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MARKETING SYSTEMS, INC.



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August 26, 1982

Ms. Carole Brohman
Imperial Tobacco Ltd.
3810 rue St. Antoine
Montreal, P.Q. H4C 1B5

Dear Carole:

As I mentioned to you on the phone, the data I have been looking at for the past two weeks are fascinating.

I have written down some quick comments and I sincerely hope to have the opportunity to have a working session with your group to discuss those results in more detail.

Sincerely,

Eli Seggev, Ph.D.
President

P.S. References to page numbers in my notes are to the computer printout.



1. THE LTN SMOKING EXPERIENCE

- Brand Switching (p.21) The VERY LOW segment derives 30% of its members from the LOW to LIGHT segments. The ULTRA segment derives 25% from the LOW to LIGHT segments and an amazing 30% from the VERY LOW segment. Not unexpectedly, the MID segment is, overall, the greatest loser (26% to VERY LOW and 18% to ULTRA).

This points up two important conclusions:

1. While the market is rapidly moving downward, the MID segment is a transitional, temporary, pass-through phenomenon.
2. A pyramid is being created with a very wide base at low TN levels and a narrow tip. The amount of switching between VERY LOW and ULTRA suggests that consumers are gradually moving down.

Further, this suggests that the target market for ULTRA cigarettes are not high TN smokers. Rather, it is VERY LOW smokers. Therefore, positioning of ULTRA brands in particular and LTN brands in general should stress benefits relative to the next highest level and not relative to higher levels.

- Young (under 25) smokers are switching away from VERY LOW (26%) (p.21). This is the market of the future and they too are presumably going down in TN levels.

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- The main reason for switching (pp. 31-36) is the search for lower TN levels. Taste improvement is hardly a reason. As a matter of fact one can hardly find any "positive" reasons for switching. With this in mind, isn't it time that IIL emphasize R&D for taste improvement/delivery?
- Amazing! Only 13.5% say they would not change brands (p.44). This suggests a great readiness for switching and a potential problem with satisfaction. This constitutes a great opportunity for good marketers!
- The highest switching-to targets are VERY LOW (27.5%) and ULTRA (11.5%) (p.45). Again, renewed proof of the pyramid phenomenon.
- Page 54 also suggests that the greatest switching is likely to occur within the VERY LOW and ULTRA segments rather between segments. Does this tell us anything about the state of flux of the market? Doesn't this spell out o-p-p-o-r-t-u-n-i-t-y?



3. POSITIONING OPPORTUNITIES: TASTE, PLEASURE & FUN

- Satisfaction, health concern and taste are the three most important variables used in describing cigarettes (TABLE 1).

- Of those, satisfaction and taste are least delivered by smokers' own brand among VERY LOW smokers and taste among ULTRA smokers (TABLE 2). ULTRA smokers ascribe highest deficiency to youth imagery. Youth is also highly deficient among VERY LOW smokers.

- These results suggest great opportunities in those three areas: satisfaction, taste, youth image. Thus, one might say that what the market needs now is a satisfying cigarette that tastes good which projects a youthful image. As suggested before
 - Positioning opportunities without real improvements may have been exhausted by now.

 - The next phase in marketing cigarettes must rely more on R&D efforts than on positioning/advertising efforts.

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3. MEDALLION

- Although switching-prone smokers (86.5%) might switch to any of a large number of brands, Medallion is the largest target (5.7%) (p.41).

- Medallion fully meets the health concern requirements of the ULTRA segment while it lags considerably in that respect among the VERY LOW segment (TABLE 2). This indicates that the brand may have a communication problem in one of its most important segments.

- The real problem, however, is satisfaction and taste (TABLE 2) and this is something that R&D should be immediately concerned with.

- Furthermore (see TABLE 3), Medallion's problems become abundantly clear by the time consumers get to try it. This is definitely the most acute problem area and that is where the hurdle is located. Is R&D listening??

- Interestingly, smokers who "stuck it out" and got to smoke Medallion regularly, are -- overall -- more satisfied with the brand than triers.



Table 1

BRAND RATINGS BY TAR & NICOTINE SEGMENT

	<u>Own Brand</u>		<u>Ideal Brand</u>		<u>Medallion</u>	
	<u>Very Low</u>	<u>Ultra</u>	<u>Very Low</u>	<u>Ultra</u>	<u>Very Low</u>	<u>Ultra</u>
Satisfaction	7.0	6.8	7.6	7.2	3.6	6.3
Health concern	6.5	6.7	6.8	6.9	5.5	6.8
Taste	6.1	5.9	6.7	6.6	3.5	5.3
Typical	5.6	4.7	5.4	4.7	5.1	4.1
Young	4.0	3.6	4.6	4.4	4.1	4.1
Pack	4.1	3.8	4.5	4.3	4.7	4.6
Masculine	3.8	3.5	4.2	4.0	4.2	3.4
LTV	4.2	3.0	3.5	3.0	3.9	2.7
Happy to smoke					4.1	6.9

7.



Table 2

COMPARISON: MEDALLION AND OWN BRAND
 VS. IDEAL BRAND - BY T/N SEGMENT

	<u>Very Low</u>		<u>Ultra</u>	
	<u>Own Brand vs. Ideal Brand</u>	<u>Medallion vs. Ideal Brand</u>	<u>Own Brand vs. Ideal Brand</u>	<u>Medallion vs. Ideal Brand</u>
Satisfaction	-0.6	-4.0	-0.4	-0.9
Health concern	-0.3	-1.3	-0.2	-0.1
Taste	-0.6	-3.2	-0.7	-1.3
Typical	+0.2	-0.3	-	-0.6
Young	-0.6	-0.5	-0.8	-0.3
Pack	-0.4	+0.2	-0.5	+0.3
Masculine	-0.4	-	-0.5	-0.6
LTN	+0.7	+0.4	-	-0.3

Table 3RATINGS OF MEDALLION
BY DEGREE OF FAMILIARITY

	<u>Never Heard Of</u>	<u>Seen/ Heard</u>	<u>Tried</u>	<u>Bought</u>
Satisfaction	2.6	3.9	3.6	5.5
Health concern	4.6	4.7	6.2	6.8
Taste	3.2	3.9	2.9	4.8
Typical	4.9	5.3	4.7	4.5
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Young	-0.6	-0.5	-0.9	-0.3
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Table 3

RATINGS OF MEDALLION
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	<u>Never Heard Of</u>	<u>Seen/ Heard</u>	<u>Tried</u>	<u>Bought</u>
Satisfaction	2.8	3.9	3.5	5.5
Health concern	4.6	4.7	6.2	6.8
Taste	3.2	3.9	2.9	4.8
Typical	4.9	5.3	4.7	4.5
Young	4.3	4.4	3.7	4.0
Pack	4.4	4.9	4.6	4.6
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PROJECT ELI
FOCUS GROUPS
FINAL REPORT

July 1982

Prepared for:

Imperial Tobacco Ltd.
Montreal, Canada

July, 1982

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1. Discussion Guide
2. Screening Questionnaire
3. Concepts

I. BACKGROUND AND PURPOSE

In 1980, a study was conducted (see Project "10 Below" Focus Groups Final Report) to explore consumer reactions to low tar and nicotine cigarettes in general, reasons for entering the segment, and reactions to particular brands.

Since that time, the ultra-mild (5 mg. tar and below) cigarette market has become a fully developed segment. Now, a follow-up study was conducted to reaffirm what was previously learned and to concentrate on the growing ultra-mild segment.

Six focus groups were conducted between July 6th and July 14th, 1982 in Toronto. The groups consisted of respondents as follows:

- Group 1: Women who smoke 6-12 mg. tar cigarettes
- Group 2: Men who smoke 6-12 mg. tar cigarettes
- Group 3: Men who smoke 5 mg. tar cigarettes and under
- Group 4: Women who smoke 2-5 mg. tar cigarettes
- Group 5: Men who smoke 6-12 mg. tar cigarettes
- Group 6: Women who smoke cigarettes in the 1 or less mg. tar range

In each group, the respondents were between 20 and 49 years of age with 40% between the ages of 20-34 and 60% between the ages of 35-49.

The qualitative research presented in this report sought to explore:

- the perception of existing low tar brands;
- the role of absolute tar level and taste in brand selection;

- the role of other attributes and factors which LTN smokers find relevant in brand selection;
- consumer reaction to current low tar advertising campaigns; and
- consumer response to various proposed advertising strategies -- aggressive (number-based), safety, taste and pleasure/fun.

In each focus group, participants discussed their personal smoking histories and attitudes toward LTN cigarettes, saw and discussed current advertising and advertising strategy concepts, and arranged packs of cigarettes on a high/low tar continuum. The Discussion Guide used in the research and the questionnaire used in the Screening are appended to the report.

This research is qualitative in nature. Results should be interpreted as exploratory and not directly projectable to the population.

This report provides the analyst's interpretation of the opinions expressed by participants in the six focus groups. It is intended to generate hypothesis for future study.

II. EXECUTIVE SUMMARY

PERCEPTIONS OF LOW-TAR BRANDS

- LTN's allow consumers to continue to smoke under social duress. As a category, low-tar brands are seen as a means to yield to health considerations, social pressures and personal guilt feelings.
- LTN smokers can be grouped into two categories: those who want to continue to enjoy smoking and those who are trying to give it up.
- The most important feature of this market is that smokers perceived the low-tar smoking experience as involving giving up part of the enjoyment of smoking while, in fact, they wished that low-tar, i.e., reduction of health hazard, be an added benefit.
- Consumers who have not yet resolved the conflicts associated with smoking continue to compare LTN's with stronger cigarettes. Any comparison of that type is bound to be negative insofar as LTN's are concerned.
- While downward brand extension within the same family conveys reliability and heritage, it also conveys an excessive strength image that is difficult to shake off.

BRAND DISCRIMINATION

- Tar/nicotine level, taste, packaging, and image are the main factors affecting brand selection.
- Relevant image dimensions are: male/female, strong/weak, and "truck driver"/sophisticate.

ADVERTISING AND PACKAGING

- Advertising affects awareness and reinforces brand image. Participants do not admit to any effect on brand selection which they attribute mainly to personal recommendations and partly to point-of-purchase factors.
- The reluctance to admit to advertising effects -- which can be understood in light of the guilt feelings generally associated with smoking -- can also be observed when reacting to a sample of current ads in the group discussion. Participants react only to what ads are saying; they can hardly talk about how they affect them.
- Package attractiveness and degree of fit with the smoker's image have a lot to do with brand selection.
- Graphic design, lettering, colors, etc., work together to create an image. Changing any single element may change the whole image.

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ABSOLUTE TAR LEVEL VS. TASTE

- LTN smoking is certainly less satisfying than smoking stronger cigarettes. For that reason, consumers continue to search, particularly when new brands become available. However, they are not searching for just a lower-tar cigarette. They are searching for a better-tasting, lower-tar cigarette.

- While the industry nomenclature used to differentiate among LTN levels is not shared by consumers, they have a mental picture of LTN "when you get that far."

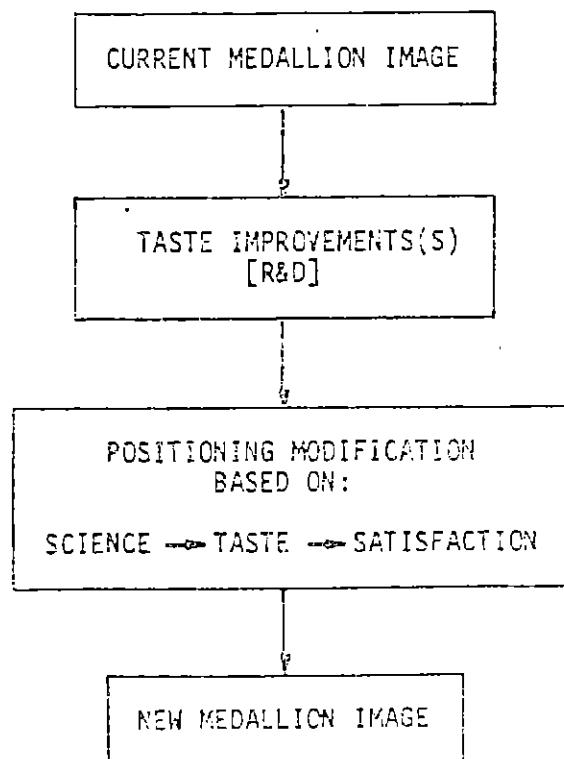
- Ultra-mild smokers refer to their smoking behavior in terms of "satisfying a craving" while smokers of stronger cigarettes talk about taste satisfaction.

- Absolute tar level is still relatively unimportant; relative measures are more prevalent. Generally, there is very little interest in the "numbers game" at this time. Further advertising activity in this area might change the situation.

- There is evidence of belief and hope that the cigarette industry, through the means of modern science, would find a way to deliver taste to LTN smoking.

MEDALLION: PRESENT AND FUTURE

- Because Medallion has been around for a long time at the low end of LTN, it communicates lightness with greater confidence than brand extensions.
- Medallion suffers from an image of excessive femininity, but so do all the other "1 mg. and below" brands. Social and marketing trends would probably tend to lessen the severity of that problem over time creating positioning modification opportunities for the brand.
- For instance, consider the following:



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- Thus, a Medallion taste breakthrough -- accomplished in stages or in one shot -- may provide more than enough protection from competitive "under 1 mg." brands. A good point to start may be to concentrate on: "the first puff," "same taste satisfaction while inhaling less," etc.

REACTIONS TO NEW POSITIONINGS

- Taste promises, particularly the one heralded as a "taste breakthrough," are received most enthusiastically by participants. They tell consumers what they want to hear most, i.e., gratifying a real need, and they restore confidence in the industry. With regard to the latter, the industry leader is probably in the best position to take advantage of this situation.
- In the short run, i.e., as long as difficult economic conditions prevail, a taste promise that is communicated in terms of "getting full value" is a very powerful means of motivating consumers who might normally resist any attempts at persuasion.
- Pleasure and fun positioning is also well received. It provides a rationale for continuing to smoke in the face of mounting social pressure, it anchors the brand into pleasant memories, and it also allows the smoker to experience relaxation by the mere exposure to advertising.

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- Aggressive positioning citing government's and other authoritative sources' endorsements are counterproductive. Comparative advertising brings out the harshest objectives.
- It should be remembered that "taste promise" positioning requires some R&D work while "pleasure and fun" may be accomplished without it. Thus, it seems that the latter is an excellent fallback option should R&D efforts not prove fruitful.

III. DETAILED FINDINGS

Verbatim quotes are included throughout this report as examples of the opinions expressed by group participants regarding LTN smoking and specific cigarette brands. Whenever a quote is presented, the group in which it originated is identified in abbreviated form for ease of interpretation.

A. Reasons For And Experience With Smoking LTN Cigarettes

The LTN segment of the cigarette market has been developing very fast. This section discusses reasons for smokers' switching into the LTN market as well as their reactions to and experience with the LTN cigarettes they have smoked.

1. Benefits Sought

The reasons mentioned for smoking LTN cigarettes, all of which involve the low tar feature, may be classified as follows:

1. health considerations, i.e., coughing, etc;
2. concern about the safety of cigarette smoking due to publicity and articles;
3. pressure to smoke safer cigarettes exercised by relatives and friends;
4. attempts to give up smoking altogether.

"I settled on Players Extra Light. Plus the government warning and the nicotine, I tried a light cigarette." (M: 6-12)

"...I'm a diabetic and have a lot of health problems. I was getting sick on the heavier brands." (W: 6-12)

"I found with Rothman's I was getting a cough. I had it in the back of my mind I wanted to quit. Now more so with the media and the exposure to the Surgeon General's Report." (M: 6-12)

"Everyday you face it ... Everyday the pressure is on. You hear someone had a heart attack or my neighbor down the street got cancer. It frightens you. You say you're still going to smoke but you're conscious about it and would like to live ..." (M: 6-12)

"I'm trying to quit smoking so I've gradually been cutting down on the degree of tar and nicotine." (W: 1 Or Less)

"...As I started getting older and smoking more and more, I started coughing more and more. I was more aware of the cigarettes I smoked, so I started looking for lighter, easier brands." (W; 2-5)

"Everytime my cough would start up, I would change brands. Lighter and lighter until Viscount." (W: 2-5)

"I like a stronger cigarette. I have three girls who bitch at me constantly - stop smoking. They're always bitching about the smell in the car, smoking at meal times; you're killing yourself. This is primarily a concession." (M: U5)

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"...I always go to a mild cigarette when I decide I'm going to quit." (M: U5)

There seem to be two segments of LTN cigarette smokers. Those who are trying to quit and those who want to continue to enjoy smoking:

"I hope that the old cigarette, duMaurier, will become too strong for me after being on them for awhile. I hope I'll become so fed up with these that I'll quit entirely." (M: U5)

"...feel can enjoy smoking without the danger. They're better for me. Help calm my nerves." (W: 6-12)

"I enjoy it. I get a lot of pleasure from it so I'll continue smoking." (W: 6-12)

"I don't want to quit smoking. I enjoy it. I like Craven A so I went to the mildest Craven A." (W: 1 Or Less)

LTN smokers continue to compare LTN cigarettes to the stronger varieties regardless of the length of their experience with LTN's. Many LTN smokers seek the same benefits from the LTNs as they received from their stronger cigarettes and would like the low tar factor to be an additional benefit rather than a substitute for the enjoyment they were receiving. Needless to say, they are often disappointed.

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Benefits sought include:

- Relaxation
- Taste
- Satisfaction
- Easy Draw
- Image
- Aroma

Many LTN smokers are smoking more in order to attempt to be satisfied, but enjoying it less:

"The only problem with the light cigarette is I have a tendency to smoke more now." (M: 6-12)

"I started to get to the lighter and lighter and lighter till I'm just drawing on nothing. That's addiction. When you're not getting much taste." (W: 2-5)

Some LTN smokers seem to get used to the differences between the LTNs and regular cigarettes while other continue to compare them unfavorably to stronger cigarettes:

"I found a change, but as you keep smoking them you get used to them. The same as you did to the higher ones." (W: 2-5)

"Every once in a while when no one is looking I buy the cigarette I want and smoke the whole pack..." (M: U5)

"When I go back to a regular cigarette now, I cringe...The first drag and you get a big catch in your throat and go back to your own." (M: 6-12)

2.3

2. Is The Search Over? (Brand Loyalty And Switching)

For many LTN smokers, there was frequent brand switching until they got to the brand they are using now:

"Going back four years, I've changed quite a bit. There was Sportsman, Matinee, Peter Jackson and then this one. Each time I've gone down." (W: 6-12)

"I smoked every brand there is probably. Working my way down the scale until these. [Select]." (M: U5)

Overall, group participants are satisfied with the range of tar/nicotine available in cigarettes. They express no desire for still milder LTN's and several stated they would go no lower down the tar/nicotine scale than they were presently smoking:

"I wouldn't want to go to anything any milder because I wouldn't get anything out of it. That is as low as I would go ..." (W: 6-12)

"Has anyone tried those new cigarettes that are no tar. They're terrible." (W: 6-12)

"The number didn't make any difference. As long as it was a light cigarette and one I liked." (M: U5)

"...I don't think you can go lower now than what we have. The market is spread. We have a wide selection." (M: 6-12)

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The LTN cigarettes presently available are helping to reduce smokers' coughs and to relieve the guilt of smoking:

"My throat is not as sore." (W: 1 Or Less)

"I don't cough as much." (W: 1 Or Less)

However, the search for a better tasting, more satisfying low tar/nicotine cigarette is far from over.

"I remember trying them once. I couldn't get anything out of them. What's the point?" (W: 2-5)

"If you go down to the 1 mg., you're not satisfied." (M: 6-12)

"I think with this extra light one, I might be getting a good smoke, but I'm not satisfied." (M: 6-12)

"It's lighter. You're smoking air. Nothing else..." (M: U5)

"...As long as they have a taste to it, I don't care if they're mild, but I can't see smoking just to smoke." (W: 6-12)

Also, some participants expressed dissatisfaction as to how poorly many LTN cigarettes are rolled:

"A lot of the low tar/nicotine cigarettes are terrible. They just fall all over and ashes fall." (W: 2-5)

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"I like these because they don't fall apart as easily. I find that the weaker cigarettes are not as tightly packed."
(M: U5)

Whether their perceptions are accurate or not is a moot point. The fact is that dissatisfaction may often follow irrational paths.

The lack of an easy draw is also frequently mentioned as a problem and this one is probably the most visible drawback of low tar brands:

"Every puff is like an instant hernia. Everything caves in trying to get anything out of it...If you smoke that constantly, you might as well not smoke."
(M: 6-12)

"You have to really haul on it just to get anything. It's just like sucking air." (W: 1 Or less)

Some smokers have changed their smoking habits in search of satisfaction from the LTN cigarettes equal to that remembered from regular cigarettes:

"With the lighter cigarette, you inhale more." (M: U5)

"I find with these, I smoke them right down to the filter because the closer to the filter, the stronger the cigarette gets." (M: U5)

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"When you smoke a light cigarette, you tend to smoke more than if you're smoking a stronger brand." (M: 6-12)

Some have taken drastic measures before switching back to a stronger cigarette:

"...Eventually I thought I'm fed up with sucking on air all the time. I started covering up the holes. Eventually I went back to duMaurier." (M: U5)

To sum up, LTN smokers are still searching for a satisfying, good tasting LTN cigarette:

"...I'm trying to find a mild cigarette that tastes like a strong cigarette." (M: U5)

"...My idea is to strike the lowest level where I can still get some flavor out of the tobacco..." (M: 6-12)

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B. Evaluation Of Brands And Brand Discrimination

1. Discriminating Dimensions

LTN smokers discriminate among various brands on tar/nicotine levels, taste, packaging, and image.

Though most participants are not aware of specific tar/nicotine levels, they do group cigarettes into general categories -- regular cigarettes, light or/mild cigarettes, and the ultra milds. For the most part, they do not discriminate between the 2-10 mg. tar cigarettes.

"...They're all the same thing. If it says mild, ultra, light, they are all mild."
(W: 2-5)

"I came to it by saying I wanted to smoke something lighter and I really didn't care as to number. I figured any one of them would be better than what I was doing."
(M: U5)

"...The cigarette with the little holes in them. My husband will wrap a piece of masking tape around them if he doesn't have any cigarettes." (W: 1 Or Less)

Taste is seen as a brand discrimination factor and as both a function of the particular brand and of the tar/nicotine level. When participants were asked to define good taste, they had difficulty. What makes a cigarette taste good is hard to define. It is easier to describe it in terms of what good taste is not rather than in terms of what it is. It also must

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be noted, as with other products, that good taste is to some degree based on individual preferences:

"Taste -- to me it's the strength." (W: 6-12)

"Can't describe the taste of a cigarette.
It doesn't taste like anything you know."
(M: 6-12)

"I think the satisfaction is good taste ...
People like the taste. There's satisfaction
by smoking and getting the flavor in your
mouth." (M: 6-12)

"Taste, but doesn't burn your throat on the
way down." (M: U5)

Image which is to an even lesser degree a concrete, easily definable variable is also a means of discriminating among cigarettes. The image of a cigarette is affected by its own advertising, perceptions of others who smoke that particular brand, packaging, etc.

Image dimensions used by group participants to describe various cigarettes included male/female, "truck driver"/sophisticate and strong/weak:

"It's an identity thing. I've yet to see a truck driver smoke Matinee. They're into Export, not Export A or Players. It's the macho image." (M: U5)

"Export A is a truck driver cigarette."
(W: 1 Or Less)

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"I'd like to try it because I would like to be one of those select people just for a few days..." (W: 1 Or Less)

"Men are not as likely to smoke lows as women." (W: 1 Or Less)

"Manufacturers themselves try to push image through advertising and packaging. Sponsor-ing is a big way of doing it too." (M: U5)

The image of certain cigarettes has been built over time and there is tradition involved in smoking them:

"My parents smoked duMaurier. I smoke them. I never go into a store and ask for anything else." (M: 6-12)

"On the scale, I might go down one more, but I'm going to stick with Rothmans." (M: 6-12)

In many cases, the lighter tar versions of yesteryear's strong cigarettes are seen as stronger than similar tar levels of new brands.

"I think anything that has kept the name of the old cigarette ... It may be really light, but we're not going to believe it because it has the same name." (W: 1 Or Less)

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2. The Impact Of Advertising

Advertising increases awareness of particular brands and helps to reinforce brand image. However, LTN smokers claim that their brand selection is not based on, or influenced by, advertising. When asked to talk about advertising, they were only able to talk about it in superficial terms:

"Upper middle class image...Empathize with fireplace. Well educated people around it. Reinforces my reason for selecting that brand." (M: 6-12)

"It's a nice picture." (W: 1 Or Less)

"I love the hues. It's the colors."
(W: 2-5)

Several participants claimed that seeing friends smoke, seeing cigarettes in the store, and trying brands has a greater influence on smoking a particular brand than advertising:

"I tried Accord just because it happened to be sitting by the cash register when I was in the store one day." (M: U5)

"I did go into the store and asked the lady to show me some cigarettes. She layed them on the counter." (W: 6-12)

"The reason I switched to them is that I happened to read the tar and nicotine content in a store." (W: 2-5).

"I find the only way I try a new cigarette is that if a friend is smoking it." (W: 2-5)

The downplaying of advertising is not surprising; it is a particularly common feature of most consumption of cigarette, liquor and other negatively sanctioned activities. However, even when shown examples of current advertising, most participants play back only the most elementary elements of communication showing little evidence of particular ads actually affecting them. It is like having spent a whole day at the Louvre and then saying: "I've been at the Louvre" without showing any emotion.

3. The Importance Of Packaging

The packaging of cigarettes is an easily accessible means for smokers to discriminate among brands. Whether or not a package is attractive and fits in with the smokers' image has quite a lot to do with brand choice:

"The package makes a hell of a difference. If any of those (concept brands) had something other than Brand X and a white package that would have been my first choice right off..." (M: 6-12)

"Just looking at the package, it looks like a heavier cigarette because it looks like a man should be carrying it ... looks like more his cigarette than hers." (W: 1 Or Less)

"When I started smoking Export A I started smoking them because I liked the color of the pack." (M: U5)

"Dunhills. When they first brought out their package, it was embossed which most of the cigarettes aren't. It has a heavier feel. It gave the impression of substance ...It gave a luxurious appearance. I tried it for awhile and didn't like them." (M: U5)

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"Package color makes a difference. Yellow is relaxing, bright, good." (W: 6-12)

"They remind me of the old yellow package Matinee that had problems with filters ...The color turns me off." (M: 6-12)

"Package looks classy." (M: 6-12)

"[Belvedere] really look good in your pocket too. Nice blue. One of the best package ideas." (M: 6-12)

Graphic design, colors, lettering, etc., combine to form a picture smokers constantly carry in their minds. Changing a single packaging element goes beyond that change; it affects the entire image.

C. The Ultra-Mild Segment

Though LTN smokers may not define a specific tar milligram level as ultra-milds, there is nevertheless a loosely defined, distinct category which they are aware of as having very little tar/nicotine. It is referred to by them as "when you get that far."

The ultra-mild category is for the most part viewed negatively by nonultra-mild smokers. They refer to these cigarettes as not satisfying and wonder why anyone would bother with them:

"When you get to the ones with the little holes in the filters, it seems like an awful waste of time." (M: 6-12)

"Might as well stay home and roll a piece of paper and light it..." (W: 6-12)

Smokers of ultra-milds are aware that they are smoking very low tar cigarettes. They speak differently about their cigarettes than smokers of higher tar and nicotine cigarettes. Often, they do not talk about taste; rather, they talk about satisfying a craving, working their way down the scale, and ultimately quitting:

"I always go to a mild cigarette when I decide I'm going to quit. (M: U5)

"This is to satisfy a craving; it's not really giving me a whole lot of pleasure at this point." (W: 1 Or Less)

"I'm trying to quit smoking so I've gradually been cutting down on the degree of tar and nicotine." (W: 1 Or Less)

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Viscount No.1 Ultra Mild which is the lowest tar cigarette at .7 mg. was not perceived as being different or lower than 1 mg. tar products. Of course, as more brands appear in that range, discrimination should sharpen. But, generally, it is possible that most consumers do not see themselves in a numbers race and they certainly do not sit around waiting for the next lowest brand.

D. Medallion: Myth vs. Reality

Commenting on the relationship among various members of family brand extensions, one participant said:

"I think anything that's kept the name of the old cigarette may be really light, but we're not going to believe it because it has the same name." (W: 1 Or Less)

Therein may lie the essence of Medallion's future in terms of consumers' perceptions relative to other brands. What this person is saying is that because of their heritage, some brands, and particularly Rothman's, Export A, or Belvedere, project an image of excessive strength down to their lightest versions. Medallion, on the other hand, being free from such traditional images, is in a better position to communicate lightness with confidence. The question that needs to be addressed is whether development of Medallion downstream line extensions, i.e., under 1 mg., or some other marketing tactic would be more suitable to entrench its position at the low end of the tar and nicotine continuum in the face of competition from under 1 mg. brands.

First, there is the question of smoker image:

"Men are not as likely to smoke low as women. If you see a man smoking an ultra mild, you're supposed to automatically think they're a bit fruity." (W: 1 Or Less)

"Export A smokers rarely switch to something lighter and rarely quit. They're the ones that pitch image. Lumberjack in the mountains. Real men." (M: U5)

Although this statement does not purport to reflect the majority's feelings, it is probably suggestive of the pressures that are still operating in society which associate strength with masculine traits and lightness with femininity. While the early identification of Medallion with lightness has certainly contributed to making it primarily a woman's cigarette (approximately two-thirds of the existing franchise), the current pressures towards blurring of sexual boundaries in society and the recent proliferation of under 1 mg. tar brands may lessen the brand's excessive femininity in the future.

Incidentally, since Viscount 1's franchise is 55% female and Craven A Ultra Mild's is 67%, it would not be presumptuous to say that all the brands in that range suffer from the same problem: lack of penetration in the male segment. Of course, this situation reflects the realities of the marketplace, as expressed in the quotation above, as much as the results of marketers' efforts. Nevertheless, ITL might do well to investigate the possibility of turning this problem into an opportunity by addressing the issue squarely. The question is: How can one make Medallion more appealing to men without hurting the women's market segment?

This leads one to the single most important element that may appeal to men (without lessening the appeal to women) which one hears time and again in focus groups, and that is taste:

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"I'm trying to find a mild cigarette that tastes like a strong cigarette." (M: U5)

"After a while they all taste the same anyway." (M: U5).

And more specifically,

"I bought Medallion again. But eventually, I was fed up with smoking air all the time. Eventually I went back to duMaurier." (M: U5)

All of this seems to indicate how much potential there is in improving the taste of an existing brand (vis-a-vis launching a new brand). But what if existing technology is not up to the task?

Many smokers say that "with the lighter cigarettes you inhale more.". While they tend to explain this phenomenon in terms of the apparent difficulty of drawing with lighter cigarettes, one suspects that part of the explanation relates to the lack of taste satisfaction associated with lighter brands. An opportunity may exist here to position a new, improved Medallion version that offers a "taste breakthrough" which can actually be experienced in terms of inhaling less -- or as much as with a stronger cigarette -- for the same amount of taste satisfaction.

The inhaling problem is further exacerbated by what some smokers recognize as the habituation property of smoking:

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"The first drag is what tastes good. The rest of it is just something to do with the rest of the cigarette." (M: U5)

The power of the first puff seems to be quite remarkable:

"The most noticeable thing is the first drag. It's like the first sip of beer on a hot day or the first bite of a candy bar. The first one. If it tastes good I'm liable to stay with it." (M: U5)

If this feeling is widespread -- and a future quantitative study would do well to investigate this hypothesis -- there may be additional positioning opportunities that might emphasize "the first puff." For instance, one can easily visualize a "challenge-type" campaign that would not even need comparative advertising arguments to make the inference.

Once the "numbers game" had started, it seems that firms in the industry may have no choice but to play the game. And the only avenue open to them is going down. It is conceivable, then, that the 1 mg. barrier will continue to be broken time and again -- at least in the foreseeable future -- regardless of whether projected demand justifies such moves. Of course, supply might create its own demand, that is, as the number of "under 1 mg." brands increases, the sheer activity at that end of the market and the variety of newly available choices would condition increasing numbers of consumers to accept "smoking air." The desire to quit smoking altogether and the rationalization offered by many consumers that their going down in tar and nicotine brings them closer to the

inevitable step of giving up smoking may actually increase the market considerably.

Medallion has a recognizable image at the low end and it seems a waste for ITL to launch new flanker brands under 1 mg. tar just to protect the Medallion franchise. Our recommendation would be to:

- start immediately the development of taste-improved Medallion concepts at the current tar level;
- implement a series of taste/product improvements that could be launched one-at-a-time over the next 2-4 years to enhance Medallion's credibility, particularly among men.

In summary, the reality of today's market is that tar levels will probably continue to drop. The competitive reality is that as tar levels drop, taste is negatively affected. The myth is that Medallion "is what it is." If anything, Medallion is not yet what it might be.

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E. New Positioning Alternatives

During the group discussions, participants were exposed to nine concept statements. All of those concepts related to the ultra mild or the very low tar and nicotine end of the smoking experience. The main objective was to gauge participants' reactions to several categories of treatment, each highlighting a different set of arguments or presentations. The following sections discuss those treatments and reactions to them. Copies of the concepts are appended to the report.

1. "Aggressive" (Numbers-Based) And Safety-Related

This group of concepts approached the issue by aggressively providing survey results and findings backed by authoritative figures. The four concepts falling in this category are:

- Government Report
- Doctors
- The Lowest Tar
- 30% Milder Than Medallion.

Overall, Government Report was not liked very much, primarily because of the relatively low esteem in which government is held these days. While invoking the government was probably intended to lend the positioning moral support and unbiased authority, reactions were quite the opposite. On the one hand, participants resented somewhat government's intervention in this area while, on the other, they did not attribute to it a great deal of credibility.

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Similarly, Doctors encountered mixed reactions. Some people found it hard to believe that physicians would recommend any smoking whatsoever while others felt very much relieved smoking a brand recommended by such a relevant authority:

"If my doctor said to smoke this one, it's O.K." (W: 2-5)

"That would influence me." (W: 2-5)

"It's authoritative. Simple." (M: U5)

"Smoking makes you feel guilty. You need approval from someplace." (W: 6-12)

"I'd try it. If I didn't like it I'd go back to my regular brand." (W: 6-12)

The involvement of doctors in this context also brought out an image of extreme mildness

"Too mild. If doctors approve then it wouldn't be worth trying." (W: 6-12)

"Very weak. Extremely mild." (W: 6-12)

The Lowest Tar is also not very appealing, primarily because of the expectations it raises among some people:

"Drag on air." (W: 6-12)

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Moreover, the concept engages in "competitive advertising" which does not seem to be very much appreciated or to hold people's interest.

Interestingly, the few participants who liked the concept mentioned graphics, and particularly the clean layout as the reasons for their choice. Very few liked it enough to pick it out of the crowd. Their main reason was personal:

"I always look at numbers." (W: 2-5)

This brings up a very important issue, namely, that the market contains a small proportion of people who are "numbers-conscious" and "numbers-oriented." A quantitative projection of that proportion might be useful in estimating the size of a segment which, because of its homogeneity, could hold quite a high potential.

30% Milder Than Medallion appealed to some, but not very many, because of its simplicity:

"Simple ad would tempt me to try it." (W: 2-5)

However, anchoring it specifically to Medallion creates some problems:

"Signals nothing to me because I've never tried Medallion.: (W: 2-5)

"You have to have experience with Medallion to judge it." (M: 6-12)

"Any company that advertises its products by saying 'mine is better than theirs' is not doing it on its own merit." (W: 2-5)

Medallion's firm hold on the low end of the tar and nicotine continuum may pose another problem:

"You might as well be smoking weeds." I wouldn't try it." (M: 6-12)

For that reason, further reducing the tar and nicotine values may not be as advisable a road for Medallion to take as "improving" Medallion itself, a point that was discussed at length in the previous section.

In summary then, the "aggressive" approach must be judged less than overwhelmingly effective. The main reasons for its cool reception are:

- lack of interest in the numbers game;
- possibly, the desire to avoid any direct confrontation with the issue of smoking in general and the reality of smoking to minimize hazards rather than to maximize pleasure;

- lack of effectiveness of comparisons to other brands on the safety issue when to most of these smokers the real issue is taste satisfaction.

2. Taste Promise

In this category there were also four concepts:

- Taste Breakthrough
- Full Value
- Third Less Tar
- Smoker Research

Taste Breakthrough is one of the most appealing concepts. It seems that not only does the message communicate what most people want to hear, but it says it in such a direct and simple way that it penetrates even the most fortified defenses:

"I like the mention of quality rather than quantity." (M: US)

"Low tar plus the flavor." (W: 2-5)

"Says I'm going to have the flavor and low tar." (W: 2-5)

"Nice, simple ad." (W: 2-5)

"Tells you about the product." (W: 2-5)

"Direct, to the point." (W: 2-5)

"If it's good If there's something better down in the same grade I'd try it, sure." (W: 1 Or Less)

"It appeals to me because it says Brand X brings flavor to ultra low, to smoking. It's the flavor I'm interested in." (M: 6-12)

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Most participants did not question how would the breakthrough be attained. However, upon probing by the moderator as to the meaning of "enriched tobacco," some negative comments were heard:

"Not just tobacco. Something being added to give it flavor. Reminds me of protein enriched cereal." (M: 6-12)

"Implies adding something to it to bring the flavor into it. Probably some chemical. It's bad. It depends what the chemical does to you. You know what tar and nicotine do. Is the chemical any worse or any better? It could be either way." (M: 6-12)

"Enriched with what? Roast (the tobacco) a little longer?" (M: 6-12)

If this concept is ever used, it might be necessary "to explain" how the taste breakthrough was attained. The possibility of the breakthrough itself, however, is not directly questioned. On the contrary :...

"Would be nice if they could. I would be surprised if they couldn't, modern science being what it is." (M: 6-12)

"Believe that taste breakthrough is possible. They can come up with chemical additives to make a table taste good. So, eventually, they'll do it." (M: US)

particularly as it answers everybody's desires:

"As they cut down on tar and nicotine the flavor tends to go. My idea is to strike the lowest level where I can still get some flavor out of the tobacco without having to get a hernia trying to draw a smoke." (M: 6-12)

Full Value addresses the taste issue obliquely by making reference to low tar cigarettes not delivering as much taste as lighter tar brands although they cost the same. Of course, this kind of argument draws economic inferences in people's minds, particularly in these economic hard times. One suspects that to be the main reason for liking this concept:

"Value these days seems to strike you and it also mentions good taste? (M: US)

"Not too many people give you everything you pay for these days." (W: 1 Or Less)

"At \$1.60 a pack, value is an important thing." (M: US)

"Is telling me that I'm not giving up anything." (W: 2-5)

"Cigarettes are expensive." (W: 1 Or Less)

In summary, this concept seems to be putting the consumer "back in the driver's seat," to put him in control of the situation and, most importantly, to portray the cigarette manufacturer doing what he is supposed to do, i.e., deliver honest value. How can anyone argue with these truths?

Stoker Research and Third Less Tar were not liked as much as the previously mentioned concepts in this category. As was shown earlier, direct and indirect comparisons as well as unsubstantiated claims tended to be dismissed as either untrue or pretentious.

All things considered, taste promises seem to work provided they are direct and invoke a good reason for the promise. Among the concepts tested here, a "scientific" explanation performed best, particularly since it did not go into excessive detail as to how it actually works.

3. Pleasure And Fun

The one concept falling in this category attracted most attention and drew most positive comments. The reason for attracting attention was the fact that it was so different from everything else seen by participants; the reasons for making a positive impression had to do more with what it conveyed:

"That's nice. Extra mild is tasteless. Looks like he's thinking about something other than the cigarette. He's satisfied."
(W: 6-12)

"The best. It is simple. I found they (all the other concepts) had too much writing on them." (M: 6-12)

"It makes me think of the first time I started smoking and the first time I inhaled a whole cigarette. I got a buzz off it. It made me feel really good."
(M: 6-12)

"An evening of pleasure. He looks like he's headed for a night on the town. He's going to have a good night." (M: 6-12)

"Looks sophisticated. He looks like he has it made just by smoking that particular brand of cigarette." (M: 6-12)

"That I would take a look at." (M: 6-12)

"If you want pleasure, come to It assumes you've lost it somewhere." (M: 6-12)

"The cigarette is going to give you something to take you back to those days." (M: 6-12)

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"People seemed to enjoy life a little more than the rat race we have now." (M: 6-12)

"I enjoy a cigarette a good tasting cigarette." (W: 1 Or Less)

"Looks like he has half a grin on his face. Looks like he's enjoying his cigarette." (W: 1 Or Less)

All these associations are positive even without the sexual connotations in the concept which a majority of participants seem to have not even noticed. The only problem with this concept is the ambiguity of the phrase "99% tar free." But without the moderator's prompting hardly anyone noticed or reacted to it.

Upon examining the reactions to all the concepts shown in the groups it seems fair to say that none of the three general approaches is totally negative but, among the three, a taste promise and a fun and pleasure promise seem more appropriate. Of course, the latter can be accomplished strictly through positioning while the former requires some R&D work. During the discussion, groups participants were exposed to several ideas related to different product configurations, e.g., variable puff strength, different cigarette lengths, etc., that may be considered as "taste breakthrough." None of them, however, were enthusiastically received because they are so hard to visualize without a sensory experience. If no real taste

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improvement can be accomplished, it might be useful to conduct a small taste test with some of the "off-the-wall" options dealt with in the groups to give those ideas a fair test.

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