly illegal products are sold. Total DNP incidence in kiosks and shops increased vs previous year.

Incidence of Total DNP by points of purchase, %
Dynamics by years (2021 – 2023)



68% of illegal tobacco products are sold in kiosk and shops.

Distribution across points of purchase, %
Dynamics by years (2021 – 2023)



Smoker's profile, dynamics by years, % from pack quantity

		DP			Contraband			Duty Free labeled / Illegal Export			Counterfeit		
		2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Base		11149	4490	7210	278	81	123	1086	601	942	687	355	725
Gender	Male	72	69	68	73	73	76	75	73	70	78	75	76
	Female	28	31	32	27	27	24	25	27	30	22	25	24
Age	18-34	42	37	34	23	19	18	25	19	21	28	27	24
	35-44	27	28	29	23	19	27	24	26	25	27	26	26
	45-64	32	35	37	53	63	55	51	55	54	45	46	50
Education	Secondary	18	15	13	36	32	28	33	28	25	26	23	24
	Secondary special	45	47	48	45	51	50	48	51	55	51	52	54
	University	36	38	39	19	17	21	19	21	20	23	25	22
Average daily consumption	1 - 15	49	50	51	40	32	35	38	41	40	39	45	43
	16 - 20	43	40	40	51	59	53	51	48	48	52	48	49
	20+	8	9	8	9	9	12	11	11	12	9	7	8
Income	Below 5 000 UAH		11	8		33	33		26	19		21	15
	5 000-9 999 UAH		24	19		27	24		26	26		27	22
	10 000-14 999 UAH		23	25		10	14		15	15		18	21
	15 000 UAH and more		11	17		6	3		4	8		3	10
	Refuse		31	32		23	26		28	29		31	33

KANTAR

Thank you.

