About The Malaysian Vape Chamber of Commerce (MVCC)

Established in 2015, the Malaysian Vape Chamber of Commerce is a society under Section 7 Societies Act 1966 with the registration number PPM-022-10-04112015. We are the one and only Chamber of Commerce related to Malaysian vape industry registered with the Registrar Of Societies under Malaysia’s Ministry of Home Affairs.

Our priority is to help develop the vape industry in Malaysia to be more competitive and structured as a whole. With the help of our dedicated members, we organise awareness campaigns, community-building events, in-depth training and engagement session with government agencies.

For more information, please visit https://vapemalaysia.org/ or contact 03 2181 8300.
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THE MALAYSIAN VAPE CHAMBER OF COMMERCE – FOREWORD

There continues to be uncertainty over the fast-growing vape industry in Malaysia, underscored by the lack of affirmative steps by the authorities to introduce regulations on the vape industry. Even though the Government had decided in 2016 to introduce regulations for this industry, none have been instituted so far for the past five years.

Despite the uncertainty, the Malaysian vape industry has grown and is estimated to be valued at RM2.27 billion. This is a sizeable industry that has facilitated the growth of many local entrepreneurs. It is estimated that there are more than 3,300 businesses directly within the vape industry in Malaysia with a workforce of more than 15,000 workers. This industry is contributing positively to the national economy, and if regulated appropriately, will also contribute to the Government’s revenue.

Therefore, it is important that the Government introduce appropriate regulations to regulate the growing vape industry in Malaysia, especially in relation to the sale and use of nicotine in vape products as the current restriction placed on nicotine under the Poisons Act 1952 is not in line with development in other countries that are regulating the vape industry.

The industry players support policies that will enable the industry to be appropriately regulated. That is why we welcome the announcement by the Government during the Budget 2021 to introduce excise tax on vaping products starting 2021. We believe this is a step in the right direction towards regulations.

However, there is a need to adopt a holistic approach towards the regulation of vape products. While a tax regime has been introduced for the products, it needs to be complemented with a regulatory framework that covers the quality and product standards to protect consumers as well as ensure the products do not fall into the hands of the under age. The vape industry has come to a pivotal moment where some hard, critical actions need to be taken to regulate this industry.

There has not been an in-depth study on the vape industry in Malaysia presently, which we hope to address through this inaugural study. In this study, we aim to present the current outlook for the vape industry in Malaysia and the need for discerning regulations so that it may help the Government in deciding the right policies and regulations for the vaping industry.

The Malaysian Vape Chamber of Commerce (MVCC) commissioned Green Zebra, a market research agency in Malaysia, to conduct a survey titled Study on the Malaysian Vaping Industry. The survey, conducted through an online questionnaire, reached out to 300 consumers and 397 retailers, manufacturers and importers across Malaysia at the end of 2019, the majority of which are MVCC members.

The study was aimed at assessing the value of the Malaysian vape industry and its contribution to Malaysia’s economy, as well as delve deeper into the reasons users choose to vape. In recent years, Malaysia has faced challenges in attracting foreign direct investments (FDI) unlike other countries in the region. Regulating the growing vape industry will go a long way not only in contributing to Malaysia’s economy but also in expanding FDI into this industry which is growing rapidly in the region. Ultimately, regulating this industry has many positive knock-on effect including adding revenue in the form of taxes to the Government.

Executive Summary

The study was aimed at assessing the value of the Malaysian vape industry and its contribution to Malaysia’s economy, as well as delve deeper into the reasons users choose to vape. In recent years, Malaysia has faced challenges in attracting foreign direct investments (FDI) unlike other countries in the region. Regulating the growing vape industry will go a long way not only in contributing to Malaysia’s economy but also in expanding FDI into this industry which is growing rapidly in the region. Ultimately, regulating this industry has many positive knock-on effect including adding revenue in the form of taxes to the Government.
The terms vape, e-cigarettes, e-hookahs, vape pens and electronic nicotine delivery systems are interchangeably used in Malaysia and elsewhere. For purposes of this report, the term ‘vape’ is used as it is more commonly known and accepted in Malaysia.

The concept of vaping refers to the use of an electronic device that heats a liquid turning it into an aerosol (vapour) which the user inhales.

TYPICAL VAPING PRODUCT COMPONENTS

**Devices**
Battery-operated devices that are used to inhale an aerosol.

**Pods** (also known as tanks or cartridges)
The pod is part of the device or can be attached to the device. These pods are available in pre-filled or can be refillable.

**Liquids** (also known as e-liquid, vape liquid, vape juice)
The liquids usually contain Propylene Glycol (PG), Vegetable Glycerin (VG), water, flavours and nicotine. Some liquids do not contain any nicotine.

Use of vape products in Malaysia can be traced back to pre-2010 but became more widely available from 2010 onwards. By 2015, the Malaysian vape market grew, with a wide range of open system devices and refillable e-liquids available. The Malaysian vaping industry then was valued at RM2 billion, believed to have been the second largest in the world after the US at that time[1]. Most recently, the market saw more closed system devices marketed in line with global development.

Today, the vape industry has a retail value of RM2.27 billion per annum, with over 3,300 vape-related businesses in Malaysia. Majority of the businesses are Small and Medium-sized Enterprises (SMEs) and driven by Malaysian entrepreneurs.

According to the National Health and Morbidity Survey 2019 conducted by the Ministry of Health, there are 1.12 million vapers in the country.

However, despite a large consumer base and an established ecosystem, there have not been any regulations regulating this industry by the Malaysian government despite calls to do so by the industry and advocate parties. While the Government has in 2016 agreed to regulate vaping, and that laws will be developed to regulate the industry[2], no clear regulations have been introduced to-date.

Instead, the industry observed that only a guideline, Garis Panduan Aktiviti Pengeluaran, Pengedaran dan Peruncitan Peranti serta Cecair Rokok Elektronik tanpa Nikotin, Kementerian Perdagangan Dalam Negeri, Kopertek dan Kepenggunaan, 1 April 2018[3], was introduced by the Ministry of Domestic Trade and Consumers Affairs in 2018[4].

In the recent Malaysia Budget 2021, it was announced that electronic cigarette devices, including vape, would be subject to an excise duty of 10% as well as an excise duty of 40 sen per ml for vape liquids, starting 1 January 2021[5]. However, this tax regime has since been clarified that it is only on non-nicotine based products[6].


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**INTRODUCTION**

Study on the Malaysian Vaping Industry

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**History of Vape in Malaysia**

**Atomiser**

**Tank / juice pod**

**Power button**

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The global vape market size was valued at USD12.41 billion in 2019 and this market is expected to expand at a revenue-based compound annual growth rate (CAGR) of 23.8% from 2020 to 2027[6]. In Asia Pacific, this industry is projected to grow at a CAGR of 14.3% between 2020 and 2024[7]. Correspondingly in Malaysia, the growth of the vape industry is on an upward trend, showing a CAGR growth of 44% in 2019 compared to 2018, which represents a significant economic potential for the country. Comparatively, other up-and-coming fast-growing sectors in Malaysia such as the growth of e-commerce is expected to increase at a CAGR of 14.3% between 2020 and 2024[8]; while the technology market is expected to garner a CAGR of 8.9% between 2019 and 2023[9].

MVCC estimates that there are 30 importers of vape products in Malaysia. There are only a few importers who have responded to MVCC’s Study on the Malaysian Vaping Industry. Hence, the data here is indicative at best to MVCC’s knowledge. Most importers distribute their vape products using a third party distribution system indicating they rely on supporting industries to distribute to their customers.

MGCC estimates that manufacturers in Malaysia number around 300. There are approximately 3,000 vape retail shops in Malaysia which are specialty vape shops retailing only vaping products.

The supply chain of the vape industry in Malaysia involves the manufacturing, importation and retail of vaping products. MVCC’s Study on the Malaysian Vaping Industry, delves into the segments to assess the size and value for each of these segments.

The average monthly sales per retail shop in 2019 was RM63,000, and the retail value of the vaping industry in Malaysia was RM2.27 billion in 2019.

There are mostly manufactured and sold e-liquids (96%) and pods (2%). Majority distribute their vape products using a third-party distribution system (88%).

The predominant locations are the Klang Valley (52%), Peninsular Malaysia (98%), and East Malaysia (2%).

Retail value of vaping industry = RM2.27 billion in 2019

Average monthly sales per retail shop = RM63,000 in 2019

On average, 4 workers employed in each retail outlet. 71% of adult workers aged 30 years and below are Malay workers.

Vape Industry in Malaysia

Value of the Vape Industry in Malaysia

Overview of Supply Chain

Value of the Vape Industry in Malaysia

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The vape industry in Malaysia has an established ecosystem with manufacturers, importers and retailers and the number of vape related businesses now amount to an estimated 3,300. These consist of mainly SMEs and mostly operated by Malay entrepreneurs. 

The workforce is mainly young adults under 30 years of age and of Malay ethnicity.

In terms of wages, it is estimated that up to RM450 million was spent to pay wages for 15,000 workers in the vaping industry in 2019.

However, the Ministry of Health has, in its latest National Health and Morbidity Survey (NHMS) 2019, reported that the number of vapers in Malaysia stand at approximately 1.12 million or approximately 4.9% of the total Malaysian population.
Type of Vape Users

Based on MVCC’s Study on the Malaysian Vaping Industry, the findings indicate:

- **Gender Distribution**
  - 68% Males
  - 32% Female

- **Ethnicity Distribution**
  - 70% Malay
  - 25% Chinese
  - 5% Indians

- **Pattern of Consumption**
  - **Males**
    - 68%
  - **Females**
    - 32%

- **Age Distribution**
  - 19-29: 39%
  - 30-39: 43%
  - 40-49: 15%
  - >50: 3%

- **Average Spend per Month**
  - **71%** using vape for more than six (6) months
  - **29%** yet to hit six (6) month milestone

- **Vape Device Purchase**
  - **81%** visit vape shops
  - **60%** online stores
  - **29%** through friends
  - **22%** reseller

- **Liquid Consumption**
  - **Open System**
    - 12.4ml per week
  - **Closed System**
    - 5.2ml per week

- **Average Liquid Consumption**
  - **77%** use Open System
  - **23%** use Closed System

- **Average Liquid Cost per Month**
  - **28%** above RM111
  - **47%** between RM71 to RM110
  - **25%** between RM31 to RM70

- **Vape Device and Liquid Purchase**
  - **29%** of liquids/pods

- **Input by Age**
  - 19-29: 39%
  - 30-39: 43%
  - 40-49: 15%
  - >50: 3%

EVIDENCE FROM OTHER STUDIES ON THE USE OF VAPE

MVCC observed that in the recent years, there have been many ongoing debates about the use of vape and its health effect on users, as well as whether it can help smokers quit smoking cigarettes.

This section seeks to provide an overview of the current available scientific research done by credible and independent bodies, including Government agencies and public health non-governmental organisations (NGOs) on vape in relation to these two topics.

Is using vape more harmful than smoking cigarettes?

MVCC believes there have been widespread misunderstandings about vape, especially the perception that it is as harmful or more harmful than smoking cigarettes. But this is contrary to expert evidence.

Public Health England (PHE), a Government health agency in the UK, published independent expert evidence review in 2015 to conclude that vaping is around 95% less harmful than smoking a cigarette and have the potential to help smokers quit smoking.[10]

In 2018, despite scepticism on its earlier findings, PHE maintained and reiterated that vaping is 95% less harmful than tobacco. In its updated review, PHE[11] stated that:

This study has since seen support from other health agencies and NGOs. National Health Service (NHS) Scotland has also published a statement, co-signed by the Action on Smoking & Health Scotland (ASH), the Royal College of Physicians of Edinburgh and others, stating that vape is definitely less harmful compared to cigarettes.[12] In addition, the Royal College of General Practitioners and Cancer Research UK[13] have also stated that vaping is a lot less harmful alternative to smoking tobacco.

Similarly, the Canadian Ministry of Health[14] and the New Zealand Ministry of Health[15] have concluded that vaping is less harmful than cigarette smoking.

Vape users in the MCC Study on the Malaysian Vaping Industry were asked the main reason they choose to vape and if they had a smoking history.

- **Use of Vape**
  - 94% have smoked before
  - 57% use vape as a means to quit smoking cigarettes
  - 56% choose to vape because it is less dangerous compared to smoking cigarettes

- **Liquid Consumption**
  - The liquid consumption ratio of Open System is almost 2.5 times higher as compared to Closed System.

- **Spend on Vape**
  - Many thousands of smokers incorrectly believe that vaping is as harmful as smoking; around 40% of smokers have not even tried an e-cigarette

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Vape poses only a small fraction of the risks of smoking and switching completely from smoking to vaping conveys substantial health benefits.

Vape could be contributing to at least 20,000 successful new quits per year and possibly many more.

Vape is associated with improved quit success rates over the last year and an accelerated drop in smoking rates across the UK.

Many thousands of smokers incorrectly believe that vaping is as harmful as smoking; around 40% of smokers have not even tried an e-cigarette.

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4. Action on Smoking & Health Scotland (ASH), Royal College of Physicians of Edinburgh and others.
5. Royal College of General Practitioners and Cancer Research UK.
8. NHS Scotland.
9. Royal College of General Practitioners and Cancer Research UK.
Can vape help smokers quit smoking?

There is growing consensus among many government public health agencies, public health NGOs and academics, that vape has a role to play for smokers to quit smoking cigarettes.

Apart from PHE’s findings that concluded vape is effective for smokers to quit smoking, there have been numerous studies that came to the same conclusion.

The British Medical Association published a report[16] and concluded that vape products have significant potential to support smoking cessation. The report stated that their data shows that “34% of smokers are trying to stop smoking through e-cigarettes”.

Other studies include:

**A University College London Study**[17]
Between 2006 to 2018, a total of 18,929 adult smokers who attempted to quit cigarette smoking using vape were found to be 95% more likely to succeed at quitting smoking than those who did not use vape products.

**The UK House of Commons**[18]
UK Department of Health and Social Care estimates that using vape contributes to between 16,000 and 22,000 people successfully quitting smoking each year who would not otherwise have done so had they used nicotine replacement therapies or willpower alone.

**University of Malaya Research Grant**
Funded a study conducted in 2016 that found 88% of users in Malaysia started vaping as a means to stop cigarette smoking[19].

**Cochrane Review**
An updated Cochrane Review[20] in 2020 on electronic cigarettes for smoking cessation that looked at 50 studies that took place in the USA, the UK, Italy, Australia, New Zealand, Greece, Belgium, Canada, Poland, South Korea, South Africa, Switzerland and Turkey, found smokers were likely to stop smoking for at least six (6) months by switching to vape with nicotine e-liquid as compared to nicotine replacement therapy, nicotine-free vape or behavioural support.

All these findings add to the growing evidence pointing to the effectiveness of vape in helping cigarette smokers quit their smoking habit.

**MVCC’S RECOMMENDATION TO MALAYSIAN GOVERNMENT**

There has been much debate about whether regulations will be introduced by the Government on the vape industry. The Government has already announced in the Budget 2021 that starting 1 January 2021, excise tax is imposed on vape products.

While MVCC sees this as a step in the right direction towards regulation, more importantly the tax regime needs to be broadened to also include e-liquid containing nicotine and be complemented with regulations especially in relation to allowing and regulating the use of nicotine in e-liquid.

MVCC believes by introducing the right regulation that includes regulating e-liquid containing nicotine, the Government can achieve the following:

**Spur genuine economic multiplier effect, support Bumiputera SME growth**

There is a sizable and massive ecosystem network of manufacturers, importers and vape outlets which are predominantly run by Bumiputera entrepreneurs. In addition, there are also supporting industries including raw material suppliers and distributors within the industry.

This industry has already seen over 3,300 businesses established, building up to an industry that is valued at RM2.27 billion. Moreover, it is expected that regulations will create certainty and lead to more investments into the market to provide choice and innovation of products, thereby elevating and spurring SMEs to raise their standards, quality and expertise.

As the vape market continues to expand worldwide, this will also enable Malaysian players to have the opportunity to compete in the global market.

With the right regulations, Malaysian SMEs in this industry will benefit and contribute legitimately to a growing economic sector.
Creating job opportunities in a legitimate sector

We foresee global demand for devices and e-liquids continue to increase as more and more smokers switch to vape, in line with the numerous studies that have been published. There will be a demand for skilled workers in the vape industry globally.

In Malaysia, the vape industry has already created job opportunities for over 15,000 workers. Through the right regulations, more jobs will be created especially in the manufacturing of devices and e-liquid and even sales and distribution of products in the market.

This will contribute positively to the growth of the Malaysian economy, especially in the current situation where the Covid-19 pandemic is affecting many sectors and workers.

Attracting FDI into vape industry

There is huge potential in the vape industry to attract FDI. Currently, the industry has yet to attract FDI due to the lack of clarity by the Government on its direction in regulating this industry, especially on the use of nicotine in e-liquids.

On the global front, we note that many multinational companies have made significant investments in the vape industry due to this growth potential and increasing demand worldwide.

We believe that Malaysia will benefit greatly from FDI opportunities if the relevant regulations are in place to govern and support this industry.

Generating tax revenue for the Government

Beginning 1 January 2021, the government will impose an excise duty of 10% on vape devices for all types of vape and 40 sen per ml on e-liquids used in vape products. However, it is understood that the tax would be imposed only on e-liquids with no nicotine.

While it is a positive recognition of the vape industry as an economic contributor to the country’s gross domestic product (GDP) and a nascent step towards regulating the industry, the scope of the tax needs to be broadened to include vape liquids with nicotine as the majority of the vape liquids sold in the market contains nicotine.

We estimate that the government can potentially gain up to RM0.3 billion in excise tax revenue in the first year of the levies of the excise collection should e-liquids with nicotine be included. This is based on the consumer consumption pattern from the estimated monthly sales figures derived from vape retailers in Malaysia where e-liquids with nicotine form the largest component of the collectible taxes for the Government. On top of that, there will be additional collection in the form of Sales & Services Tax and Corporate Taxes from the players in the industry.

Increase quality and standard of products

The benefit of regulating the industry and providing standards will result in better benchmarked quality of products that will likely strengthen demand, elevate innovation and broaden choices. As the playing field gets levelled, the market will benefit from factors like cost-effectiveness, more choices of well-established brands, and product and flavour customisations, as well as strengthening of distribution channels which will drive growth.

Local players will also be able to expand operations both globally and locally, as well as compete with quality-controlled products at the global level.

The market will benefit from clearer information regarding the relative risks of different products towards making well-informed decisions.

The outlook of the vaping industry is highly dependent on the Government’s position as the potential of the industry has been hampered by the lack of affirmative steps by the authorities to introduce regulations on the industry.

To-date, the industry already has an established supply-side comprising manufacturers, importers and retailers with a growing distribution and logistics ecosystem. As demand grows to cater to the 1.12 million vapers in Malaysia and in line with growing trends globally, MVCC expects to see the vaping industry create more job opportunities within the industry, especially for the Bumiputera.

As 3,300 businesses within the vape industry are from small to medium-sized enterprises (SMEs), the growth of SMEs in this industry will go a long way towards achieving the target outlined in the National Entrepreneurship Policy 2030 for SMEs which is aimed to generate 50% of Malaysia’s GDP by 2030.

However, the lack of regulations could potentially impede the strong growth potential of the industry that has the opportunity to contribute in terms of revenue to the Government via taxes, create job opportunities for Malaysians, attract local and foreign direct investments, establish a thriving ecosystem of businesses predominantly made up of SMEs, and create more job and entrepreneurship opportunities especially for the Bumiputera segment.

By all accounts, Malaysia will stand to benefit greatly in regulating the vape industry.