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Exploring the positioning of tobacco-free snus as a new category in the disruption of the market

Linnea Abrahamsson, Imke Falkenrodt, Alice Pettersson, Charlotte Sternberg

Abstract

Purpose: To explore the positioning of tobacco-free snus as a new category in the disruption of the market.

Theory: Positioning, Disruption, Blue Ocean Strategy, New Category Creation

Methodology: This paper uses a qualitative and exploratory research method. Primary data on the positioning of tobacco-free snus as a disruptive new category in the market was gathered through two semi-structured interviews with representatives from two leading tobacco brands, Philip Morris International and Swedish Match. Additionally, secondary data was collected through literature review and the analysis of case studies and the annual reports of leading tobacco brands.

Findings: The findings of this paper illustrate the important role of positioning in establishing a disruptive new category. It was found the nicotine pouch category is positioned with a differentiating set of benefits and target customers compared to existing categories.

Original/Value: This paper contributes with an understanding of how positioning can be used to disrupt a market through new category creation. The use of positioning in the creation of a disruptive new category is conceptualized in a framework which may be used for future research.

Key words: Positioning, disruption, blue ocean strategy, new category creation, tobacco-free snus, nicotine pouches

Paper type: Research paper

Keywords: Positioning, Disruption, Target group, New Category Management, Tobacco-free snus, Nicotine pouches

Introduction

Disruption has become a widely discussed phenomenon. It is the result of an interruption of current habits, processes or activities within various economic sectors (Tedder, 2019). Disruptive innovations transform consumer behavior in several sectors where large companies have been leading for decades (Corsi & Di Minin, 2014; Tedder, 2019). Consequently, relevant and successful future brands are expected to either create or adapt to disruptive changes in the market (Kristóf, 2016; Tedder, 2019). However, research and development within several industries are resulting in rapidly emerging disruptive innovations. An example is the tobacco industry, where leading brands are now adapting to such changes (Robichaud, Seidenberg & Byron, 2020).

Snus is a moistened smoke-less tobacco product placed under the lip either in a loose form or a portioned pouch (SnusBolaget, 2021). Sweden is the homeland of snus, where it has been sold for more than 300 years (Respondent Snusbolaget, interview, 8 October 2021; SnusBolaget, 2019; Swedish Match, n.d.). There is legislation for all member countries within the European Union except for Sweden prohibiting the sale of oral tobacco (European Union, 2014). During World War II, cigarettes took an increasing market share. It was not until the 1970s, when

portion-packed snus was introduced, that it bloomed again (SnusBolaget, 2019). Since then, the demand and consumption of snus have increased gradually every year (Respondent Snusbolaget, interview, 8 October 2021; SnusBolaget, 2018).

In 2014, the industry experienced a breakthrough when an innovative new category of all-white tobacco-free snus, also known as nicotine pouches, was launched (HAYPP, 2021; Respondent PMI, interview, 4 October 2021; Respondent Snusbolaget, interview, 8 October 2021). This resulted from separating the nicotine from the original tobacco leaves in response to the global demand for nicotine consumption without tobacco side effects (HAYPP, 2021). Unlike oral tobacco, there is no regulation prohibiting the sale of nicotine pouches throughout the European Union, and taxes are lower due to the lack of tobacco (Respondent Snusbolaget, interview, 8 October 2021). Since its launch, nicotine pouches have become widely popular and are regarded as a substitute for cigarettes and vaporizers (HAYPP, 2021). Because of the popularity of nicotine pouches, several leading tobacco companies are joining the new category (Robichaud, Seidenberg & Byron, 2020). To name a few, British American Tobacco sells Lyft, Swedish Match sells Zyn, Swave and Volt, and Japan Tobacco International sells Nordic Spirit. Additionally, in April 2021, Philip Morris International (PMI) acquired the Danish nicotine pouch company AG Snus (Respondent Snusbolaget, interview, 8 October 2021; SnusBolaget, 2019).

This paper aims to explore the positioning of nicotine pouches as a new category disrupting the market. To do this, a framework based on theories of positioning, disruption, blue ocean strategy, and new category creation is established. This framework is then applied to the case of nicotine pouches using primary data from semi-structured interviews with Philip Morris International and Snusbolaget as well as secondary data from annual reports and actual cases from the tobacco industry.

Literature Review

Positioning

Since the term brand positioning was coined, it has become an essential tool within marketing (Kapferer, 2014; Kotler & Pfoertsch, 2006; Urde & Koch, 2014). The concept has several definitions (Kapferer, 2014; Ries & Trout, 2001). One way of defining the term is something happening inside your head rather than something done to the product (Ries & Trout, 2001). Positioning is built on the idea that all consumer choices are comparative, and companies use positioning to distinguish a brand from its competitors (Kapferer, 2014). The primary purpose of positioning is to create a long-term advantage for brands (Kapferer, 2014). Additionally, positioning is closely related to consumer perceptions, impressions and feelings towards the brand (Claudiu-Cătălin, 2014). The unique features and added value can be incorporated in the product, the image, the service, distribution channels or the employees (Claudiu-Cătălin, 2014).

Brand positioning can be described as a two-step process: (1) Indicate what competitive set to be compared and associated with, and (2) indicate the distinctive characteristics and differences of the brand in comparison to the other brands within that set (Kapferer, 2014). Furthermore, to build a strong brand positioning, it is important to specify the competition, competitive advantages and future customers, and incorporate them all in the brand promise (Kapferer, 2014). According to Kapferer (2014), this can be done through an analytical process based on the following four questions:

- ***A brand in the market for whom?*** Refers to the target aspects.
- ***A brand for what benefit?*** Refers to the brand promise and consumer benefit.

- ***A brand why?*** Refers to the elements (factual/subjective) which support the brand benefit.
- ***A brand against whom?*** Refers to the leading competitors and from whom the brand can gain market share.

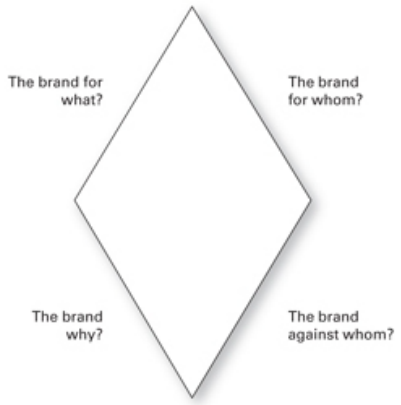

Exhibit 1 Brand Positioning Diamond (Kapferer, 2014)

The four questions of the brand positioning diamond in *Exhibit 1,* in combination with the two-stage process, will enable clear positioning which is essential to be recognized in the selection process by the consumer (Kapferer, 2014). This may be more challenging for unique and original products than commonly known products with a clear position in the market (Kapferer, 2014).

Disruption

Disruptive innovation can be a new entrant in a category or a driving force for developing a new market (Markides, 2013). These innovations involve significant new technology, transformative consumption patterns and contain substantially enhanced benefits (Cumming, 1998). Furthermore, disruption can be viewed as a value innovation, by suppressing irrelevant features and offering new features that change consumer preferences (Kapferer, 2014). The essence of disruptive innovations is their ability to disrupt sectors where large companies have been leading for decades (Corsi & Di Minin, 2014; Tedder, 2019). Disruption is a process where smaller companies challenge incumbent businesses by using a bottom-up approach. Eventually, these innovations move up the market and displace established competitors over time (Christensen, Raynor & McDonald, 2015).

Disruptive innovations originate in low-end or new-market footholds. The former approach uses price as a competitive advantage to enter an established market. On the other hand, the latter targets non-consumers (Christensen, Raynor & McDonald, 2015). This can be viewed as a two-step process where low-demanding customers are met in the first step to gain a foothold in the market. Thereafter, the more demanding customers are met as the product rises in quality. Gradually, as the foothold grows when more demanding consumers also realize the benefits of the innovation, disruption has occurred (Christensen, Raynor & McDonald, 2015; Nogami & Veloso, 2017). Disruption can also be characterized creating a market where none existed, meaning disruptors find a way to turn non-consumers into consumers. Therefore, instead of focusing on hardware, software, and research, it is necessary to study the market (Christensen, Raynor & McDonald, 2015). To conclude, disruptive innovations often emerge from analyzing individuals and societal trends rather than technology (Nogami & Veloso, 2017).

Blue Ocean Strategy

An amplification of the disruption concept is the blue ocean strategy by Kim and Mauborgne (2015). According to Kapferer (2014), blue ocean innovations can also be characterized as disruptive innovations, as they are disruptive by nature. Kapferer (2014) also proposes that such products are value innovations, representing an "unprecedented bundle of attributes that shift the preference function of consumers" (Kim & Mauborgne, 2004). One difference between the concepts of disruption and blue ocean strategy is that a blue ocean market lacks existing industry boundaries and competitive rules, and presents an opportunity for highly profitable growth

through a competition-free market (Kim & Mauborgne, 2015). Additionally, according to Kim and Mauborgne (2015), companies must realize that to win in the future, they must stop competing with each other. Kapferer (2014) asserts that the goal for mature markets should be to provide increased value by sacrificing or suppressing some attributes of an existing product to raise other attributes to an unprecedented level. This is further developed by Kim and Mauborgne (2015), who raise four main questions with the 4-action framework:

1. Which of the factors that the industry takes for granted should be **eliminated**?
2. Which factors should be **reduced** well below the industry's standard?
3. Which factors should be **raised** well above the industry's standard?
4. Which factors should be **created** that the industry has never offered? (Kim & Mauborgne, 2015)

Kapferer (2012) amplifies this by suggesting an examination of the value curve of a product. It is crucial to understand and emphasize which attributes will shift customer preferences and eventually challenge them. This can be done through breaking up its parallel patterns and thus creating a 'Himalayan'-shape with deep valleys and incredible peaks (Kapferer, 2014)

New Category Creation

Category creators do not just add value to existing products, they provide an entirely new way of solving a problem (Gujral, 2021). Through the creation of a new category, current marketplaces are disrupted. Furthermore, it is important to define the category when creating something new to the market (Allouche, 2021). Categories can be defined as cognitive and normative interfaces between parties that enable market exchanges (Durand & Khaire, 2017). The formation of a category is reinterpretation, rearranging and revaluation of current components and attributes (Durand & Khaire, 2017). Since category creation challenges the order of actors within markets, it is important to be aware of incumbents, entrants and other relevant actors (Durand & Khaire, 2017). The creation of a new category is an intentional process, motivated by strategic incentives and competition, which corresponds to the view of category creation as a way to gain advantages over market competitors (Durand & Khaire, 2017). Furthermore, when a new category is created, labeling is essential for the category to be recognizable (Durand & Khaire, 2017) as well as for the context and the success of the category (Christensen, Raynor & McDonald, 2015).

Disruptive innovations are a common way to create new categories for customer needs (Allouche, 2021; Strategos, 2021). In the last decade these innovations have mainly been created by individuals and startups, while incumbents usually wait to enter the new category until it is established since building a new category is risky and ambitious (Kristóf, 2016; Strategos, 2021). However, there are examples of larger companies challenging the market as well (Kristóf, 2016; Strategos, 2021). Most cases of disruptive innovations have a similar storyline regardless of the company size, which can provide insightful learnings (Strategos, 2021).

Theoretical Framework

Brands use positioning to distinguish themselves from their competitors (Kapferer, 2014). In the same way, a new category needs to distinguish itself from existing categories. In fact, a new category is defined by the reinterpretation, rearranging and revaluation of current components and attributes (Durand & Khaire, 2017). Similarly, in the blue ocean framework, factors are eliminated, reduced, raised and created from the category to increase value (Kim & Mauborgne, 2015). Additionally, the first two steps of the positioning diamond taps into a hidden

need, hence establishing an added value (Kapferer, 2014).

To illustrate the analysis of this research paper, a framework for how a new category can be distinguished from existing categories is presented in *Exhibit 2*. This framework is based on the literature introduced in the previous section, including positioning, disruption, blue ocean innovation and new category creation. The framework can be used to define a new category by exploring its positioning in the disruption of a market. However, for a new category to have been created, a significant difference between the elements compared to existing categories is required.

The elements of the framework are as follows:

(1) ***Existing categories*:** This step defines the category categories from which the new category will derive.

(2) ***Factors to:*** In this step, elements within Blue Ocean innovation are analyzed. The focus is on determining which factors to…

Eliminate: Which attributes from existing categories should be eliminated?

Reduce: Which attributes from existing categories should be reduced?

***Raise*:** Which attributes from existing categories should be raised?

***Create*:** Which new attributes are not present in existing categories should be created?

(3) ***The category:*** This step focuses on positioning and is based on the 'Positioning Diamond', although the concept is applied to an entire category instead of a single brand. Aspects to analyze in this step are …

For what & why: Refers to the key benefits of the new category as a whole and derives from previous step's findings.

For whom & against whom: The new category's target customer is defined. By defining the category's target customer, the new category's competitors will also be defined, as they are likely to be those targeting similar customers compared to existing categories.

(4) ***New category:*** The last part of the framework is the result of the previous steps - A clearly defined new category.

Methodology

Research Design

This paper adopts a qualitative research design, including both primary and secondary data collection. Qualitative data can provide descriptions that cannot be identified and distinguished from

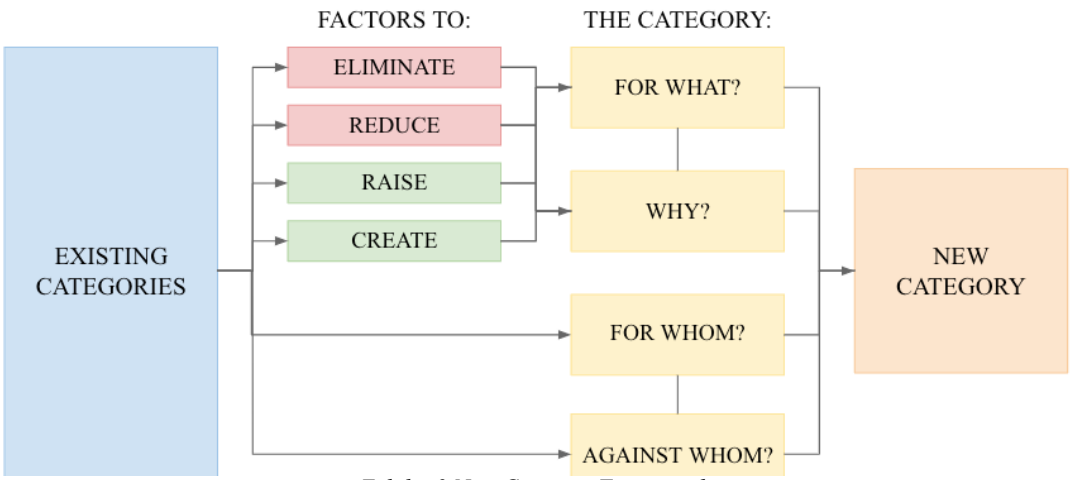

Exhibit 2 New Category Framework

exclusively quantitative data (Bryman, Bell & Harley, 2018). Furthermore, since this paper aims to explore the positioning of the nicotine pouch as a new category in the disruption of the market, a qualitative research approach is more appropriate. As the paper studies an ongoing phenomenon, a quantitative research strategy would not provide the same in-depth understanding as qualitative data.

Empirical Data Collection

Primary data was gathered through semi-structured interviews. Compared to structured interviews, an advantage of this method is its greater flexibility (Bryman, Bell & Harley, 2018). Therefore, questions can be added or altered depending on topics that arise during the interview. Additionally, respondents can add information in their answers beyond what is included in the preliminary questions. This was considered especially appropriate since the interviewees had different roles within their companies.

Several companies within the industry were contacted, and interviews were held with representatives from Philip Morris International (PMI) and Snusbolaget (Haypp Group) with substantial knowledge of the topic. The respondents are kept anonymous and will be referred to as Respondent PMI and Respondent Snusbolaget. Each interviewee was sent preliminary questions by email before the interview. These questions were formulated based on the theory introduced in the literature review, with the purpose of the study in mind. The questions were open-ended and adapted for each company. The interviews were conducted over Google Teams on the 4th and 8th of October and lasted for approximately 30 minutes each. The interviews were held in Swedish and later translated to English. One potentially negative consequence of this may be that answers are impacted by their translation. However, the benefit of letting interviewees express themselves in their first language was considered to outweigh this disadvantage.

In order to get a more in-depth view of the topic, interviews were complemented with secondary data collected from annual reports. The reports of Swedish Match, British American Tobacco and Imperial Brands were of particular interest. This is primarily because these companies have a significant market share in the Scandinavian smoke-free market, including snus, nicotine pouches, and chew bags (Swedish Match, 2020). Furthermore, cases from historical events in the tobacco industry were used. These events are of great interest since they have contributed to major changes in consumer behavior, and the cases were therefore studied to find similarities and contribute to this paper.

Cases from the Tobacco Industry

Nicorette Case

Urde (1994) explains how the first nicotine prescription chewing gum was launched in Sweden in the late 1960s by AB Leo. It was patented and protected under the name Nicorette and had trademark protection within 51 countries (Urde, 1994). AB Leo negotiated with several manufacturers in the pharmaceutical industry to establish a market. The conditions were that the brand *Nicorette* and the product were distributed without restrictions on marketing strategy or positioning (Urde, 1994). Because of this, several different positionings and market strategies were used with the same product name. Pharmacia acquired AB Leo after 15 years of establishing the new anti-smoking treatment market (Urde, 1994). During this time, the market faced three major changes:

(1) The patent expiration of Nicorette

(2) Competitive products entering the market like the nicotine pouches

(3) No longer a prescription on nicotine products (Urde, 1994).

Earlier (1975-1990), Nicorette had focused on educational communication on the dangers of smoking. These efforts created longevity in the demand for a new drug

regardless of brand (Urde, 1994). The branding strategy was harder to build because of regulation on the advertising of prescription drugs (Urde, 1994). In order to generate long-term returns, investing in the brand was necessary. This is usually done according to the market positioning, but it was challenging since Nicorette established its own category and had initially not been faced with competitors. Therefore, the main problem for Pharmacia Nicorette was that they had an established market without an established brand (Urde, 1994).

With two years left of protection from the patent, it was clear that the leading market position was threatened (Urde, 1994). Actions were therefore taken to create an international Nicorette brand. Consequently, it was important to consider what Nicorette produces, drugs or consumer products (Urde, 1994). Additionally, it was relevant to discuss how many brands should be established. This raised several opinions, where physicians protected the traditional drug identity and wanted several product names, while market surveys argued for a consumer-oriented product range under one name (Urde, 1994).

The conclusion was that consumers are Nicorette's customers, not the chemists and the doctors. Therefore, Nicorette was the established brand name for all products, and the positioning of Pharmacia Nicorette was built from a consumer perspective (Urde, 1994). This led to a friendlier approach without an educational focus on the hazards of smoking. Instead, the focus was on acknowledging the hardship of quitting and providing a helping hand. This positioning strategy focused on differentiation from competitors by emphasizing the brand's personality (Urde, 1994).

Clearing the Air - IQOS Case

The Swiss-American tobacco company Philip Morris International (PMI), was founded in 1847 (Moane, Pelev & Solmi, 2021). Since then, the company has grown to operate in three different segments, owning 6 of 15 world-leading tobacco brands (Moane, Pelev & Solmi, 2021). Closely after the millennium shifted, the 'Tobacco Free Initiative' published a report on the harsh future of the tobacco industry and how smuggling in the production of large tobacco companies caused public outrage (Moane, Pelev & Solmi, 2021). In the midst of this, PMI faced several lawsuits, and nicotine was marked as an addictive substance (Moane, Pelev & Solmi, 2021). Additionally, as the public promoted healthy lifestyles and electronic cigarettes entered the market, PMI knew they needed to change. In 2016, PMI officially redefined their vision of a Smoke-Free future (Moane, Pelev & Solmi, 2021). The aim was to turn 40 million of their current smoking customers to smoke-free alternatives. This became the turning point for the tobacco industry, setting an example for competitors to (Moane, Pelev & Solmi, 2021).

This transformation was, however, planned long before its introduction to the market, as exemplified by investments made in 2009 in R&D for smoking-free alternatives (Moane, Pelev & Solmi, 2021). In 2014, the disruptive innovation IQOS was introduced to key markets, and during the following years it spread (Moane, Pelev & Solmi, 2021). IQOS contains tobacco and nicotine like the traditional cigarette but warms the tobacco instead of burning it (Moane, Pelev & Solmi, 2021). This causes no unpleasant smell and is arguably less unhealthy according to PMI. However, it is addictive and faces the same regulations as cigarettes. This new product was marketed by PMI as the main solution for smokers to shift towards a healthier, smoke-free lifestyle while avoiding the bad reputation of a smoker (Moane, Pelev & Solmi, 2021).

Portioned Snus

Prior to the 1970s, snus was loose and consumers had to portion it themselves, which was considered by some as a messy activity (SnusBolaget, 2018). During World War II, the popularity of cigarettes increased due to innovative marketing (SnusBolaget, 2018). This in turn led to historically low levels of market share for

the snus industry. It was not until 1973, when portion-packed snus was introduced, that snus increased in popularity again (SnusBolaget, 2018). The most successful launch of portioned snus was *Tre Ankare,* in 1977 (BuySnus, 2021). However, the reactions varied, from incumbents who were not impressed to fans who very quickly understood the benefit. It was easier to use, more discrete and left no mess (BuySnus, 2021). The new packaging attracted a larger number of females (BuySnus, 2021). Since the launch of the portioned pouches, snus has had an increased sales growth and a broad range of portioned snus brands have been introduced to the market (SnusDirect, 2021). It was not a disruption, but rather a significant improvement to an existing product. It was, however, a revolutionary product that made a name for itself by its uniqueness on the market (BuySnus, 2021).

Empirical Results & Analysis

The Disruptive Pouches

Historically, the tobacco industry has been static, and it has taken an extremely long time for changes to occur. The last major shift in the snus market was in the 1970s, when portioned snus was first introduced (SnusBolaget, 2019). However, when nicotine pouches were launched in 2014, the industry had a breakthrough, and ever since, the market has been changing rapidly (Respondent PMI, interview, 4 October 2021; Respondent Snusbolaget, interview, 8 October 2021).

Nicotine pouches disrupted the cigarette and snus markets. As previously mentioned, disruptors create a market where none existed (Christensen, Raynor & McDonald, 2015), often by analyzing individuals and societal trends (Nogami & Veloso, 2017). For example, in the case of IQOS, the disruption answered to societal changes towards healthier lifestyles. The same can be said for nicotine pouches. The introduction of nicotine pouches was a result of global demand for nicotine consumption without the hazardous side effects of tobacco (HAYPP, 2021). Furthermore, disruptive innovations are value innovations which suppress irrelevant features by offering new features that change consumer preferences (Kapferer, 2014). This was not the case for portioned snus, which is why it was not disruptive even though it had historical consequences. Nicotine pouches, on the other hand, suppressed the tobacco attribute. Instead of using tobacco leaves like snus, nicotine pouches only consist of nicotine which is separated from the leaf (HAYPP, 2021). Nicotine is addictive, but not dangerous like tobacco, which answers the global demand and changes consumer preferences (Respondent Snusbolaget, interview, 8 October 2021). Hence, nicotine pouches disrupted the market.

Nicotine pouches can even be seen as a blue ocean innovation. This is especially true considering that blue ocean innovations are disruptive by nature and referred to as ‘value innovations’ (Kapferer, 2014).They represent an “unprecedented bundle of attributes that shift the preference function of consumers” (Kim & Mauborgne, 2004). The indication of a blue ocean innovation is that it is lacking existing industry boundaries and competitive rules (Kim & Mauborgne, 2015). For example, in the case of Nicorette, the market lacked competitive rules. In contrast, in the case of IQOS the product was clearly competing with cigarettes. The nicotine pouches similarly to the Nicorette Case lack competitive rules, and are additionally without legal boundaries, which seems indicative of a blue ocean innovation.

Nicotine pouches totally changed the industry (Respondent Snusbolaget, interview, 8 October 2021), and can arguably be considered a blue ocean innovation which resulted in a new category. When creating something completely new on the market, it is important to define the category (Allouche, 2021). This can be illustrated by the IQOS case, where clear positioning and definition

was crucial in order to differentiate the new category from the existing cigarette category while attracting the same target group. Additionally, in the Nicorette case, consumers were attracted to the new category due to its positioning and definition separate from the pharmaceutical's category. It is therefore important to consider the similarities and differences of nicotine pouches in comparison to existing categories in order to define the new category.

Implementation of the Framework

In the following part of the analysis, the proposed framework will be applied to the empirical data. First, the key benefits of the nicotine pouch as a new category will be analyzed in comparison to existing categories to see which elements have been eliminated, reduced, raised and created. This will provide answers to the "for what" and "why" elements of the framework. Thereafter, the target customer of the category, and subsequently also competitors to the category, will be explained, addressing "for whom" and "against whom". Together, these parts will constitute a definition of the new category separate from existing categories.

For What & Why?

In the positioning of the tobacco-free snus category, some benefits from the existing categories of cigarettes and snus have been raised and some have been created, while others have been reduced or eliminated altogether. Consequently, the key benefits of the product are distinct from both cigarettes and snus. These constitute the "for what" and "why" of the framework. Two attributes are especially noteworthy when it comes to the establishment of tobacco-free snus as a new category: Health and safety, and social and legal regulation.

Improved Health & Safety

Similar to the Nicorette and IQOS cases, the main purpose of the launch of nicotine pouches was to achieve better health among existing smokers. When talking about nicotine pouches, health and safety benefits are frequently emphasized. It is often directly contrasted to cigarettes and/or snus in communications by companies selling nicotine pouches, further pointing to the importance of defining the new category in relation to existing categories. Respondent Snusbolaget (interview, 8 October 2021) explains that, in comparison to both cigarettes and regular snus, nicotine pouches are a safer product in all respects. It is also added that since nicotine pouches contain nicotine, it is addictive but not dangerous (Respondent Snusbolaget, interview, 8 October 2021).

The notion that nicotine pouches have significant health benefits over existing categories is echoed by the annual reports of Swedish Match, Imperial Brands, and British American Tobacco. For instance, it is noted by British American Tobacco that nicotine products where tobacco is not burned "are likely to emit far fewer – and lower levels of – toxicants, compared to conventional cigarettes" (British American Tobacco, 2020, p.30). It is further explained that the company's modern oral products "have even fewer and lower levels of toxicants than snus", and consequently "even lower toxicological impact on human cells than snus" (British American Tobacco, 2020, p.38). Similarly, research by Imperial Brands (2020) suggests that tobacco free oral nicotine pouches are "likely to be the most harm reduced of all NGP [Next Generation Products]", a segment which includes oral nicotine, vapour and heated tobacco (Imperial Brands, 2020, p.25).

This overall health and safety benefit of nicotine pouches is a created benefit when compared to cigarettes, since health is not a benefit associated with cigarettes. In relation to snus, on the other hand, health is a raised benefit, since snus was positioned as a healthier alternative to smoking. Today, nicotine pouches have been positioned as an even healthier alternative to the former two - the health and safety benefit from the existing category (snus) has been raised.

What can be considered an entirely new added benefit, however, is the lack of

tobacco in the product. Priorly, tobacco had been considered a prerequisite for a product competing in the market. While regular snus reduced health risks by eliminating the burning of tobacco (Respondent Snusbolaget, interview, 8 October 2021), tobacco-free snus challenged the notion that tobacco should even be in the picture. Arguably, this was an unprecedented attribute for a product in the market, thus changing the values altogether.

It is of course worth noting that, in adding the benefit of tobacco-free, the attribute of tobacco was eliminated. Thus, in this case, the framework's "create" and "eliminate" mirror each other - One product attribute from existing categories, tobacco, was eliminated in order to enable the creation of a new product benefit, tobacco-free. Furthermore, this new benefit is what enabled the raising of the overall health and safety benefit (and therefore also reducing the health risk attribute) when compared to existing categories. In sum, the health and safety benefit of nicotine pouches illustrates a clear interaction between the "raise", "create", "reduce" and "eliminate" aspects of the proposed framework.

More Socially and Legally Acceptable

Another benefit of tobacco-free snus is that it is less regulated by social and legal factors than existing categories. For example, it is suggested by British American Tobacco that the success of the company's New Categories, including nicotine pouches, can be explained in part by the fact that these products can be consumed in situations "where combustible tobacco is no longer permitted or socially acceptable" (British American Tobacco, 2020, p. 14). It is further explained that occasions for tobacco consumption nowadays are reduced (British American Tobacco, 2020, p. 16), in order to give rise to "opportunities to capture consumer moments which have, over time, become limited by societal and regulatory shifts" (British American Tobacco, 2020, p. 18). Similarly, it is implied by Respondent Snusbolaget (interview, 8 October 2021) that one of the consumer benefits of tobacco-free snus is that, in contrast to regular snus, it does not stain the user's teeth. This can be considered an example of how nicotine pouches have been positioned as a more socially acceptable alternative to both cigarettes and snus.

This benefit is created when compared to cigarettes and raised when compared to snus. In a similar way to the aforementioned health and safety benefit, it may be argued that better social acceptance was an added benefit to regular snus when compared to cigarettes - the user escaped the social stigma associated with smoking. As shown in the IQOS case, smoking can cause social stigma. However, snus still comes with some social judgement which, as mentioned, is reduced by nicotine pouches.

Further, there is no legislation on nicotine pouches at the moment, however the tobacco industry is responsible not to risk having strong regulations implemented (Respondent Snusbolaget, interview, 8 October 2021; Swedish Match, 2020). There is legislation for all member countries within the European Union except for Sweden prohibiting the sale of oral tobacco (European Union, 2014). Due to the elimination of tobacco the nicotine pouches are available internationally. In other words, the regulation has been reduced with the benefit of being accessible.

Once again, there is interaction between the elements of the framework, in this case between the "raise" and "reduce" elements. The social stigma attribute is reduced, and consequently the social acceptance benefit is raised. In addition, the legislation is reduced, and the accessibility is raised.

Different flavours

Additionally, by extracting the nicotine from the tobacco leaves, the tobacco flavour is removed (Respondent Snusbolaget, interview, 8 October 2021). The tobacco flavour is therefore eliminated which results in the ability to choose other flavours. The nicotine pouches come in different flavours; chili, citrus and mint to name a few

(Swedish Match, 2020). This is another reason nicotine pouches are more socially acceptable as they smell delightful compared to the tobacco flavour. The elements of "eliminating" and "creating" therefore answer to both the benefit of different flavours and social acceptability.

For Whom & Against Whom

In brand positioning, it is important to define the target customer (Kapferer, 2014) In the same regard, when examining the positioning of nicotine pouches as a new category, it is essential to consider the target group, especially in comparison to existing categories. Defining the target customer also helps provide a clearer picture of potential competitors. Therefore, this section will address the "for whom" and "against whom" elements of the framework.

Tobacco Users

The main target customer of the nicotine pouch is existing tobacco users. After the launch of e-cigarettes, brands within the tobacco industry quickly realized that there was a need for more alternatives in order to capture all consumers (Respondent Snusbolaget, interview, 8 October 2021). When nicotine pouches were launched, the goal was to reach existing smokers who otherwise would have continued smoking (Respondent PMI, interview, 4 October 2021; Swedish Match, 2020). The goal has since been to make all smokers quit, or at least use products that do not burn. PMI clearly targets smokers, and have recently acquired a Danish nicotine snus company to join the new category (Respondent PMI, interview, 4 October 2021). This adds nicotine pouches to PMI's smoke-free alternatives geared towards smokers and tobacco-users.

Women & Men

Nicotine pouches usually appeal to a wider audience than traditional oral tobacco (British American Tobacco, 2020). For instance, although snus has historically been consumed mostly by men, an increasing percentage of consumers are women (Respondent Snusbolaget, interview, 8 October 2021; Swedish Match, 2020, p.14). This changed consumer pattern can partially be attributed to nicotine pouches, a category in which it is estimated that over 50% of consumers are women (Swedish Match, 2020). In addition, young women are overrepresented in smoking and choose this product instead of cigarettes to a greater extent (Respondent Snusbolaget, interview, 8 October 2021). Besides the aforementioned health benefits, another reason behind the increasing number of female consumers may be related to the changed packaging and design. Just like the portioned snus in the 1970s (SnusBolaget, 2018), nicotine pouches have a more gender neutral packaging which may affect women's perceptions of the product.

Young Adult Segment

It is important to note that the goal of nicotine pouches is not to recruit new and young customers (Imperial Brands, 2020; Respondent Snusbolaget, interview, 8 October 2021). Despite this, however, it seems as though nicotine pouches appeal to a slightly younger age group compared to existing tobacco categories. Swedish Match notes that the typical nicotine pouch consumer is "somewhat younger than the average snus consumer" (Swedish Match, 2019, p.15). Furthermore, Swedish Match states that the switch in consumption from cigarettes and snus to nicotine pouches has been especially prevalent among younger adults (Swedish Match, 2019). Additionally, British American Tobacco notes that its New Categories, which include nicotine pouches, are especially suited for "new generations of adult consumers" (British American Tobacco, 2020, p.14).

Tobacco & Nicotine Companies

To build a strong brand positioning it is necessary to specify the competition in the market (Kapferer, 2014). In the same way, it is important to define the competitors of a new category. In this case, the competition can be defined as those whose clientele is partly captured by the new category. Therefore, competitors may be found in

parallel markets targeting similar customers. For example, in the case of Nicorette, there were no competitors on the market due to the fact that it was a new category. Instead, the main competitors were initially those targeting the same consumers - the cigarette companies. However, when the patent expired, new entrants became the main competition.

First of all, target customers for the nicotine pouch category all use tobacco either by cigarettes, snus or other products (Respondent PMI, interview, 4 October 2021; Respondent Snusbolaget, interview, 8 October 2021). Therefore, cigarette and snus companies are the main competitors. The nicotine pouch category is growing and is expected to claim 50% of the current snus market share by 2025 (Respondent Snusbolaget, interview, 8 October 2021). Additionally, there is a correlation between the nicotine pouch growth and the degrowth of both cigarette and traditional snus consumption (Respondent Snusbolaget, interview, 8 October 2021), further demonstrating the competition between these categories. In response to the competition, Swedish Match is focusing on adapting to consumer changes by new products and innovative marketing strategies (Swedish Match, 2021).

Furthermore, as the new category has been gaining a larger market share, several brands have entered the market in recent years. Several of these are leading within the snus market (Respondent Snusbolaget, interview, 8 October 2021; Swedish Match, 2021), for example, Swedish Match, British American Tobacco and Japan Tobacco International (Robichaud, Seidenberg & Byron, 2020). Additionally, Philip Morris International, a leading cigarette company, recently joined the category (Respondent PMI, interview, 4 October 2021).

The new nicotine pouch category is highly competitive due to the innovative changes coming from research and development within the field. It is difficult to predict how it will develop in the future, as most investments from the major tobacco companies now go to the nicotine pouch category (Respondent Snusbolaget, interview, 8 October 2021). For instance, PMIs market spend is 75% on new tobacco-free products, and the profits of the current cigarette business are directly invested in these new products (Respondent PMI, interview, 4 October 2021). Therefore, the major market players within the new category of nicotine pouches may be viewed as the main competitors.

New Category

Nicotine pouches are not in the category of snus nor the category of cigarettes, as evidenced through its distinct positioning. The product has different benefits compared to existing categories, including health and safety benefits arising from the lack of tobacco, improved social and legal acceptance, and different flavours.

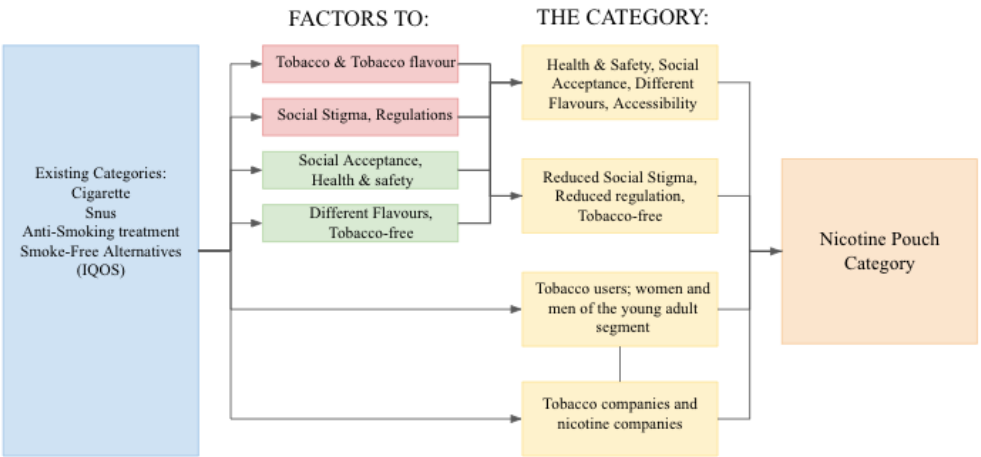

Exhibit 3 New Category Framework: Nicotine Pouch

Furthermore, despite targeting tobacco users like existing categories, this new category appeals to a wider audience by targeting both women and men, and appealing especially to the young adult segment.

The application of the framework can be found in *Exhibit 3.*

Conclusion

The purpose of this paper was to explore the positioning of the nicotine pouch as a new category in the disruption of the market. Using literature on positioning, disruption, blue ocean innovation, and new category creation, a theoretical framework was created. This framework was then applied to the nicotine pouch disruption, using primary data gathered through interviews with representatives from major tobacco companies as well as secondary data from companies' annual reports. Through the analysis, it was found that, despite some similarities to the cigarette and snus markets, nicotine pouches should be considered a new category due to their clearly differentiated positioning.

The main findings of this paper were, firstly, that the product has a different set of benefits compared to products in existing categories. As illustrated using the framework, this was accomplished by challenging elements which had perhaps been taken for granted in these markets. A key factor establishing the nicotine pouch as its own category is the eliminated health risks associated with tobacco, which was previously somewhat of a prerequisite in the market. The removal of this attribute significantly raised the product's overall health and safety in comparison to cigarettes and regular snus. Furthermore, the product's raised social and legal acceptance, as well as the different flavours, serve as additional benefits. As a result of these differences, the nicotine pouch category is positioned differently in regard to the "for what" and "why" elements of the framework.

Secondly, it was found that the nicotine pouches are distinct from existing categories in terms of their target customer, as illustrated through the analysis of the "for whom" aspect of the framework. Although the nicotine pouch category targets similar customers to cigarettes and snus, there are some differences, such as nicotine pouches' popularity among women and their slightly lower average consumer age. Together, these differences in category positioning distinguish nicotine pouches from existing categories to such an extent that it can be considered an entirely new category.

Adding to the main findings of the paper, the established framework can act as an extension of Kapferer's (2014) positioning diamond and Kim and Mauborgne's (2015) blue ocean strategy for disruptive new categories. The combination of the positioning concept and the core questions of the blue ocean strategy can help to define a new category in the respective disruption of the market. This framework can be used in practice to provide guidance in the positioning of a new category in a way that customer preferences are taken into account, further developed, or even changed into a different set of values associated with the new category.

Limitations and Further Research

The limitations of this study provide opportunities for further research within this topic. Findings of the analysis are based on a limited number of interviews, annual reports and cases. Additionally, due to the legislation of the tobacco industry, the respondents have strict limitations for their answers. To gain further insights and a broader perspective, a large number of interviews from several leading tobacco companies can be conducted over a longer period of time.

In future research, the positioning of a new category in the disruption of a market could be studied in other industries to give a comprehensive understanding of the framework. Another limitation which

should be taken into account is that this study was conducted ex post facto and particular examples were chosen. Therefore, in the future, the established framework can be tested with case studies accompanying the entire process of launching a new category.

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