

North Jersey companies see growth along with e-cigarette industry

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North Jersey electronic cigarette companies are picking up steam among smokers, as the battery-powered, tobacco-less devices containing cartridges in flavors such as strawberry and mint are increasingly found at convenience stores and supermarkets despite federal regulations and possible health concerns.



E-cigarettes made by Livingston-based Logic. The company's product is sold in about 15,000 U.S. stores.

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North Jersey is home to three makers of the vapor-emitting electronic cigarettes, hoping to catch the rising tide of interest in the product as smokers turn away from tobacco.

Among them is Garfield-based Eonsmoke LLC, which said its e-cigarettes are available at more than 7,000 U.S. stores.

"People are drawn to them because it's really the tobacco business meeting the technology business," said Michael Tolmach, chief executive officer.

The company, which has 55 employees — 10 in Garfield — started two years ago and plans to sell its product nationwide, said Igor Gromadskiy, chief operating officer. The product was designed and tested in Garfield.

Livingston-based Logic is one of the bigger players in the sector, a multimillion-dollar company that began 2 1/2 years ago on a \$20,000 investment, said CEO Eli Alelov. The brand is available in about 15,000 U.S. stores.

Because Logic is a private company, Alelov won't say how many e-cigarettes it sells but claims its revenue grew 600 percent from 2011.

Alelov and Tolmach said the brands have a bigger presence in the New Jersey/New York area because the companies began here.

As for the e-cigarette industry, it, too, has been growing, according to industry experts. There are about 3.5 million Americans who use the devices, which were invented in 2003. China makes 98 percent of e-cigarettes, including those sold by Eonsmoke and Logic.

The Tobacco Vapor Electronic Cigarette Association, an e-cigarette advocacy organization in Alpharetta, Ga., expects the market to surpass \$1 billion in domestic sales by the end of 2014, said Tom Kiklas, TVECA chief financial officer and co-founder, via email. In May, a Wells Fargo Securities Tobacco Talk survey said e-cigarettes are "more than just a fad," and put the industry size at around \$300 million in revenue. E-cigarettes run on a battery to release nicotine through water vapor instead of tobacco smoke. Many use the devices to quit smoking, including Alelov. But Eonsmoke, Logic and other companies do not market themselves as smoking-cessation devices, Tolmach said, who also uses the product.

The safety of e-cigarettes is unknown, according to the Food and Drug Administration, because they have not been studied extensively. The devices are regulated by the FDA as tobacco products.

According to the American Cancer Society, studies have shown that the devices can cause short-term lung "changes" like traditional cigarettes, but the long-term effects are still unclear. The devices can lead to nicotine addiction, the society said on its website.

In 2010, New Jersey banned the smoking of e-cigarettes in public places and workplaces.

Dr. Michael Steinberg, director of the Tobacco Dependence Program at UMDNJ-Robert Wood Johnson Medical School, said the main issue with the new devices is that health care officials do not know what chemicals are in them, how much nicotine they contain, what is in the vapor they emit and why people are attracted to them over regulated smoking-cessation devices.

"It's really the uniformity and standardization that we don't have," said Steinberg. "That's why I think these products need more research and more evaluation."

E-cigarettes are appealing because of the perception that they're less harmful, cheaper and can be smoked in more places, according to Wells Fargo.

Jeff Stamler, an owner of Halo e-cigarettes in Pequannock, which primarily sells its products in 500 U.S. cigar and tobacco shops and online, said the company began in 2009 producing "e-liquid," the substance consumers can place inside electronic cigarettes that's converted to vapor.

There are a lot of fly-by-night e-liquid companies, he said.

"You don't want people mixing [nicotine] without quality control at all," Stamler said. The concentration of nicotine may not be accurate, or the ingredients could be of a lower grade, he said.

In 2010, Halo – which has grown to 30 employees from six when it started in 2009 — began making e-cigarettes in New Jersey, rather than overseas. This makes their product more expensive but leads to better quality, Stamler said.

Halo's G6 Starter Kit costs \$54.99 (though it comes with more accessories), while Eonsmoke's Economy Electronic Cigarette Starter Kit costs \$29.95, and Logic's Power Series Starter Kit costs \$22.99. All prices are from company websites.

Alelov said the government should implement regulations.

"This would help our industry to block these overnight companies, the basement companies," Alelov said.

Still, the growth of the industry has tobacco companies and financial institutions noticing. In April, Lorillard Tobacco Co. acquired e-cigarette company Blu eCigs for \$135 million.

"The fight [to remain independent] is pretty strong," Alelov said.

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