

Shisha Masters

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**G'DAY
MATE**

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SHISHA

**BY
AUSTRALIANS
FOR
AUSTRALIANS**

IZAMA Australia was founded in 2018 with the goal of providing innovative high-quality shisha tobacco and creating unique aromas under the trademark TABAKU especially for the Australian market. They currently sell over 80 flavours, and for the first time, they have started to offer their customers tailor-made aromas and mixtures. Customers can order their own distinct mixture exactly the way they want it at one of their retail locations in Australia. This process requires blending expertise and access to a diverse aroma range which is supplied directly from leading European flavour manufacturers.

Do you remember the first shisha flavour or product that you ever tried and when? Born and raised in Iran in a tobacco-related family, I was accustomed to seeing shisha in our home from time to time. I remember smoking un-flavoured tobacco shisha for the first time, which is also known as Ajami or Isfahani, which has larger sheets of burley-cured tobacco leaf tightly packed in the shisha bowl which is in direct contact with the burning charcoal. The smoke was harsh, with very little aerosol. A few years later, I remember smoking Two Apple by Nakhla in shisha cafes in Iran with my friends, and being amazed each time by the taste of anise in each puff. Since then, I've been enjoying and experimenting with new flavours.

What is your favourite shisha flavour and why? It's difficult to choose just one flavour. I've enjoyed almost every flavour, but different flavours have been my favourites at different times. I, like many other shisha enthusiasts, have experienced the shisha tobacco lifecycle. After initially enjoying single note flavours such as Lemon, Grape, and Two Apple, I moved on to to enjoy single note flavours mixed with Mint, such as Lemon Mint or Grape Mint. Then I noticed a new flavour was available in the market, Blueberry, and that was the moment the market began to offer exotic and creative flavours which I enjoy.



When and why did you decide to get into the shisha business? I read about the lack of availability of well-known shisha tobacco brands in Australia and the flavour and taste inconsistencies in 2010. The products were often very old and in a limited flavour selection across Australia, In 2018, I decided to launch TABAKU, a locally compliant shisha tobacco brand for the first time in Australia.

What brands do you sell? Which ones are the most popular in Australia? Why? Are brands from Europe popular or brands from the Middle East or Turkey?

We only sell our own brand, TABAKU, in our outlet stores and online store. Australia, like other countries, has the majority of the market's brands. Of course, determining which brand is the most popular in Australia is difficult. Normally, Australians don't have many options, the mass-market segment is primarily dominated by Al Fakher and Adalya products. We don't have many European brands in the Australian market.



How would you describe the shisha market/industry in Australia? Are lounges popular or is it mostly home use? The Australian shisha market is undeniably in its infancy, but there is enormous potential for it to grow dramatically, as evidenced by the increased number of shisha restaurants and shisha lounges opening in Australia's major cities. We know that increasing the number of shisha restaurants and lounges is the most natural way to grow the shisha market in each country. In Australia, shisha lounges and bars are opening up all over the major cities, which indicates that the market should grow in the next ten years.

What type of people enjoy shisha in Australia? Only people with a middle eastern background or is it more widely enjoyed? Over the last four years, we've hired a research team to study the Australian shisha markets for us, using scientific methods and our own internal observations. According to the findings of the study, the majority of shisha smokers in Australia are from the Middle East or have ancestors from there. The next two are from India and Asia.

How are flavours or packaging regulated in Australia? Have you had to face any challenging regulations? Yes, we had to make TABAKU comply to Australian packaging laws. In Australia, all tobacco products, including shisha tobacco, must be labelled with 14 different health warning images. Manufacturers or importers are required to use seven images in odd-numbered years and seven images in even-numbered years. This is known as the health warning rotation requirement, and it ensures that all 14 images are evenly distributed across the market. That was our second challenge, and for the first time in Australia, we were able to successfully apply all 14 images to shisha tobacco products.



How are the tax regulations on shisha products? How much does a customer have to pay to buy 1 kg of legally imported shisha in Australia? There must be some smuggled product so will a customer prefer to pay a higher price for original product? When governments regulate shisha tobacco, they treat it in the same way that they do regular tobacco, which isn't practical. This is primarily due to a lack of knowledge or research by governments into the shisha industry. The most visible example of ineffective government regulations is Australia's shisha tobacco rules and regulations, which result in the importation of more than 800 tonnes of illicit shisha tobacco each year in Australia.

Effective September 1, 2022, the current tobacco duty on one kilogramme of shisha tobacco is € 1,200.00 per kilo. On the other hand, as of July 1, 2019, licensed warehouses, also known as bonded warehouses, will not be able to accept tobacco products for storage unless full customs duty has been paid in advance. This complicates the product's logistics because we must pay the full duty for each cargo when it arrives at the Australian border.

Given these restrictions, as well as a massive tobacco tax on legally importing shisha tobacco into Australia, the incentive for illicit trade in Australia is, unfortunately, high.

We offer our customers extremely fresh shisha tobacco by adding flavour to the tobacco only a few days before sale and consumption.

How can you import your products and compete with illegal shisha tobacco in the market? Our legal team spent nearly a year reviewing all Australian tobacco rules and regulations during our first year of operation in 2018, in order to find a legal solution to import tobacco into Australia legally while competing with cheap illicit products on the black market. We discovered a legal solution. Our legal team started liaising with the appropriate government agencies and was able to obtain all necessary permits and licences.

What legal solution did you find out? We used an old technique adopted by shisha manufacturers in Germany many years ago. This was when the German government restricted the amount of glycerine in tobacco products prior excluding shisha tobacco from this regulation.

We import shisha tobacco and Shisha flavours separately in a two-component system, and the flavours are added to the shisha tobacco leaf just before despatch from our outlet stores. As a result, our products are exceptionally fresh and flavourful, distinguishing TABAKU from other shisha tobacco brands on the Australian market.

Then we pay 5% duty on the shisha flavours and tobacco duty on the portion of shisha tobacco. This enables us to sell our legally imported products for around \$800 per kilo, which all of our customers have been happy to pay for over the last three years due to the high quality and longevity of our shisha flavours in comparison to other brands on the Australian market.

What role are the new products such as the herbal products or non-tobacco products (beads or paste) playing in the Australian market? Are they popular? Do they have the same regulations as regular shisha? The restrictions only apply to tobacco products. All herbal and paste products can be legally imported without paying tobacco taxes and do not have to be sold in plain packaging. Due to the ease of importation, herbal products are widely available in the Australian market.

What challenges are you facing regarding the new products and the potential strict upcoming regulations? In our outlet stores, we always place a strong emphasis on the quality of the products we sell and on providing exceptional service to our customers.

Besides that, our legal team is constantly reviewing new laws and regulations, and we are actively involved in the process of shaping Australian laws by providing feedback on each public legislative review. Because our company is small, we can quickly adapt to market changes caused by competitors or legislative changes. We are incredibly flexible, which has enabled us to remain in business for the past four years.



What challenges have you faced when setting up your business and managing the entry of shisha products to Australia? We had a challenging time introducing the product to the market because the brand, TABAKU, was new and unknown, and with all of the restrictions on tobacco advertising, breaking into the market was tricky. I made the specific decision to provide our product to the majority of the shisha lounges in Australia at a very competitive price, and by doing so, we provided an opportunity for shisha lovers all over Australia to try our products. After only two years, TABAKU has become a well-known brand among Australian Shisha smokers.

How do you manage distribution in Australia? Do you sell online, direct to lounges, direct to home users? Customers from all over Australia visit our Sydney outlet stores and shop online with us. TABAKU will open its second outlet store in Melbourne in 2023, followed by Frankfurt, Dubai, and Los Angeles by 2025. In addition, we supply shisha lounges throughout Australia with a package that includes shisha charcoal, shisha hoses, and most recently, a special offer to upgrade their hookah to a modern design with an open draw so they can get the most out of TABAKU products.

What is unique about your business? TABAKU introduces the Supreme-market, a new market segment focused on quality. We offer our customers extremely fresh and flavourful shisha tobacco by adding flavour to the tobacco only a few days before sale and consumption. Our flue-cured Virginia tobacco is of the highest quality and is sourced from Germany. We developed a new formula that reduces the absorption time of tobacco leaf from 30 days to 48 hours. Surprisingly, for bowls containing only 12 grams of shisha tobacco, this new formula increased the smoking session duration up to 2 hours.

What has been your most satisfying moment in the business? When our customers request a custom flavour and we successfully deliver that flavour, and when I see them enjoying our products.

What would you recommend to anyone who wants to get started in the shisha business? They must simply love shisha. It is a challenging and difficult business. They will give up the journey in the middle if they do not love what they do.



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How has the shisha industry in Australia changed and expanded over the years? What can we expect long term? The transformations are incredible. For example, when we first introduced our products two years ago, many Australian shisha smokers had no idea about Phunnel shisha bowls and how to pack the flavours to get the most out of each shisha bowl. In my opinion, if the market continues to grow at its current rate, Australia will have a market comparable to Germany within the next ten years.

Thinking about all the elements of the shisha pipe, bowl, tobacco, Heat management device, hose? What brands are your favourites for each component to make up your favourite shisha set up? The shisha pipes functionality is more important to someone in my position, who has to test multiple versions of each flavour on a daily basis before releasing the products to the market. A shisha pipe, in my opinion, will do the job as long as it has an open draw and is completely airtight.

However, the shisha bowl and heat management device are important to me because they have a direct impact on the smoke quality. So I'd use a fully glazed Phunnel bowl with a simple heat management device on top to provide more space between the burning coals and the tobacco packed inside the shisha bowl.

Where is the best venue in the world to enjoy a shisha? InterTabac Dortmund has always been my favourite; hopefully, we will be able to meet our European partners over such an incredible event in the coming years.

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ESCA works to promote shisha and to educate the public and political leaders about the tradition of shisha and those who use it.

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