

KANTAR CONSULTING

**BECOMING THE BRAND OF
CHOICE THROUGH RICH
CONSUMER UNDERSTANDING**

QUALITATIVE Phase I report
November 19, 2018

Source: <https://www.industrydocuments.ucsf.edu/docs/yqwp0298>

JUUL

Contents

1	Background, objectives and methodology	3
2	Big picture	7
3	Behaviors and needs	14
4	Brand perceptions	23
5	Cessation	27

1

Background, objectives and methodology

Background



With rapid growth comes growing pains. The e-cigarette industry is quickly evolving and Juul as a market leader must take steps to preserve its advantage. Multiple factors such as – explosive e-cigarette category growth, increasing competition, consumer experimentation reshaping the desired product experience, evolving brands point of difference, and uncertain regulations – make this a crucial time for Juul to develop a platform for sustainable long-term growth.

With this in mind Juul has embarked on a multi-stage research journey in order to:

DEVELOP a robust consumer segmentation, with rich consumer profiles, that clearly identifies where to play and drives effective brand and marketing communications

DETERMINE the key moments and drivers that prompt conversion from cigarettes to e-cigarettes and outline the opportunities for Juul to intercept

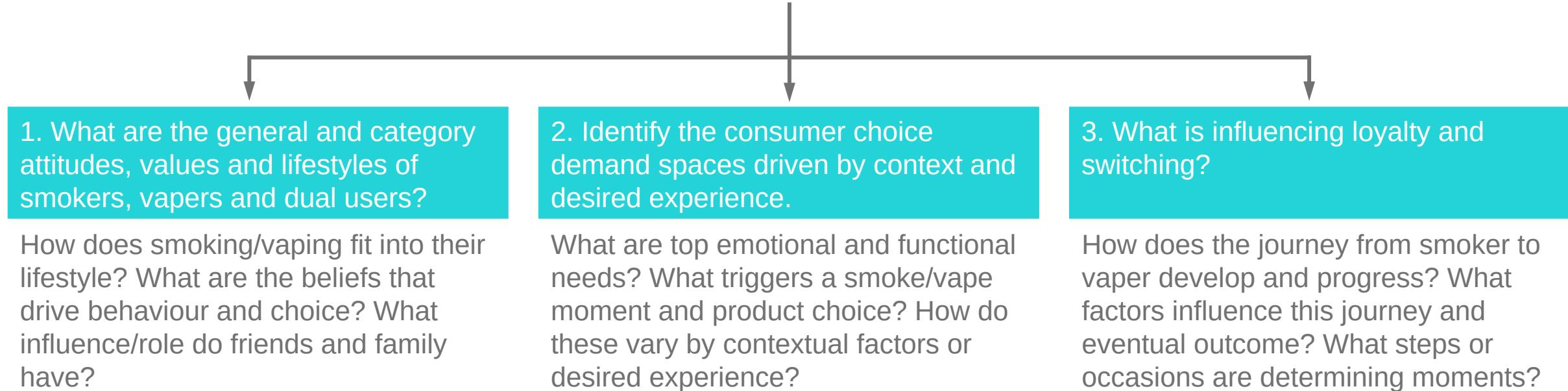
CRYSTALIZE understanding of the market, consumers and category today, and where these are going tomorrow

EMBED and ACTIVATE to ensure an actionable segmentation that is clearly understood, embraced and used across the organization

Objectives

Discovery Stage 1 focuses on immersion into the consumer, industry and business context to identify initial research hypotheses and optimal research design

The Discovery Stage **Consumer Qualitative Online + Mobile Deep Dive**
addressed the following:



Methodology | Screening Criteria



Online moderated survey

- 4 active days
- Includes a range of topics and activities exploring who they are, their smoking/vaping habits and their future state desires



Mobile diary

- 7 diary days
- Participants keep a diary log of all smoking/vaping events (and motivating trigger) over the course of the week



Timing

October 22-28, 2018



Respondent Profile:

- Tobacco consumers, 18/21* to 65 years of age
- Nationally representative sample
- Fall into one of three segments, 7-10 participants each:
 - Cigarette smokers
 - Vapers
 - Dual Users
- Natural fallout of traditional cigarette and tobacco vape brands
- Range of smoking cessation experiences and interest
- Mix of geographies and demographics

**based on legal age requirements as they differ per state.*

2

Big picture

Meet some of our participants

Family and friends are a key part of participant lives that influence how they feel and behave when it comes to smoking or vaping.

Smokers



Vapers

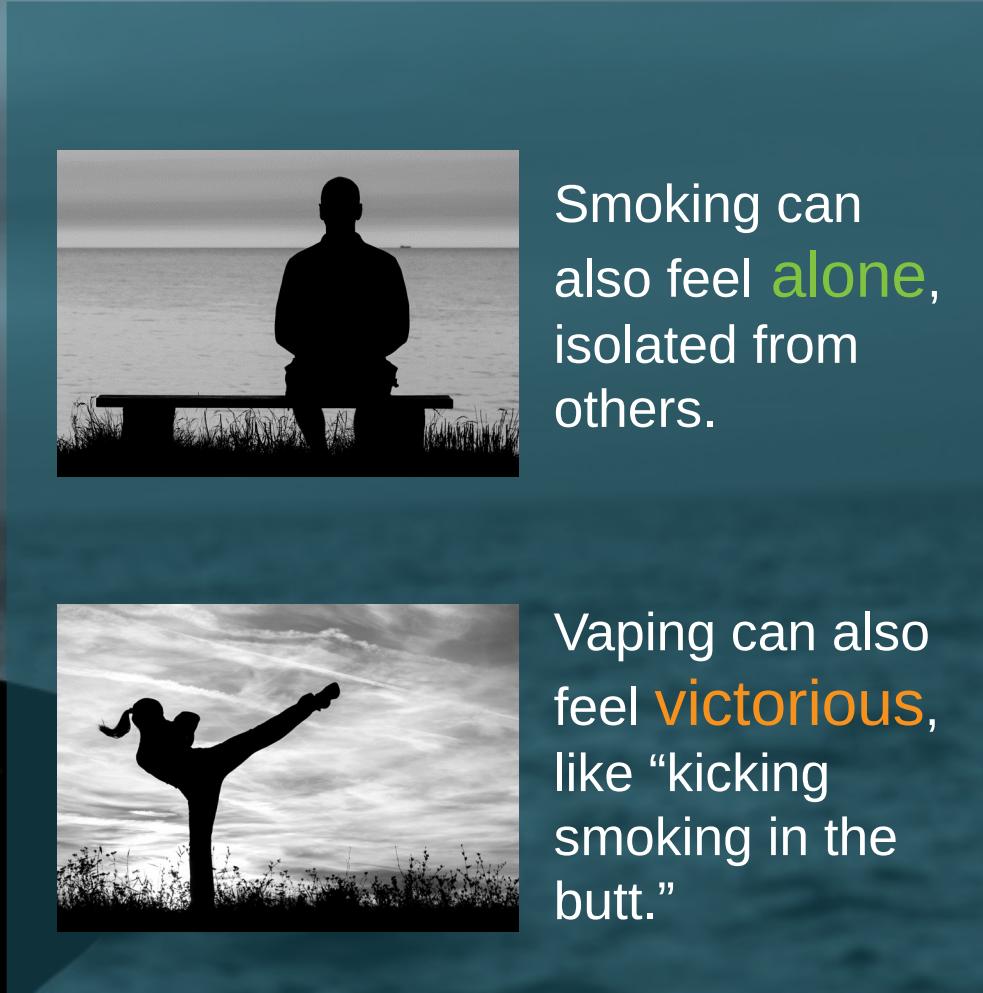


Dual Users



Associated feelings

Regardless of whether it's smoking or vaping, the majority associate feelings of calm, serenity, relaxation, peace and meditation with their habit.



Smoking can also feel **alone**, isolated from others.

Vaping can also feel **victorious**, like “kicking smoking in the butt.”

Associated perceptions

Regardless of their smoking/vaping habit, associations of people who vape are essentially consistent across the board. Interestingly dual users seem to have a more positive view of smokers than just smokers or vapers do.

Smokers, vapers and dual users say their top associations of **people who vape are:**

- Trendy, hip
- Young, youthful
- Healthy/safer



Smokers and vapers say their top associations of **people who smoke are:**

- Smelly, yellow
- Stressed
- Unhealthy, cancer



Dual users say their top associations of **people who smoke are:**

- Calm, content
- Cool, rebel
- Stressed
- Unhealthy, cancer

... Vaping brings happiness, less stress, and better choices to my life and what I would really miss if I were to quit is the smell, the taste, the vapor itself."

... Smoking brings satisfaction, calmness, and pleasure and what I would really miss if I were to quit is the fulfillment I feel after craving one and finally getting to smoke, and the inner peace."

Their relationship in a nut shell – Smokers

Smokers relationship to smoking is polarized. Some of our smokers have reached a comfortable state of habit acceptance while others are planning to and/or actively working towards quitting cigarettes.

*Like chapters in a love story**...

Smoker content with habit

Title: *A Pleasant Relationship*

Chapter 1: Flirting with cigs

Chapter 2: I think I like you

Chapter 3: Are you my type?

Chapter 4: When drinking

Chapter 5: Settled down; a chill life

Smoker intending to quit

Title: *It's Just Casual*

Chapter 1: You hate it

Chapter 2: No one notices you're faking it

Chapter 3: Oh, you're actually inhaling now

Chapter 6: Look you're addicted now

Chapter 9: Morning cigarette down

Chapter 12: Just when you drink now

Chapter 13: Good luck. Everyone says this is the hardest part



* Participants were asked to describe their relationship with smoking through chapter titles of a love story

Their relationship in a nut shell – Vapers

The range of vaping relationships is complex due to the various combinations of prior smoking history (or not) and their ultimate goal. Some are happy to be vapers, it is their smoking cessation success story. Others seek to diminish vaping to a non addictive occasional pleasure. Some want to quit vaping completely, while others would like to but fear they may fall back to smoking if they do.

*Like chapters in a love story**...

I am a happy vaper – smoking cessation success!

Title: New Life

Chapter 1: Bye smoke, Hi vapor

Chapter 2: Finding myself - portable vapes w cartridges

Chapter 3: Eye opener - first introduced to RBA

Chapter 4: Love triangle- getting into salt nic juice w a Mi Pod

Chapter 5: Happily ever after w my 2 vapes

Occasional pleasure – no addiction

Title: Not As Intense As You'd Think

Chapter 1: I vape everyday

Chapter 2: I vape moderately

Chapter 3: I'm still an athlete

Plan to quit vaping

Title: The Nicotine Crush

Chapter 1: I'm into you

Mid Chapter: I'm not committed

End: Do you miss me, I don't miss you

Afraid to quit, may smoke again

Title: My Obsession

Chapter one: Are you charged

Chapter two: I hope you taste good

Chapter three: Don't leave me alone

Chapter Four: He is Controlling My Life

* Participants were asked to describe their relationship with smoking through chapter titles of a love story

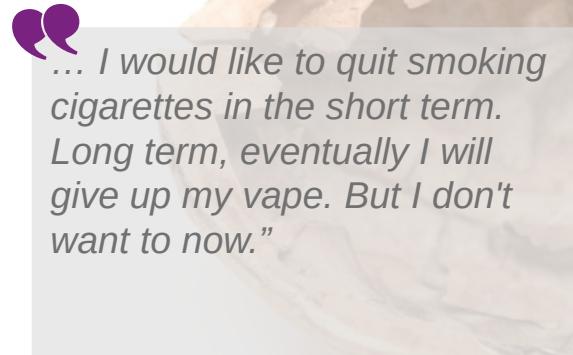
Their story in a nut shell – Dual Users

Our dual use participants vape as a substitute for when they can't smoke but want to, or as a method of partially reducing quantity of cigarettes smoked with hopes of quitting smoking completely. Social stigma, health concerns, cost and impact on younger family members are key drivers to smoke less and vape more.

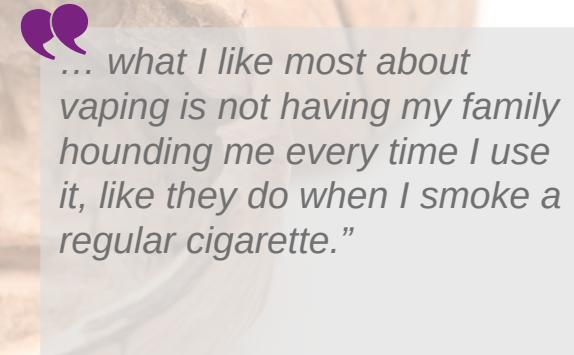
- Vaping is the fix for those moments **when smoking is not an option** or appropriate around others
- Vaping is a means to **reduce and eventually quit smoking** to improve health and save money
 - For some their progress in smoking reduction is continuous motivation and encouraged by family members
 - Others worry that though they may have reduced their smoking, they are vaping more than they smoked due to the continuous nature of vaping



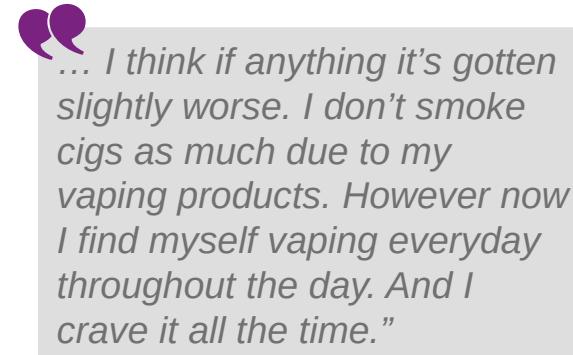
... I'm a heavy smoker, usually two packs a day. I use vaping when it is not possible to smoke or as a courtesy to others."



... I would like to quit smoking cigarettes in the short term. Long term, eventually I will give up my vape. But I don't want to now."



... what I like most about vaping is not having my family hounding me every time I use it, like they do when I smoke a regular cigarette."



... I think if anything it's gotten slightly worse. I don't smoke cigs as much due to my vaping products. However now I find myself vaping everyday throughout the day. And I crave it all the time."

3

Behaviors and needs

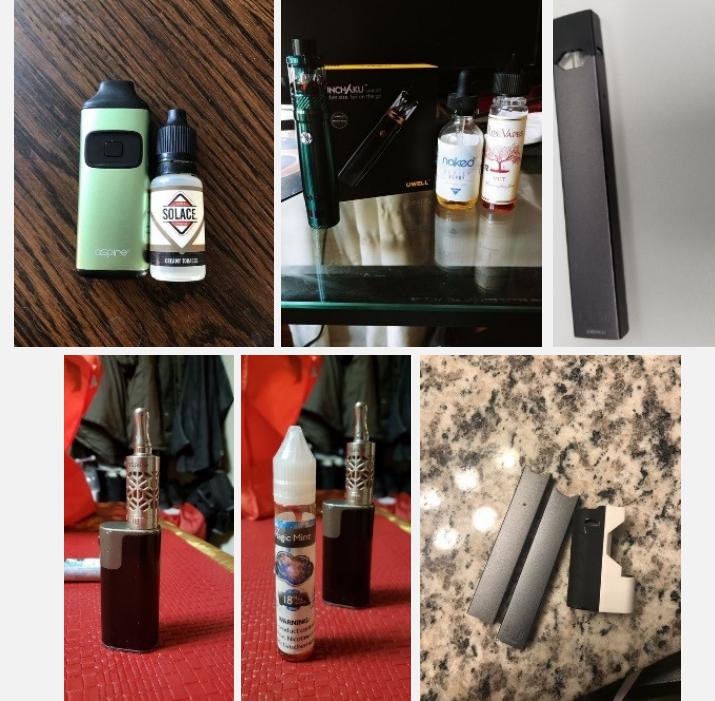
Products used

Participants represent a good mix of brands and flavors including Juul and competition.

Smokers



Vapers



Dual Users



TRIGGERS

Whether a smoker or a vaper, triggers to smoke or vape are predominantly the same and range across **key activities** as well as **physical and emotional needs** which, though often overlapping, can be clustered into nine major buckets.

Physical need	<ul style="list-style-type: none">▪ craving nicotine, a buzz▪ hunger suppression▪ help stimulate bowels	Energy level	<ul style="list-style-type: none">▪ morning routine▪ pick me up▪ mental focus▪ before bed, unwind	Social	<ul style="list-style-type: none">▪ people gatherings▪ bonding with smokers/vapers▪ group outings
Mood control	<ul style="list-style-type: none">▪ relaxing, peaceful▪ stressed, anxious▪ bored, need distraction	While tasking	<ul style="list-style-type: none">▪ working, studying▪ driving, shopping▪ creative, need to think▪ at vape store	Meal related	<ul style="list-style-type: none">▪ breakfast, lunch, dinner▪ before, AFTER▪ meal prep
Take a break	<ul style="list-style-type: none">▪ from an activity▪ as excuse to escape▪ private conversation	Screen time	<ul style="list-style-type: none">▪ sports▪ shows▪ news	Drinking	<ul style="list-style-type: none">▪ adult beverage▪ coffee

■ higher relevance to smokers

■ higher relevance to vapers

In their own words...

When I smoke (stressed or bored)



Click on image
to view video

When I vape (while working, home)



Click on image
to view video

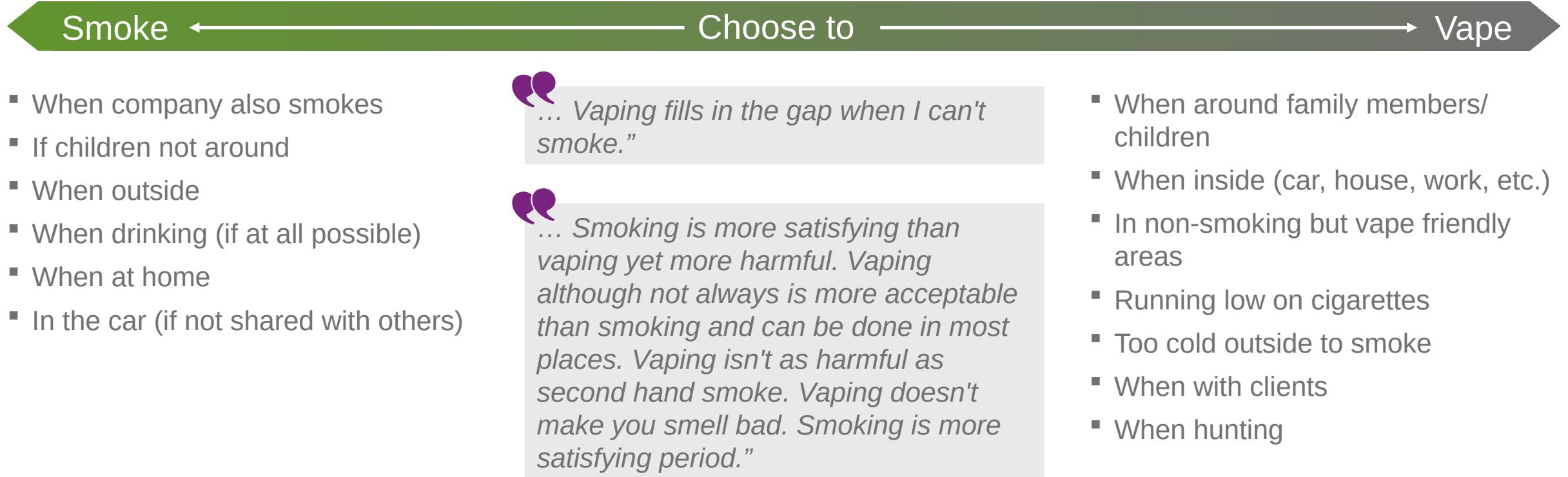
When I smoke (me time, relaxing)



Click on image
to view video

TRIGGERS – Dual Users

For the most part, the dual users in the study prefer to smoke if they can, and vape if smoking is not allowed or may offend others. A few were actively working on quitting smoking and would vape at times they could smoke.



Needs, benefits – Universal

Smokers and vapers alike experience many of the same benefits from their smoking and vaping experience.

Social	Physical Sensations	Psychological	Other	Negatives mentioned
<ul style="list-style-type: none">▪ Community, bond with other smokers/vapers▪ Outside together▪ Share cigarettes/vape hit▪ Excuse to talk to someone (ask for a light, about device etc.)	<ul style="list-style-type: none">▪ Relief from craving▪ Head buzz, dizziness, dopamine rush▪ Throat hit, (good) scratch▪ Lung feel<ul style="list-style-type: none">▪ Smooth smoke▪ Expanded lung▪ Burn in a good way▪ Good taste, flavor	<ul style="list-style-type: none">▪ Enjoyment, satisfaction▪ Calming effect replaces anxiety, stress▪ Clears the mind▪ Visual pleasure of smoke/vape cloud▪ Sense of freedom, escape, personal time▪ Something to do/look busy▪ Habitual comfort	<ul style="list-style-type: none">▪ Suppress hunger▪ Initiate bowel movement	<ul style="list-style-type: none">▪ Social stigma▪ Greater for smokers than vapers▪ Expense<ul style="list-style-type: none">▪ Daily cost (smoker)▪ Initial investment, closed systems (vaper)▪ Physical<ul style="list-style-type: none">▪ Throat harshness▪ Cough

Needs, benefits – Smokers

In addition, smokers claim a range of benefits unique to the smoking experience.

Social	Cigarette brand differences	Physical sensations	Psychological	Other	Negatives mentioned
<ul style="list-style-type: none">▪ Community, bond with other smokers is particularly strong	<ul style="list-style-type: none">▪ Flavor▪ Strength▪ Burn faster/longer▪ Easy to find in stores▪ Don't get stale as fast▪ Organic vs. not	<ul style="list-style-type: none">▪ Warmth or coolness (menthol) of smoke inhale▪ Good taste, flavor<ul style="list-style-type: none">▪ Tastes thick (smoke)▪ Mellow, smooth▪ Tobacco taste▪ Actions: holding 'soft' cigarette, hand to mouth movement, flicking ash, stubbing out the cigarette	<ul style="list-style-type: none">▪ Considered more natural▪ Moment to gather thoughts	<ul style="list-style-type: none">▪ Lowers risk of Parkinson's▪ Time dependent - can be used to manage time	<ul style="list-style-type: none">▪ Health<ul style="list-style-type: none">▪ Cancer▪ Aggravates asthma▪ Cough▪ Smell lingers▪ Yellowing of teeth, nails▪ Dry mouth▪ Nasty aftertaste▪ Expensive▪ Social stigma, family tension/hagging▪ Limited locations▪ Risk of fire, burned clothing

Needs, benefits – Vapers

Vapers also experience a range of benefits unique to the vaping experience.

Social	Physical Sensations	Psychological	Other	Negatives mentioned
<ul style="list-style-type: none">▪ Identity, image of a vaper, cool, hip, modern▪ Juice/vape store giving back to community (wild fire)▪ No second hand smoke, can vape around family/children▪ Discreet▪ No bad, lingering smells (house, car, self)	<ul style="list-style-type: none">▪ Good taste, flavor<ul style="list-style-type: none">▪ Range of flavors▪ Burst of flavor▪ Refreshing▪ Nicotine fix when can't smoke▪ Feel of device	<ul style="list-style-type: none">▪ Low to no guilt, healthy option▪ Less nagging from family▪ Visual pleasure of smoke cloud▪ No risk of burning house down▪ Advanced, modern alternative▪ Cheaper in the long run	<ul style="list-style-type: none">▪ No ashtrays	<ul style="list-style-type: none">▪ Leaking pods▪ Expensive to lose▪ Vape mouth▪ Need to charge/run out▪ Some devices are heavy/bulky▪ Throat burn▪ Juice 'spit' in mouth▪ Juice damages coil▪ Refill process becomes a chore▪ Exploding devices can hurt or even kill you▪ Social stigma persists

Sessioning

Vaping does not have the same built in time signal – beginning and end – like smoking a cigarette does. As a result, for most vapers, vaping doesn't shape a moment the way a cigarette may define a break.



... I don't feel it's the same. When you light a cigarette you are bound to stay there for the duration of the cigarette. With vaping it's more like. I'm waiting for something I'll take a couple puffs oh look the thing I was waiting for is finished putt down my vape kinda thing. Only time it's ever a session is when I'm at my vape store and I'm sitting at the counter talking with the owner." - Vaper

However, there are exceptions when vaping is considered a timed event like a cigarette break.

More likely for vapers who are still smoking and thinking of their vaping as a cigarette substitute. Also mentioned by vapers who tend to vape with other smokers.



... yes, for me there is a vape session, most times this session takes about 10 minutes." – Dual user

4

Brand perceptions

Brand associations

Smokers seem to have a stronger brand affinity with their brands than vapers. Possibly due to the open system multitude of flavors and brands diluting brand affinity and sense of loyalty amongst vapers. When describing their brands, cigarette brands are more likely to be strong and bold while vape brands are considered discreet and modern. Both provide reliability and are trusted companions.



JUUL in detail

JUUL users have a stronger sense of brand than other vapers. Leaving behind the preparation process is a significant upgrade; “no more filling the tank, changing the coils, replacing glass, charging batteries.”

JUUL benefits vs. competition

- Easy, convenient
 - To charge
 - To carry - lightweight
 - Home delivery
- Don't need to vape for extensive periods of time
- Controls urge to smoke cigarettes
- Doesn't leak
- No coil hits burning throat
- The pods crackle
- Great customer service



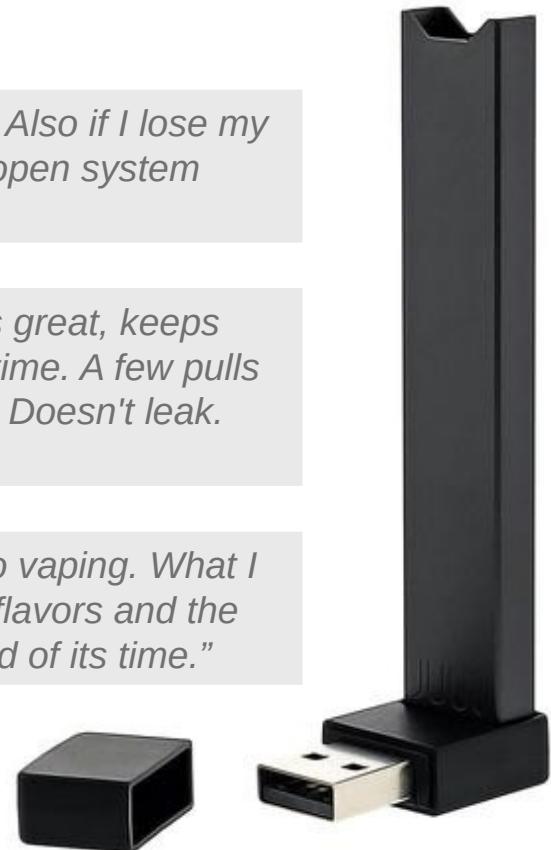
... I have with me a JUUL because it's slick and fits anywhere. Also if I lose my JUUL replacing it is much cheaper than replacing a handheld open system mod."



... Easy, affordable, delivered to my home, customer service is great, keeps me from smoking, don't need to vape for extensive periods of time. A few pulls is enough to satisfy my craving. Easy to charge. Easy to carry. Doesn't leak. No coil hits burning my throat."



... I consider JUUL to be a very advanced system in regards to vaping. What I mean is the whole transferring cartridges and having different flavors and the minimal impact on 2nd hand smoke I consider to be very ahead of its time."



In their own words – Dual User

When I tried Juul for the first time....



Click on image
to view video

It's dark the lights of the club are the only thing illuminating the scene. Loud music is pumping out of the PA systems. I'm DJing while my friends are having a great time behind me. **That atmosphere is electrifying.** It's about 11:00pm at night and I love every second of it.

I was having a great night but it was only about to get better. I actually didn't have a Juul yet and was about to go smoke a cig outside. My buddy walked up to me and handed me a Juul instead and said it was better than a cigarette. I was very **excited to try it. I now had the Juul** and my buddy let me use it the rest of the night. It didn't leave my hand for the rest of the night.

Its **sleek, smooth** profile gave it a **luxurious feel**. It was a much better experience than smoking a cigarette outside. The best part was it is a **social tool**. The more people around me while I had the Juul the better. As opposed to cigarettes where I feel I have to walk outside by myself and use them.

Cigarettes leave a nasty taste in my mouth however the Juul leaves **a refreshing fruity flavor**. However they both give me an **amazing throat hit and a nice buzz**. I love the throat hit more than the actual head buzz. I have asthma and cigarettes tend to cause my **asthma to spike** however the Juul has never caused me that problem.

I focus on the little light on the Juul or the ember on the end of a cigarette to make sure I'm getting a full hit. When I hit the Juul others tend to rush over towards me to hit it as well. Cigarettes not as much. More negative looks than anything.

The first inhale is always the best and usually **picks up my mood**. I make sure the exhale has a decent amount of vape/smoke. If not I feel like I didn't get as big of a hit or fix as I wanted. It's a **great feeling seeing the clouds as I exhale**. I sometimes wish they weren't as big because sometimes regardless of it being vape, people give you weird looks. It doesn't really bother me though.

The **taste and smell of the Juul is great** when I exhale while when I exhale cigarettes it's a much nastier taste/smell. It's never just one exhale, I always go for at least 2-3 draws before putting it down or until my head feels a little buzzed. Or sometimes I force myself to stop and ration if I'm running low. I don't like stopping but I understand it's necessary. **I feel uplifted and much more relaxed. My state of mind is much calmer.**

5

Cessation

Cessation – definition

Most agree that to 'quit' means one must stop using all nicotine based products, tobacco and vaping. That said, there is a recognition that quitting cigarettes, even if still vaping, also counts as having 'quit' albeit a more specific type of 'quit.'

What does quitting mean?

For many to quit means to quit all tobacco products including nicotine.

... *Quitting is when you having gone without any type of smoking for more than a month. If I were to quit I would have to remove myself from all elements of smoking and remove all vaping equipment. There is no in between when it comes to quitting."*

... *I'd like to stop vaping as well. I don't need to smoke at all. Stop all forms of smoking because if I vape I'm still a smoker in my mind."*

For a few quitting smoking cigarettes is as far as they plan to quit.

... *For me, quitting means not smoking cigarettes anymore. Yes, I still vape, but that's not smoking. Maybe that's considered "in between" - but I consider vaping better for me, the people around me, and the environment than cigarette smoke."*



Click on image
to view video

Quitting approaches

Claimed successful*

- Cold turkey
- Gradual switch from smoking to vaping
- Cut down gradually
- Cigarettes/day
- Vape hits per day
- Nicotine level

Claimed unsuccessful*

- Patch
- Inhalers
- The gum
- Wellbutrin
- Chantix

**due to our recruiting criteria of active smokers, vapers, this is not a measure of the actual success rates of any of these methods*

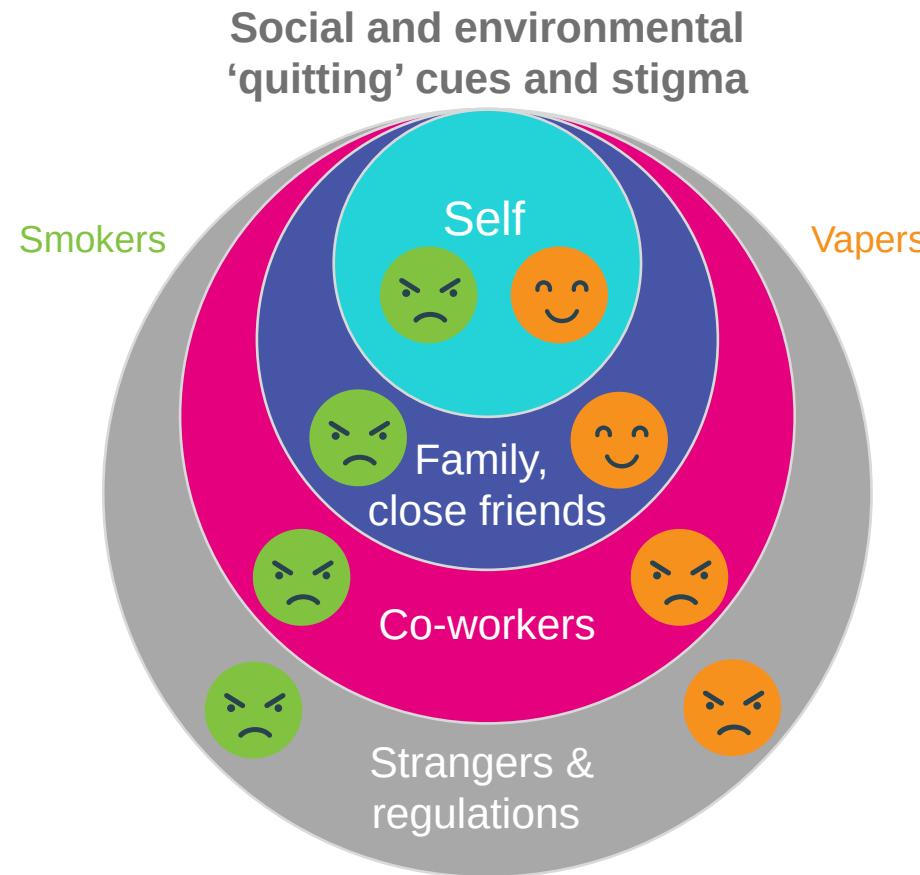
Cessation - motivation

Smokers and vapers alike are continuously affronted with social and environmental cues that they should quit. However the positive outlook on vaping as a means to quitting and as a healthier alternative makes vaping more acceptable and keeps the quitting pressure to outer circles of influence.

- Smokers and vapers both feel pressure to quit.
- Smokers tend to feel pressure from all levels, from self to others.
- Vapers who previously smoked are proud of their accomplishment, and often friends and family see it as a positive change. This externalizes the pressure to quit to outer levels of influence.



... Most non smokers assume vaping is the same as cigarettes. At work, I vape by ashtrays, even though I do not need one. I doubt that there is such a thing as second hand vaping, like there is with second hand smoke."



Self cues are primarily linked to health issues (e.g., shortness of breath, illness) followed by the cost and extra effort required due to the habit (e.g., budget, cleaning ashtrays, smell, yellowing teeth.)

Family, close friends cues include nagging, encouragement to quit, or restrictions on where/when/around whom the smoking/vaping can take place.

Co-worker cues include quitting themselves, or negative attitudes towards smoking/vaping breaks or requests to not do so around them.

Strangers and regulations like where smoking/vaping is allowed, negative stares or requests to do so elsewhere.

In their own words – Vaper

I quit smoking by using a mod vape...eventually I changed to a Juul.



In my mother's den in the Poconos, with my mom. **Feeling proud**, I had just **quit smoking** by using a vape (mod).

My mood was **excited** because I did not have to go outside in the freezing cold to "Smoke". I have a shiny new red mod!

My mother is there. She is asking me what that thing is. So I show my mom how I don't smoke cigarettes by taking a long inhale from the vape and slowly let the vapor slip out my mouth.

It tastes like tiramisu. **Tastes much better than cigarette smoke**. Throat hits are important to me. It's a feeling like smoking, where you feel like a drag is getting into your lungs.

My mother immediately laughed and said I looked like the caterpillar in Alice in Wonderland smoking a hookah.

I still hold the vape until I am finished, a few more puffs. It made a huge cloud. Smells like cake. **I feel like my brain knows I have nicotine.**

I generally stop after three or four puffs and put it on the counter so it doesn't fall or leak.

I eventually **changed the mod to a Juul** to lessen the amount of vapor, so I do not look like a caterpillar with a hookah.



Click on image
to view video

Cessation – vaping benefits and barriers

Both the dual users and vapers describe success stories in quitting or diminishing smoking thanks to vaping. However this is not always easy.

Vaping helps me quit

- I believe it is better for health of myself and others than smoking
- I am encouraged and appreciated by family and friends when I smoke less/quit smoking
- I can feel a positive difference in my breathing
- It is enjoyable to explore new flavors
- I experience positive changes in my environment, no lingering smells, dirty ashtrays etc.
- I don't have to leave or go outside as often to get my nicotine fix
- I am saving money



... Quitting smoking gas saved me a lot of money and I can actually breathe better. I don't smell like cigarettes and I don't have to go outside and smoke in the cold. Vaping has saved me money and I believe I am healthier because of quitting smoking."

Switching to vaping can be hard

- I am not sure which vaping combination to use and it's expensive to buy i.e., what system, how much nicotine, how often etc.
- I can't find an equivalent tobacco flavor
- Vaping is not the same feel and taste as smoking, I find cigarettes more satisfying
- It's more complicated than cigarettes to carry, keep charged, have refills etc.
- It took time to learn how to take a hit from a vape without getting juice spit, or getting the hit feel I like, the level of nicotine I need
- I want to smoke with my friends that smoke, feels silly to vape with them



... It was a real chore in the beginning to use the vape cigarette, as it seemed cumbersome, oversized, and the flavor was one that you have to get use to or adjust to (I still don't really like the flavor of the vape oil), and the biggest incentive to use the vape is my family, otherwise I'd just go back 100% to cigarettes."

Thank you

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