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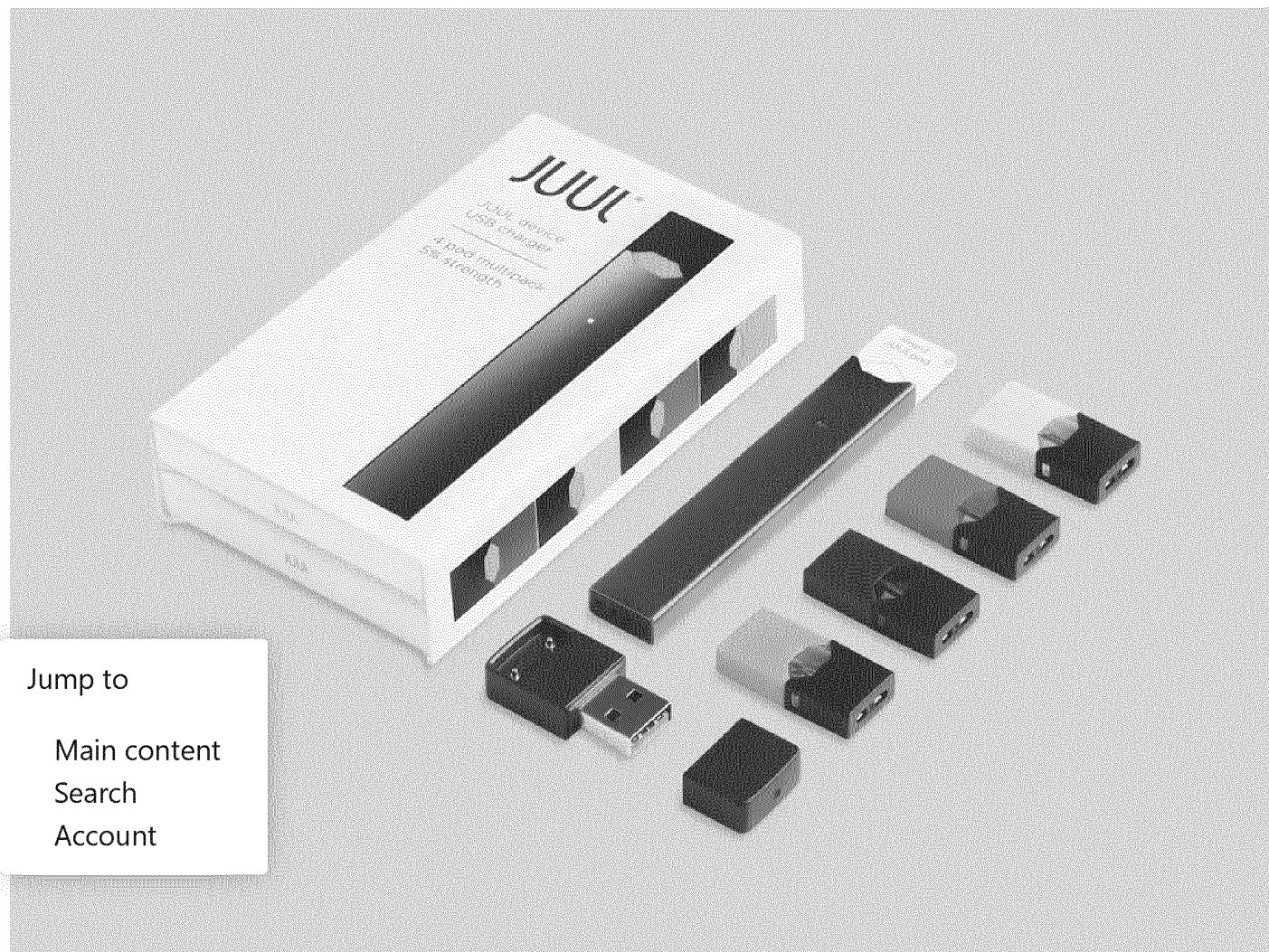
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TECH

## How a startup behind the 'iPhone of vaporizers' reinvented the e-cigarette and generated \$224 million in sales in a year

Melia Robinson   Nov 21, 2017, 1:48 PM EST

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- **Juul is the best-selling e-cigarette on the market, with 32% of the market share of the total e-cigarette category, according to Nielsen data.**
- **The device was created by Stanford graduate students as part of their thesis.**
- **The Juul system uses a proprietary blend of ingredients that the company says mimics the experience of smoking a cigarette.**

When two graduate students at Stanford set out to turn cigarette smokers on to alternatives in 2007, the solution seemed obvious: Make an e-cigarette that satisfies like a cigarette.

Juul, an e-cigarette system consisting of a pocket-size vaporizer and nicotine juice cartridges that can be swapped in and out, is now the best-selling e-cigarette in America.

While most e-cigarettes use a type of nicotine called "free-base," which passes quickly into the bloodstream when inhaled, the cartridges that Juul Labs sells — Juulpods — contain a concentrated juice cocktail of salts and organic acids found in tobacco leaves. This blend more closely resembles the experience of smoking a cigarette, according to Tyler

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, CEO of Juul Labs (which spun out of parent company, Pax Inc. this year). Pax Labs received a patent for its nicotine-salt e-cigarette in 2015.

Over the past year, Juul Labs has generated \$224 million in retail sales, according to Nielsen data provided by Juul Labs. The brand saw sales

explode 621% year-over-year and captured 32% market share of the total e-cigarette category in the four weeks that ended November 4.

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One million Juul systems have sold to date. It's available at 12,000 convenience stores across the US, as well as online. The vaporizer retails for \$35, and a four-pack of pods costs \$16.

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Pax Labs

Pax Labs, formerly known as Ploom, started with a mission to make cigarettes obsolete. Both founders were smokers. The pair dedicated their senior design program thesis to the development of what would become the Juul e-cigarette system. In 2012, Ploom came to market with its first product: a nicotine vaporizer that was sold to Japan Tobacco Company.

The Juul, which launched in 2015, looks like no other e-cigarette on the market. The device is shaped like a USB drive with a metallic finish.

Users can inhale to activate the heat source, unlike other devices that require users to unscrew a cap and fill a chamber with liquid.

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Kevin Eklund, who took over as CEO in 2016, credits the Juul's nicotine-salt formulation, as well as its engineering and sleek form factor, with the device's popularity. The company produces some 20 million pods per month, but it has struggled to keep up with demand.

According to Goldman, the startup has actually "stopped trying to create new users" by leaving some stores purposefully out of stock of the vaporizers. It sells only refill cartridges to those stores, so people who use Juul and "switched off cigarettes can stay switched," Goldman said.

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There is no long-term evidence that the vapor from e-cigarettes is less harmful than conventional smoke. Some research suggests e-cigarettes are less harmful than cigarettes because they don't require igniting a material and inhaling the carcinogens and toxins that go along with it. But nicotine is still dangerous, and the long-term effects of e-cigarette use are unknown.

The e-cigarette market gained a victory in July, when the Food and Drug Administration delayed regulations that would have banned e-cigarettes from the market. It also encouraged e-cigarette manufacturers to talk to the agency about getting approval of their products. "This is a game-changing opportunity," Goldman said.

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