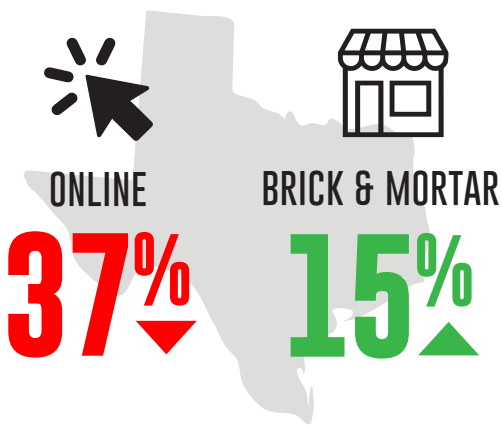




IMPACT OF STATE IMPOSED ONLINE DELIVERY FEES

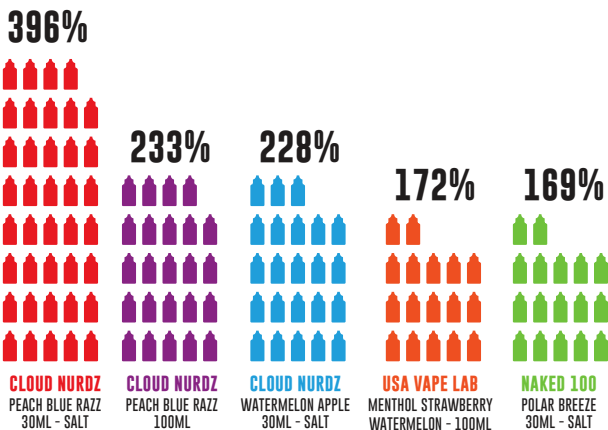
RETAIL SALES



After Texas implemented a \$10 delivery fee for vape products, online sales in Texas dropped 37%. On the other hand, vape product sales at brick and mortar stores went up 15%. This was a comparison done 3 months before the change in the law and 3 months after. Brick and mortar stores based in Texas will want to take advantage of this law and stock up for customers who want to bypass that \$10 charge.

SIGNIFICANT UNIT SALES GAINERS: Q1 '19 TO Q2 '19

TRENDING



Cloud Nurdz has been dominating the eJuice market based on comparable wholesale unit sales in Q2 versus Q1 of 2019. They have three entries in the top five: Peach Blue Razz 30ml Salt, Peach Blue Razz 100ml, and Watermelon Apple 30ml Salt. This is proof that fruity flavors are popular among wholesalers and ultimately customers. Rounding out the top 5 are USA Vape Lab's Menthol Strawberry Melon and Naked 100's Polar Breeze 30ml Salt. Cloud Nurdz is currently a favorite among wholesalers, so vape shops should stock up on Cloud Nurdz products in order to capitalize on this consumer demand trend. Like all things, these are subject to change, so monitor which brands your customers are buying and which products you constantly need to re-stock.

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ASK THE EXPERT

Q: What do I need to know about the FDA's new vape requirements?

A: FDA has advanced the PMTA (Premarket Tobacco Application) deadline to May 11, 2020. This means all vape brands will be faced with a tough choice. They can either start working on the costly, time-consuming, and ill-defined PMTA process or make other plans that do not include vape products in the US market. However, there is still hope for the industry. The VTA is suing the FDA to (among other things) prevent the FDA from enforcing the May 2020 PMTA deadline and to set a more reasonable PMTA filing deadline. Additionally, a handful of vapor industry associations has just filed an appeal in Maryland to challenge the PMTA deadline of May 11, 2020. Either of these cases could result in a change to the FDA's ability to enforce the May 11, 2020 deadline. This would give brands adequate time to prepare their PMTAs. If a significant product selection remains on the market, then customers will be less likely to transition back to combustible cigarettes. Ultimately, your store shelves can remain stocked with the inventory you need. We will all be waiting to see how these two cases progress.

Q: I want to reach more customers. Can I sell online?

A: Selling online is a great way to provide your customers with the convenience of making their purchases from home. However, you can't just sell the products to anyone that comes on your site. You must make sure that you don't sell to anyone that is underage in their jurisdiction (not yours). Currently, the best way to do this is with an age verification system. There are a couple of service providers out there right now that will confirm a prospective customer's age and flag customers that do not meet your age criteria. An age gate pop up window that simply asks if you are old enough will not suffice. You should also contact an attorney that is well versed in the various state and local vape laws. Some jurisdictions may not allow internet sales, some may have registration requirements, and some states have specific shipping requirements. Although doing online sales correctly isn't as simple as just starting a website and selling the product, those shops that take the time to do it right can open another potentially lucrative income stream.

Q: What compliance issues should I be aware of?

A: I hear questions like this all the time. The easiest change most shops can implement is age checking ALL your customers. Just ask them for their ID and make sure they are old enough to purchase your vape products. You can even get a free digital calendar from the FDA's This Is Our Watch program. Simply program the calendar to the age required by your local or state law and the digital calendar will tell you the minimum date of birth required to purchase vape products. Next, you should look into getting product liability insurance. Don't just assume that the product manufacturer will have insurance that will cover you should someone be injured by a product you sold. Call a broker and ask questions, then make an insurance decision based on your specific business situation. Lastly, while your vape shop may not be able to single-handedly take on the FDA, you can help. Find and support your local or state vape association. You can have a huge impact on local vape regulations and taxes if you are willing to work with others in your area. Get active and make your voice heard!



YOUR EXPERT

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