PAPER 6 : BOB BEXON

PROJECT PROPOSALS: 1. SLIM CIGARETTES

2. THE 'AMELIORATED' CIGARETTE

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R&D/MARKETING CONFERENCE

NEW BRAND DEVELOPMENT - "POST-LIGHTS"

First of all I should point out that our market contains major opportunities that, within the context of this paper, I have chosen not to cover. Things like price brands are really less a result of what people want to smoke than they are a reaction to very specific environmental pressures. It's not that they are not valid, it is simply that they are not truly tied to the long term evolution of smokers' needs. Therefore, I'm going to pretend for the moment that these powerful contenders don't exist. Moreover, I intend to be fairly dogmatic about the overall direction of new development. Opportunities clearly exist for brands which go "against the flow" of underlying consumer needs. This paper reflects a view on the criteria of new developments directly attached to longer term consumer needs.

New brand development has the chance to go all wrong for people like us as we struggle in the wake of a major convulsion like light cigarettes. There are four tempting but dangerous routes:

1. To become product instead of brand developers - assuming that technology holds some magic key to the future. Smokers have, do and will always buy brands. Forcing new brand development into a premature marriage with product technology will quickly see us selling what we can make instead of what people want to buy.

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2. To say "now the party's over" and in conjunction with a product/technology orientec mentality abdicate today's market in favour of some vague notion of designing for the "long term" - as if the future could be separated from next week.

3. To succumb to the "what haven't we tried yet" school of brand development, "has anyone tried a blue dot on the filter?"

4. To refuse to see the last convulsion - light cigarettes -, as a fact of life instead of an opportunity thereby draining valuable time and resources into smaller and increasingly less relevant niches on the tar scale.

The real challenge of new brand development is the next convulsion - or next series of mini convulsions. In Canada, and I'm sure in many developed markets, light brands have significantly changed the underlying motivations of smokers. We must understand these changes. To do so we must understand why the phenomenom occurred, in what context - what chips are left on the table and in what form, and then turn this understanding of new needs into relevant, marketable brands. New brand development cannot occur in isolation from the past.

LIGHTS-NEGATIVE PRESSURE AND THE NEED FOR "LESS"

Possibly more than in any other industry, our market development is guided by negative pressures. Whether it is scientifically valid or not, the simple marketing truth is that smokers believe that smoking

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jeopardizes their personal well-being. The proportion of smokers who agreed with the statement "smoking is dangerous for anyone" (versus heavy users or people who were unwell) rose steadily from 48% in 1971 to 67% in 1976.

They did not indict specific brands, products or immoderate use. They indicted smoking. Almost one in two (46%), when asked how many cigarettes a day could be safely smoked, answered - none.

Pre-lights, these concerned consumers had a limited range of options open to them - essentially quit or cut down. By the middle of the decade, the majority of Canadians who smoked were trying or intending to try these alternatives:

	1976
"SMOKING IS DANGEROUS FOR ANYONE"	67%
INTEND TO QUIT	26%
INTEND TO CUT DOWN	33%
TOTAL INTEND TO MODIFY	59%
TRIED TO QUIT - PAST YEAR	41%
TRIED TO CUT DOWN - PAST YEAR	57%

Fortunately for the tobacco industry, neither of these two approaches proved very successful for smokers. In 1976, although 41% had tried to quit and 26% were ready to give it another go, the actual rate of quitting "within the past 6 months" was fairly stable at a little less

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than 2%. Fewer than this made it to a year. Despite the vast numbers of smokers trying and intending to cut down, the claimed rate of daily usage rose from 20.5 to 21.1 cigarettes a day (1971-76). Our calculated daily usage rose from 21.1 to 23.8 cigarettes per day (1971-76).

Very simply put - people who <u>were</u> smokers increasingly wished that they <u>weren't</u>, in the face of mounting information on smoking and health - but could not find a means of dealing with their concern.

Lighter brands were already available - they were milder things that old women smoked - but the product solution <u>was</u> available for interested smokers.

Although these brands showed modest development in the early 1970's, it was not staggering and generally, was not well understood by the marketers:

	1971	1972	1973	1974	1975
HIGH DELIVERY - 19mg +	41.2	40.8	39.9	38.9	37.6
MID DELIVERY - 14-18 mg	38.2	37.4	37.8	38.5	39.1
LOW DELIVERY - 10-13 mg	7.6	7.7	8.3	8.4	8.8
VERY LOW DELIVERY - 5 mg	.3	.3	.3	.3	.3
MENTHOL	6.4	6.5	6.8	6.9	7.2
OTHERS	6.3	7.3	6.9	7.0	7.0
SMOKING IS DANGEROUS FOR ANYONE	48%	59%	56%	63%	64%

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"Lights" in Canada was a brand not a product revolution. The industry tried filters, charcoal, tobacco blends, advertising claims attempting, generally unsuccessfully, to solve the health problem in product terms while virtually ignoring the paradoxical nature of the smokers' dilemma. Although they wished they weren't, they were and virtually every effort forced them to give up the things they continued to smoke for. Telling smokers that you had a product was not the problem. Telling them they could smoke it with honour was.

In 1974, manufacturers agreed to put tar and nicotine numbers on the sides of packages. Smokers who wished to do so could now rate brands on a scale of "danger". Lightness, instead of being an absolute, became a relative thing. Close on the heels of this key piece of information and the even more important foundation of relative mildness that it created, manufacturers began to introduce lighter brands instead of products. "Lighter" was successfully defined in language smokers could understand as "All the experience of Player's in a lighter cigarette - Player's Light."

Although we remain committed to making good products, it would be incorrect to suggest that corporate success in this hard fought battle has really had much to do with who made the best cigarette at a given level of strength. Winning has been predicated on good brand marketing. Companies with strong, clear, well defined trademarks and the courage to introduce them in a way that was true to their essential nature won. Companies with less relevant or indistinct trademarks, and companies who tried to twist the basic rationale for the trademark, lost - and lost badly.

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The commercial success of light brands speaks for itself. New brands were highly successful, and there were lots of them:

BRANDS LAUNCHED 1974 - 1984

1984 SHARES (12 MOS. MAY)

ITL - PLAYER'S LIGHT	11.7		
EXTRA LIGHT	2.7		
RJR - EXPORT A MEDIUM	1.6		
LIGHT	2.3		
MILD	.9		
EXTRA LIGHT	.4		
ROTH- ROTHMANS SPECIAL MILD	2.8		
EXTRA LIGHT	.6		
ITL - DU MAURIER SPECIAL MILD	2.7		
LIGHT	2.5		
ROTH- CRAVEN SPECIAL MILD	1.4		
ULTRA LIGHT	.3		
MENTHOL SP. MILD	.5		
ITL - MATINEE EXTRA MILD	2.4		
B&H - BELVEDERE EXTRA MILD & LIGHT	1.4		
ITL - PETER JACKSON EXTRA LIGHT	.5		
ROTH- NO. 7 LIGHT	.8		
B&H - B & H LIGHT	.9		
ITL - CAMEO EXTRA MILD	.7		
B&H - VISCOUNT #1 AND 100's	.6	TOTAL EXTENSIONS	37.7
RJR - VANTAGE	1.1		
RJR - VANTAGE LIGHT	.5		
ITL - MEDALLION	.9		
B&H - ACCORD	.6		
RJR - SELECT	.5	TOTAL NEW	3.6
		TOTAL	41.3

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Smokers began to experience real product change. The sales weighted average tar levels for the market, essentially stable through the early 1970's, dropped significantly.

1973	74	75	76	77	78	79	80	81	82	83
17.0	16.9	17.0	16.6	15.8	15.0	14.2	13.7	13.4	12.9	12.7

The rate of switching rose substantially to the point where, in the late 1970's, almost 1 in 5 smokers claimed to have changed brands in the past year, twice the pre-light norm.

Now, however, it would appear that the party is over. Virtually every nook and cranny in the tar spectrum is filled. Although they continue to grow, the rate of expansion of light brands is reducing. Retailers are beginning to refuse to accept lower potential brands, the rate of switching is down to a much more normal level, every major trademark is extended to at least two offspring. With Canadian smokers' need for "less" apparently sated with options, it is easy to understand marketers' tendency to look nervously at their hands when asked "what's next?"

Already we begin to see (and yes possibly participate in) some of the more flamboyant but less relevant new brand development that characterized our industry before it embarked on marketing predicated on the relentless logic of "Lights" as new brand developers look for novel means of differentiating their brands.

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* The Canadian market is not seen by Canadians as non-Canadian - there are no international brands that are perceived as such despite their increasing prominence in the rest of the world.

CAMEL - RJR - TEST MARKET - WITHDRAWN.

* The Canadian market is a uni-taste market. With the exception of menthols, it is almost entirely flue cured Virginia. Smokers are bored. Smokers have compromised on taste. Smokers try a lot of American cigarettes-occasionally.

PLAYER'S SPECIAL BLEND - NATIONAL - FORECAST

FORECAST	1.2%
ACTUAL	0.5%

* All Canadian cigarettes cost the same and smokers are increasingly under duress due to rising taxes. Fine cut volume is up. Price segmentation works in a lot of other places. A company has been saved in the USA by generics - why not?

GENERICS - BASTOS - ESTIMATED SHARE - 0.2%

And recently a couple of new ones:

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* 100mm are growing in Canada - maybe it's style, maybe it's value for money, maybe it's a little of both - it <u>must</u> be because it's 100mm:

ROTHMANS SPECIAL MILD	100's)	Share unknown
ROTHMANS EXTRA LIGHT	100's)	Financial Prospects ...
ROTHMANS MENTHOL	100's)	Doubtful

* SPORTSMAN NATURAL LIGHT???

ROTHMANS - MOTIVE AND PERFORMANCE - ANYONE'S GUESS.

And we have a few of our own on the books waiting patiently to be further developed:

* SPEARMINT???
* JPS???

Here's an approach capable of keeping product and pack developers hopping for a decade. New things, different things, innovative things, new packages, purple cigarette paper, 120mm brands, polyvent gas trap, charcoal filter, new smoking material - a staggering array of brands struggling to be different. It would be foolish to indict these ideas. Some of these entries will sell - some will make money - some are viable.

But there is an important difference between these entries and lights. Smokers <u>needed</u> light brands for tangible, practical, understandable reasons. It is difficult to see <u>broad</u> needs answered to by these introductions.

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POST "LIGHTS"

If these ideas are not broadly relevant, then what is? It is possible even now to see how smokers' reactions have been modified by the success of lights, and, if not define specific brand options, at least isolate the characteristics of products that have a good chance of success. How have lights modified smokers' need for "less"?

1. In spite of their commercial success, lights have not moderated the basic force that caused them. Smokers continue to be very concerned with the affect of smoking on their health. They continue to indicate that they intend and have attempted to change their behaviour with respect to smoking. Lights have not reduced this either over time or among smokers who have embraced lighter brands. In fact, their concern has increased in spite of the new alternative:

			1984 SMOKERS OF	
	1976	1984	MILD	OTHER
"SMOKING IS DANGEROUS FOR ANYONE"	67%	74%	79%	72%
INTEND TO QUIT	26	45	50	43
INTEND TO CUT DOWN	33	19	19	19
TOTAL INTEND TO MODIFY	59	64	69	62
TRIED TO QUIT	41	43	44	43
TRIED TO CUT DOWN	57	59	61	58

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2. In spite of its commercial success, the new option of switching to a milder brand does not surface as one equivalent to quitting or cutting down either in smokers' intentions or their efforts. Smoking itself continues to be isolated as a behaviour to be avoided despite the emergence of relevant new ways to smoke less.

1984 ALL SMOKERS

	IN PAST YEAR TRIED TO:	INTEND TO:
QUIT	43%	45%
CUT DOWN	59	19
SWITCH MILDER	30	3
SMOKE SAME		29

3. Although light brands have clearly established themselves as offering more or less strength in terms of tar and nicotine, this discrimination is only loosely related to "health". In fact, there is very little differentiation of brands on an image statement "For smokers concerned about their health". A brand like Medallion (1mg K.S.), positioned to be "synonymous with ultra mildness", condemned by 99.2% of Canadian smokers as "smoking air" manages to achieve only 5.9 on "health" on a 9 point scale.

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1983 IMAGE RATINGS

	SHARE	LAUNCHED PRE 1976 STRONG	LAUNCHED PRE 1976 HEALTH	LAUNCHED PRE 1976 STRONG	LAUNCHED PRE 1976 HEALTH
EXPORT A	7.9	8.0	3.1		
PLAYER'S FILTER	6.6	7.4	3.5		
ROTHMANS	5.5	6.3	4.6		
du MAURIER	11.6	6.1	4.1		
EXPORT MEDIUM	1.8			5.6	4.4
NO. 7	1.7	5.6	4.1		
BELVEDERE	1.8	5.4	4.1		
CRAVEN A	5.4	5.2	4.5		
PLAYER'S LIGHT	11.7			4.9	5.0
EXPORT MILD	.9			4.4	4.8
EXPORT LIGHT	2.3			4.3	4.9
MATINEE	3.2	4.3	4.8		
du MAURIER LIGHT	2.5			4.2	5.2
ROTHMANS SPECIAL	2.8			4.2	5.3
PLAYER'S EXTRA LIGHT	2.7			4.1	5.4
du MAURIER SPECIAL	2.7			3.5	5.4
VANTAGE	1.1			3.4	5.3
BELVEDERE EXTRA MILD	1.2			3.0	5.5
CRAVEN A SPECIAL	1.4			2.9	5.7
SELECT	.5			2.7	5.6
CRAVEN A ULTRA	.3			2.6	5.9
MATINEE EXTRA MILD	2.4			2.5	5.9
VISCOUNT	.7			2.5	5.9
VISCOUNT #1	.6			2.4	5.9
ACCORD	.6			2.4	5.8
MEDALLION	.9			2.3	5.9

Light brands have not, apparently, been the smoking and health panacea that their success might lead us to expect. When smokers are asked the question outright, the inferences in the information are confirmed; even among mild smokers.

AUGUST 1983

"Do you believe that low tar and nicotine cigarettes, like ultra mild and extra light cigarettes are less harmful to your health than ~~lighter~~ higher tar and nicotine cigarettes?"

	TOTAL	MILD	OTHER
YES	39	44	37
NO	52	46	54
DON'T KNOW	9	10	9

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Clearly Lights have offered one solution to the smokers dilemma. But it is a far more partial and imperfect solution than sales would lead us to suspect.

Smokers remain prepossessed by exactly the same concerns that brought about the proliferation of successful lighter brands. They, presumably, remain open to and need new ways of delivering LESS. The underlying premise for the last convulsion is unchanged and incompletely satisfied by LIGHTS. It is useful to consider lights more as a third alternative to quitting and cutting down - a branded hybrid of smokers' unsuccessful attempts to modify their habit on their own.

IMAGES - POSITIVE VALUES

This alternative has not been achieved, regardless of how well these brands have been marketed, without a heavy price being paid by smokers on the positive emotional imagery-laden side of smoking.

Our market established these introductions by trading on the image equity that existed in major trademarks. The executional elements, by and large, battered away at creating correct product perception. "Light-lighter-lightest" were achieved by insistance on lighter presentations - product story imagery - white packs - pale colours - mildness dominated copy - common generic qualifiers, all struggling to establish a precise place on a sliding, relative strength scale.

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The cost of this approach over time and over the number of variations on the theme that have been attempted, has been a diffusion, if not exhaustion of the imagery that these trademarks represented. The price of getting smokers to understand one positioning element precisely has been paid out of the brand personalities. Brand perceptions in the Canadian market have been largely collapsed into the pragmatic and the observable. The ability of smokers to differentiate brands on the more emotional dimensions is substantially impaired.

LIGHT BRAND RATINGS (24) 1983

9	RANGE	1
FOR A SUCCESSFUL PERSON	5.5-4.5	NOT FOR A SUCCESSFUL PERSON
SMOKED MORE BY YOUNGER PEOPLE	5.8-4.3	SMOKED MORE BY OLDER PEOPLE
SMOKED MORE BY MEN	5.8-3.1	SMOKED MORE BY WOMEN
FOR A PERSON PARTICULAR ABOUT PACK APPEARANCE	6.0-4.4	FOR A PERSON NOT PARTICULAR ABOUT PACK APPEARANCE
A POPULAR BRAND	6.8-2.7	NOT A POPULAR BRAND

Brands in the new light market are obviously characterized by blandness. This problem is compounded by the fact that as manufacturers have attempted to return to more of the relevant emotional imagery that cigarettes depend on, they have found themselves confined by the relatively narrow range of imagery lighter products will presently tolerate - outdoors, active, healthy, natural, boats, planes, water, neat young people doing neat young things. Trying to solve the problem has actually compounded it and brands are better differentiated today by their graphics than by the visual depiction of their image.

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The result is that smokers are bored. In a market where personality in brand choice is such an important part of the positives of smoking, they are faced, increasingly, with a bland, amorphous lump. Increasingly, we see difference - any difference - as a thing causing smokers to sit up and take note.

SOCIAL PRESSURE - THE NEW NEGATIVE

These effects of light introductions have been further obscured by the emergence of new powerful pressures that have little to do with personal health. What began as a small group of fanatics has ballooned into the major anti-smoking thrust:

* Municipal by-laws define where a smoker can and cannot acceptably "light up."

* He pays more and more for this product because of taxation policies that increasingly seem punitive.

* Media and individuals encouraged by media increasingly press him on passive smoking issues - personal confrontation.

* He sees non-smoking increasingly emerge as a positive marketing platform for third parties - life insurers - smoke-enders - rent-a-cars - hotels, etc.

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* He faces the prospect of higher health care costs to defray his purportedly greater share.

* etc.
* etc.
* etc.

Canadian smokers in 1983 thought second hand smoke was very (35%) or somewhat (37%) harmful to the health of others. They had refrained recently from smoking so as to not annoy non-smokers (47%). A significant minority (35%) claimed smoking was only barely acceptable. Ten percent (10%) claimed it was not acceptable at all. Asked what restrictive action they would support:

50% supported further restriction of cigarette advertising.

39% supported a complete advertising ban.

29% supported restricting the sale of tobacco products.

71% supported increased advertising on the dangers of smoking.

A an amazing 28% supported taxation aimed at making smoking unafforcable.

Social disapprobation forces smokers to accept the same self-deprecating yoke they accepted with smoking and health. Even as they agreed with and tried all the right health preserving strategies, they now have all of the correct social responses. But there is the same quiet desire for a smoking-related solution. They remain smokers who wish they weren't but know they are.

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"Do you think the tobacco industry should defend the rights of smokers?"

YES	51%
NO	38%
DON'T KNOW	10%

These numbers will presumably increase with time. Social pressure, combined with increasing prominence as smokers' numbers dwindle (either in fact or in public admission), will force the smoker, only imperfectly satisfied by light brands, towards an increasing self-perception that he is not only a less healthy, but also a less wholesome individual.

And still, he will continue to smoke seeking less charged alternatives.

SO WHAT?

In broad terms, relying only on this wide information, it is possible to see, in human terms, the beginnings of the type of needs driving the majority of smokers. They do not emerge from the "light" era with fears that have been substantially allayed. In fact, the need that created the opportunity for lights has intensified. In a world where you couldn't smoke and you couldn't not smoke, lights offered a hybrid solution between equally unsatisfactory alternatives - less smoke. But they were a short-term solution, arguably more reassuring to smokers when they were in the act of switching to a mild brand than they were when the smoker had finally acclimatized and their new tar level represented the status

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quo. Lights have stopped being the alternative and have become an alternative - perhaps an increasingly unreliable one as we publicly cut our own throat with Barclay - like tar squabbles.

The smoker faces this "relapse" in an environment of new unfamiliar pressures, where much of the emotional pleasure has been stripped from his brand.

"Great taste", "enhanced taste", "taste breakthrough", - the mainstay of the new brand developers low-tar-plus bag of tricks, do not seem like major options although they are sure to please discreet groups.

Less - attenuation of the smoking experience - new innovative ways of delivering perceptually less product appear far more promising - combined with relevant, new, evocative imagery.

"Less smoke-more emotion" should be a maxim against which, it would appear, the real saliance of new brand concepts should be tested.

Not surprisingly, this fits with what consumers claim to want in terms of brand improvement. They want physical and sensory attenuation of smoking. There is some evidence (and a wealth of qualitative evidence) that they want more emotion.

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9 LABEL	OWN	IDEAL	SALIANCE EXT./VERY IMPT.	NOT IMPT.
"HEALTH" VARIABLES				
- STRONG	5.0	- .6	42%	17%
- FOR SMOKERS CONCERNED ABOUT HEALTH	5.0	+1.1	51%	15%
"SENSORY" VARIABLES				
- LOTS OF TASTE	7.1	+ .3	56%	5%
- GOOD AFTERTASTE	6.3	+ .9	54%	13%
- IRRITATING TO THE THROAT	3.7	- .8	66%	9%
- SATISFYING	7.5	+ .3	57%	5%
"IMAGE" VARIABLES				
- FOR MEN	4.9	+ .1	6%	72%
- FOR YOUNGER SMOKERS	4.7	+ .1	5%	75%
- FOR SUCCESSFUL PEOPLE	4.8	+ .3	-	-
- PARTICULAR ABOUT PACK	4.0	+ .8	9%	63%
- A POPULAR BRAND	6.5	-	13%	49%

In consumer terms, this view of the future can be summarized as follows:

1. The basic need of smokers will be for less, as it has been. In order that they may continue to smoke and in order that we may remain competitive, we will have to conceive and market an increasing array of products that are credibly and relevantly "reduced".

2. These products will have to be sold as brands. Images that return emotional value to cigarettes in new and different ways will be necessary both to re-establish a positive link between smokers and brands and to increase the precision of our appeal. There is a good possibility that this imagery will have to extend outside the parameters of traditional tobacco areas. A pack design that does not look like a cigarette pack may be a strong asset for future brands.

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3. Relevant, distinct, well-managed trademarks will be an even more scarce and valuable commodity.

Lights leave us with one further legacy that is far more mechanical. It is unlikely that smokers will relinquish the tentative foothold light brands have given them. We see almost no evidence of smokers switching to stronger brands. All previous convulsions in the market have presented smokers with differences that were absolute - filter versus no filter, menthol versus no menthol, king size versus regular.

Lights have created a relative difference that has fragmented the market dramatically. The days of offering an innovation to very broad groups in the market are gone. For the foreseeable future, even for highly relevant concepts, a substantially larger number of discreet brands will be required to spread any innovation across the tar spectrum. New brand developers are faced with the prospect of more, smaller launches - an expensive, frustrating resource-draining proposition.

CONCEPTS

This is not expected to be a popular position. It not only asks tobacco-men, generally traditionalists (with good reason), interested in selling satisfaction, to start selling what must look like carbonated wine in cans, but it is also hard to imagine realistic means of providing "less". In fact, it is probably not as difficult as it seems. The rapidly expanding smokeless tobacco market is in fact an expression of "less".

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Pipe tobacco, seen as not inhaled and therefore presumably safer, certainly less socially loaded is another tantalizing proposition. However, there are also pragmatic options within the tailor-made market that are less radical.

The following two summaries outline current ITL development projects that are governed to varying extents (and with varying degrees of conscious application) by these principles. The first, "SLIMS" is a highly specific, we expect low potential concept (2.0 share total) that directs these rules against a very confined target. The second is a far less evolved project we ourselves are still struggling to define, where the application is substantially more specific and where, if "cracked", gains should be substantially larger.

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SLIM CIGARETTES

Slims were originally conceived as a small scale, tactical intrusion into a small but growing 100mm segment.

	1980	1981	1982	1983	1984(May)
100mm	2.5	2.6	2.8	3.2	3.7

Our option in this arena was basically a lighter variation of du Maurier Special Mild with which we represented about 30% of the segment.

Our competitors had recently introduced a 100mm length into the highly female 3-5mg segment which, while it was not overly successful (about .3), was enough to indicate that we should at least look at possibilities in this product area.

Very early in the exercise, the difficulty of making a 100mm brand financially viable in a uni-price market became obvious. Lower margins meant that the brand had to be more than 50% net new, regardless of its share performance, to make money.

Slims as a concept emerged from this basic problem. We assumed that style and image benefits were playing a significant role in the growth of 100's. Slims seemed capable of providing these benefits in conjunction with a cost reduction that we could tolerate.

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The Canadian market currently has only one slim product (Contessa slim, -.1%). Canadian smokers' familiarity with slimmer brands is largely a result of the unsuccessful attempt by Philip Morris and RJR to introduce the 120mm Plus and More brands in Canada in the early 1970's and a result of overflow advertising of Eve and Virginia Slims from the U.S.

These we assumed would define the parameters of the concept as essentially imagery based. Propositions of this nature in Canada have historically shown themselves incapable of achieving significant share levels. We were therefore prepared for a minor introduction.

However, we agreed to attempt to establish a product rationale to support the imagery. We assumed that if we could ascribe a motive for making the brand slimmer that was product based rather than image based, we could, if not expand the potential, at least offer it a degree of resiliance and longevity. As a result, a series of potential product claims revolving around reduction (irritation, tar, etc.) were developed.

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	STRENGTH IMAGE	FEMALE SHARE	SEGMENT TOTAL	ITL	OPP'N
EXPORT A	8.1	3.0			
PLAYER'S FILTER	7.6	2.8	8.7	2.8	5.9
MARK 10 FILTER	6.8	2.9			
du MAURIER	6.2	10.8			
EXPORT MED.	6.1	1.1			
NO. 7	6.0	1.2	20.2	12.1	8.1
ROTHMANS	5.8	3.7			
PETER JACKSON	5.7	1.3			
BELVEDERE	5.7	2.1			
PLAYER'S LIGHT	5.1	8.0			
CRAVEN A	5.0	5.0			
EXPORT MILD	4.5	.7			
PLAYER'S X LIGHT	4.5	1.9	27.6	18.0	9.6
EXPORT LIGHT	4.4	1.7			
MATINEE	4.4	3.7			
ROTHMAN SPECIAL	4.2	2.2			
du MAURIER LIGHT	4.2	4.4			
NO. 7 LIGHT	3.7	.7			
du MAURIER SPECIAL	3.6	3.7			
ROTHMAN X LIGHT	3.5	.7	9.2	4.4	4.8
PETER JACKSON X LT.	3.5	.7			
BELVEDERE X MILD	3.2	1.5			
VANTAGE	3.2	1.9			
CRAVEN SPECIAL	2.9	1.4			
CRAVEN ULTRA	2.7	.4			
MATINEE X MILD	2.5	3.5			
ACCORD	2.5	.6	8.7	4.4	4.3
VISCOUNT X MILD	2.4	1.4			
MEDALLION	2.3	.9			
VISCOUNT #1	2.3	.5			
TOTAL		74.4		41.7	32.7

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The initial wave of research suggested that the potential for slim products was greater than we had anticipated. It also uncovered a credible, relevant product rationale for smaller circumference cigarettes that promised a wider appeal for a wider tar spectrum than the Matinée trademark could effectively command.

As a result, the concept of Betamax changed in two major areas:

1. Slim cigarettes would be marketed as a new segment instead of as an embellishment on a single brand.

2. I.T.L. would, initially, market three different options in order to increase the precision of our appeal:

    a) around 13-14 mg - du Maurier Slim
    b) around 8-9 mg - du Maurier Slim Light
    c) around 3-4 mg - Matinée Slim

These slim entries were defined as follows:

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POSITIONING SLIMS

There is little question that a slimmer product, by its physical dimensions, clearly communicates style-fashion-distinctive-female imagery. These image benefits along with the "feel of the product" appear to constitute powerful motivators for women. However, there is slim hope that large numbers of women will adopt these brands if image benefits represent the only reason for their existence, and the only explanation of why the cigarette is slim.

It is, therefore, critical that the segment be established in smokers' minds on a product/smoking experience claim that is directly attributable to the reduced circumference.

This is not to say that the image and tactile benefits are not important. These will, in all probability, represent a large part of the real reason for purchase if the brands are successful. The product claim should, however, "deflect" smokers away from the uncomfortable position of acknowledging that their brand selection is based solely, or even primarily, on image considerations.

Therefore:

1. Brands introduced under these two projects will stress that the basic reason for the manufacture of slim circumference cigarettes is to provide a product benefit. The benefit will be that, because they contain a little less tobacco, slim cigarettes deliver lower tar but

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provide both taste and ease of draw comparable to brands of relatively higher deliveries. Slim products will, in essence be positioned against "lights" as an innovative means of achieving lower tar smoking.

2. Product decoration - package format - package design and communications will all attempt to tastefully project - but in no way emphasize - the imagery that is already at work in the product dimensions. We will not struggle to tell the smoker what she already knows through overt, special, unique or "abnormal" treatments of any marketing element. The only "special" element of these brands will be their slimmer circumference.

3. The main use of imagery will be to place relatively greater emphasis on one or more of the image aspects of slims (i.e. a brand is distinctive/ fashionable as opposed to more for women).

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PROJECT VHS

Project VHS covers the introduction of slim brands under the du Maurier trademark. VHS will involve two options - a "parent" brand at around 13 mg of tar and a lighter "extension", to be introduced simultaneously at 8-9 mg of tar.

BASIC IMAGE AND POSITIONING VERSUS du MAURIER

Brands under project VHS will be developed as extensions of the du Maurier trademark. They will have their own identity as opposed to claiming direct derivation from any one of the three existing du Maurier brands.

VHS will present the fasion, style and distinctiveness of slim products as a logical extension of the du Maurier trademark's "contemporary class and quality" image.

The project will not attempt to represent itself in any executional area as overtly and directly female. A more direct female position will be reserved for the Matinée option.

du Maurier Slims representation of "contemporary class and quality" must remain quiet and tasteful and at all costs avoid any sense of pretentiousness.

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TARGET MARKETS

The primary target for the higher delivery entry will be smokers of King Size and 100 mm brands 14 mg of tar and higher. The primary target for the milder component will be smokers of King Size and 100 mm brands in the 9-13 mg range.

In demographic terms the brands will focus on females under 35 years of age. If the simultaneous introduction allows for any greater precision between the two entries, then the higher tar entry should compromise in favour of the younger half of this group while the lower tar entry compromises in favour of the older half of it.

PRODUCT

Tar Level	Length	Circum-ference*	Filter Length	Tipping Length
13 mg	84 mm	23 mm	20 mm	24 mm
14 mg	100 mm	23 mm	25 mm	30 mm
8 mg	84 mm	23 mm	20 mm	24 mm
9 mg	100 mm	23 mm	25 mm	30 mm

* Standard I.T.L. circumference is 25 mm.

If ventilation is required for these products it should be invisible. Care should be taken to ensure that puff number and burn rate are comparable to non-slim products of similar tar levels.

In terms of subjective characteristics, the taste of the product should be du Maurier based, flue cured, virginia. The products should deliver per puff taste and smoking mechanics that compare favourably with those of non-slim brands about 2 mg of tar higher than the individual slim ratings.

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Any "decoration" on the product itself will be subtle, tasteful and "normal".

NAME

The best names for the brands within VHS are the most obvious - du Maurier Slim (13 mg) and du Maurier Slim Light (8 mg).

Our basic thrust in the project is to "normalize" slim products in order to make their powerful imagery and tactile benefits accessible to smokers in the context of everyday use. Within this framework these names achieve two things:

First: they relegate the concept of "slim" to a role where, like "lights", it represents simply one more categorical way of making cigarettes.

Second: it positions these brands as essentially "du Mauriers" which have been modified to provide the benefit of slimness instead of the other way around.

PACKAGING

In terms of graphic design the package should be clearly identifiable as a direct derivative of the du Maurier trademark. It should not, however, be directly referenced to any other specific brand currently within the trademark*.

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It should avoid fancy-special-unique-elegant treatments. Instead the design must find a balance that allows the pack to be "ordinary" enough for everyday use while at the same time subtly reflecting the fashion-style-distinctive components of slims within du Maurier's "quality contemporary class" framework.

Although the design should be attractive to females it should not be intentionally or overtly feminine.

Pack designs must reflect the two appropriate tar levels within the project (13 mg and 8 mg) and, although they should bear a "family resemblance", they must effectively differentiate the light from the non-light version.

COMMUNICATIONS

The communication of this proposition should avoid platforms which are either clinical or scientific. It should, instead, be articulated within a context that reinforces the fashion/style/distinctive image of slim cigarettes as a credible extension of du Maurier's quality contemporary class image.

As with packaging, creative should have a female appeal, but not be overtly or uniquely feminine.

Creative should include cues which suggest the better feel of the product in the hand.

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PROJECT BETAMAX

CONCEPT

Betamax is the Matinée entry into the slims arena. The brand will be differentiated from the du Maurier entry in two key characteristics.

1. It will offer a product that is commparable with the smoking characteristics of current 3-5 mg brands.

2. Compared to du Maurier it will stress relatively more of the female attributes of slim product although the central thrust will remain a "product story".

BASIC IMAGE AND POSITIONING VERSUS MATINEE

The brand will be an extension of the Matinée trademark as opposed to claiming direct derivation from either one of the two existing Matinée brands. In most executional areas, however, it will draw heavily on Matinée Extra Mild's positioning and design characteristics for its direction.

In conjunction with the basic product story, Betamax will exploit the female characteristics of slims. As is the case with Matinée Extra Mild, the female appeal should be implicit but not overt.

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Given the entry of the du Maurier image and the "reduction" of the projected Betamax product to a 3 mg level, a direct adaptation of the current Matinée Extra Mild imagery would be very appropriate.

TARGET MARKETS

The primary target for Betamax will be current smokers of 3-5 mg brands.

In demographic terms the target is females between the ages of 25-49 with primary emphasis placed on the under 35 portion of this group.

PRODUCT

A starting point for product development is:

PRODUCT

Tar Level	Length	Circum-ference	Filter Length	Tipping Length
3 mg	84 mm	23 mm	25 mm	30 mm
4 mg	100 mm	23 mm	25 mm	30 mm

Care should be taken to ensure that puff numbers and burn rate do not differ significantly from those of non-slim products in the 3-5 mg range.

In terms of subjective characteristics, the product taste should be Matinée based, flue-cured, virginia. A menthol version of both lengths will also be developed.

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The products should deliver per puff taste and smoking mechanics that compare favourably with those of brands 1-2 mg higher than the slim products tar ratings.

The tipping colour will be white.

Any decoration on the product itself will be subtle, tasteful and "normal".

NAME

The brand will be called Matinée Slim(s).

PACKAGING

The initial wave of development appears to have left us close to a realistic pack expression. Any further development will be a refinement of the best of these initial probes.

COMMUNICATIONS

As with VHS, the primary objective of Betamax advertising creative will be to position it as a brand which delivers specific product benefits as a result of reduced circumference - a little less tobacco which gives lower tar while maintaining the taste and ease of draw of relatively higher delivery brands.

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Unlike VHS, creative for Betamax must ensure that these benefits are seen to be delivered specifically in relation to the very mild level of smoking (3-5 mg) that Matinée best represents.

Clinical or scientific platforms are to be avoided. The product claim should be articulated within a context that exploits the "more for women" image area of slim products. Given that VHS will offer elements of "contemporary class and quality" and given that the revised product specifications for Betamax are in line with the Matinée Extra Mild product position, the "active woman" posture currently used for Matinée Extra Mild is an acceptable platform.

Although the sales potential for the brand appears to be in excess of a category "B" launch, Betamax may be communicated within the same "advertising dollar" as Matinée Extra Mild. The increased precision of appeal and the reduced tar entry point makes this advantageous from both a strategic and communications point of view.

Creative should not, however, restrict itself to slashes and two pack ads. The Matinée Extra Mild creative can and should form an integral part of communicating what Betamax is all about.

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Betamax work proceeded largely as outlined. The higher tar options posed problems. When the smoke cleared, we found that although their concerns were very similar to the mathematically minded smokers in the ultra-low area, the language and level of understanding of light brands was significantly less. In order to get them to recognize the product benefit, we virtually had to explain how light brands were currently being made. The exercise of bringing them to understand what we were doing required significantly more communication than we could hope to effect through our available channels.

The higher tar project was simplified significantly. The lack of need for a direct brand comparison allowed us to explore a wider range of imagery options.

The final position was defined as follows:

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PROJECT VHS

ORIGINAL	NEW ALTERNATIVE
Concept	
Because it is slim, it is also modern and distinctive.	Because it is modern and distinctive, it is also slim.
Product USP	
Slimness gives you a lighter cigarette with the same taste.	"Slimness makes it milder".
Brand/ Trademark Derivation	
A direct generic off-shoot of du Maurier Red and/or Light or Special.	Derived from du Maurier but done either as a new du Maurier (du M X) or an endorsation (X by du M).
Treatment of Slims	
Integral part of name.	A prominent, but reduced component on the pack (like the treatment of "filter" on Export A or king size on Rothmans).
Imagery	
Contemporary, distinctive, classy - non-feminine.	Contemporary, distinctive, classy, non-feminine - casual (not "nightlife", not tradi-tional/classic).
Target Strength	
Slightly milder than du Maurier parent.	Slightly milder than du Maurier Red/ du Maurier Light.

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ORIGINAL	NEW ALTERNATIVE
Taste Level	
In product and communications, equivalent to parent.	Not specified in communication. Product should target for same as du Maurier Red/du Maurier Light.
Actual Tar	
Kings: 8-9 and 12-13 100 : 9-10 and 13-14	Same.
Target	
Females under 35 presently smoking 10-12 and 15-17 mg K.S. and 100 mm brands.	Females and upmarket males under 35 years of age smoking 13 mg+ and 10-12 mg K.S. and 100 mm brands.

Both brands are virtually developed at this point and are scheduled for first introduction in the fall.

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SENSORY IMPROVEMENT

"Less" can, and we assume must, be offered to smokers in ways other than tar reduction/health improvement.

The following project, "CRAWFORD" in our vernacular, looks to capitalize on what appears to be a significant and increasing need among Canadians with respect to the subjective quality of smoking.

"CRAWFORD" began as an exploration of how we could make short term tactical gains in the menthol segment.

Menthol brands account for a slowly declining 6.3% of the Canadian market. ITL's corporate weakness and opportunity can be clearly seen by looking at the performance of our brands relative to the distribution of menthol business.

1983

TAR	SEGMENT	CAMEO	% ITL
13 mg +	1.8	1.4	78%
9-12 mg	3.5	.8	23%
-5 mg	1.0	-	-
TOTAL	6.3	2.2	35%

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After the initial extension of Cameo Extra Mild in the mid 1970's, we were forced, by priority pressures on our resources, to eliminate further marketing effort on menthols. Competitive activity and the natural evolution of the segment left us behind and in the early 1980's we began to consider means of improving our performance at the lower tar levels.

Faced with virtually no current information in menthol perceptions and motivations, we decided to begin by reviewing menthols on an overall basis.

This qualitative work on the perception and role of menthol was coincidental with a major project on brand images in Canada. That exercise produced some startling evidence on how smokers saw brands, what they thought they had and what they claimed to want.

The combination of these insights significantly altered the direction of the project. Although the initial concept of a new menthol option remained a development priority, this new input suggested that there were larger things at stake. It was summarized as follows:

PROJECT CRAWFORD

POSITION #1

WHERE DID WE START?

1. Crawford's objective is to improve our declining share of smokers moving from non-menthol to menthol brands.

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2. Based on this objective, the exploratory phase of Crawford has focused on understanding the motivation for smoking menthol and their current perceptions in order to lay the ground work for a better menthol/menthol-like alternative.

A MAJOR GAP

3. There is a significant need among smokers for a product that reduces or eliminates the unpleasant things that occur in their throat and oral cavity as a result of smoking. Thirty-seven percent (37%) of smokers claim "less irritation" is an extremely important quality in their cigarette. Twenty-eight percent (28%) of smokers make "better aftertaste" their single biggest product improvement. They want this moderation to a greater degree than taste, low tar or any other single product attribute.

4. Non-menthol smokers have not identified any brands that respond directly and acceptably to these concerns. The only standing perception is that lower tar brands are less irritating. The attribute in these brands is paid for with taste and satisfaction. In spite of their desire for improvements in aftertaste, smokers do not perceive significant aftertaste differences among existing brands.

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5. This need for a "cosmetic" improvement is broad and, in effect, without distinct demographic skew in terms of age, sex or current tar level. It tends to be focused in English Canada, specifically in Ontario and British Columbia.

"COSMETIC" CONCERNS - MENTHOL

6. Menthol does deliver these "cosmetic" improvements and can develop a market position as a result of them.

- The basic value of mentholation is its ability to moderate or soften certain aspects of the smoking experience. It reduces the oral and upper respiratory drawbacks of cigarette smoking, according to R & D and according to qualitative responses from Canadian smokers.

- It appears that this reduction of "cosmetic" problems is the primary motivation for the use of menthol cigarettes in the market today.

- The potential in the market for a well-designed menthol product positioned as a solution to these "cosmetic" problems is reflected in the 30% share achieved by menthols in the U.S. market on precisely this platform.

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11. As a result, non-menthol smokers presently reject menthols out of hand based on:

<u>Taste</u>: smokers say they do not like the taste of menthol. There is a reason to believe that these taste objections refer <u>less</u> to the actual taste of menthol than to an <u>unacceptable reduction in tobacco taste</u> which is projected by smokers into a <u>reduced satisfaction</u>. Smokers we could define as real "seekers" or "cosmetic" improvement rate rich tobacco taste and satisfaction to be <u>more</u> important than the market in general.

<u>Irritation</u>: non-menthol smokers find current menthols provide <u>too much coolness</u>. By definition, unbalanced menthol does produce lower tobacco irritation, but it replaced it with its own form of irritation - <u>menthol "burn"</u> - a cure worse than the disease.

<u>THE U.S. APPROACH - VALID IN CANADA?</u>

12. Whereas our menthols force smokers to pay for the desirable sensations of coolness (irritation reduction) and freshness (aftertaste improvement) with the loss of non-menthol sensations that they find necessary to smoking satisfaction - <u>American menthols more selectively eliminate/reduce negatives</u>, allowing the smoker to experience the attributes he finds desirable.

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SO WHAT'S WRONG WITH MENTHOLS IN CANADA?

7. In Canada, mentnols are not widely thought of as acceptable solutions. They are not perceived to deliver "cosmetic" improvement. Their use, even on an occasion basis, is declining.

8. Erosion of regular/occasional menthol use can probably be attributed to:

   a) the rate of introduction and growth of low tar products which have successfully competed with menthols for the position of a less intense smoking experience - assisted by

   b) the withdrawal of meaningful menthol support levels required to reinforce their credentials as acceptable solutions - at a time when

   c) menthol brands "non-product" images had narrowed to an unacceptable level of older femininity closely tied to what has so elegantly been described as "morbidity" - illness related use.

9. More importantly, current Canadian menthol product design and the smoking experience they provide severely limit the potential for wide acceptance.

10. Present Canadian menthols are "unbalanced". In Canada, menthol-related sensations are the dominant characteristics and the more desirable tobacco characteristics are obscured or lost altogether.

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13. The validity of the "balance" American product concept in Canada is reflected in smokers' positive response to two concepts:

a) "The coolness of a menthol that lets the full tobacco taste come through without the taste of menthol"; and

b) "A fresh new taste experience that outshines menthol - it not only tastes fresher when you smoke it, it even leaves you with a clean fresh taste".

MENTHOL SMOKERS - THE SAME BUT DIFFERENT

14. Menthol smokers are motivated in their brand selection by the same desire for an alleviation of the "cosmetic" problems of smoking that appeals to non-menthol smokers. They are differentiated from non-menthol users in terms of what they consider to be positive sensations in smoking and their importance. Masking of tobacco flavour for current menthol smokers is significantly less of a negative, indeed it is a positive.

15. However, they also express an interest in further reduction of "cosmetic" negatives.

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PRODUCT DEVELOPMENT IMPLICATIONS

16. As a result, test products produce two responses:

a) alternative flavours (spearmint) which further extend tobacco masking appear to have a reasonable likelihood of success against menthol smokers. They are judged to have a little more than fad appeal to non-menthol smokers.

b) Balanced products have a reasonable potential against non-menthol smokers whereas they are a step backwards for menthol smokers.

ETC.

17. Menthols appear to imply an important smoking and health moderation - not surprising in light of the reasons for their selection.

NON-PRODUCT IMAGES - TRADEMARKS

18. The range of non-product image attributes exploited by menthols is narrow and unflattering. They are older female and strongly associated with occasional use during illness.

19. Brands are not well differentiated.

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20. As a result, Cameo, or virtually any existing menthol trademark, is not appropriate for this new development project. There appears to be no major liability in using a non-menthol trademark. du Maurier, Player's, Matinée and Sweet Caporal were tested among smokers as potential parents for this concept. In very preliminary work, smokers perceived no significant incompatibility.

SO WHAT?

The size and performance of the menthol segment in Canada today does not reflect the complete potential of our industry to market products with "cooling-refreshing" attributes. It reflects the potential for menthol brands at the extreme level of moderation. To a significant segment of the market, menthol effects are highly desirable but are inaccessible in today's products.

The exploratory work on Crawford indicates that there is a meaningful opportunity for a brand concept which uses menthol/menthol-like additives to selectively reduce or eliminate undesirable "cosmetic" aspects of cigarette smoking, while leaving the positives intact.

It is unlikely that this opportunity can be exploited by any one brand. The "selective" reduction or elimination of undesirable "cosmetic" aspects of cigarette smoking will mean different things to different smokers. What do they want reduced? By how much? What must be left intact? How much

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tradeoff will they accept? Ideal product movement is <u>not</u> focused in any one age, sex, or tar group - and we know these groups already select different attributes with different levels of importance in their present products.

These conclusions led to the following project definition:

<u>POSITION #2</u>

2. <u>Positioning</u>

Crawford will be positioned as a cigarette which alleviates the undesirable sensory aspects of cigarette smoking. The main conditions it will address are dryness, irritation and aftertaste.

3. <u>Target Group</u>

All of our information at this point indicates that smokers' interest in the Crawford concept is not skewed to any one tar level or demographic group. As a result, the target group for Crawford is defined as the greatest number of interested smokers who are likely to provide an opportunity for executional consistency.

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Crawford will initially aim for an introduction of one brand at two levels of strength. An upper strength level will be targeted at under 35 year old males and females currently smoking high, high light and mid tar brands. A milder "companion" will be targeted at male and female smokers of mid light, special and traditional low brands.

The primary emphasis in terms of executional direction will be the higher tar smokers. The milder option will derive from this central design direction. If a milder derivative of the higher tar option turns out to be less appropriate than other unrelated concepts at the lower tar level, a separate development project will be isolated to meet the needs of this group of smokers.

It should be noted that this approach leaves other significant gaps in the market open. There is little doubt that the Crawford concept is also relevant to a meaningful number of smokers currently using brands under 5 mgs and existing menthols. These development options will be pursued as separate projects (Projects Jazz and Mellow - see chart).

4. Product

The Crawford product will use menthol or menthol-like additives to achieve the desired improvement. It will continue to explore along two paths - a "better" menthol cigarette - and a new taste (spearmint). As opposed to existing cigarettes that use coolants, however, the final

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	Smokers - 35 years old			Smokers + 35 years old			
	Male	Female	Total	Male	Female	Total	
High Highlight Mid	6.6	4.4	11.0	3.3	1.7	5.0	16.0
Midlight Specials Trad lows	0.6	1.4	2.0	1.3	1.5	2.0	4.8
- 5 mg	0.6	0.8	1.4	0.8	0.6	1.4	2.8
Menthols	0.1	0.4	0.5	0.3	0.5	0.8	1.3
Total	7.9	7.0	14.9	5.7	4.3	10.0	24.9

* Chart expressed those smokers who wanted improved aftertaste as a percentage of the total market.

<u>Project Crawford</u>:

- Males and females - 35 years of age smoking brands 13 mg and up <u>and</u> all smokers of 9-13 mg brands - non-menthol
- 15.8% of all smokers
- 59.1% of all smokers who expressed a desire for improved aftertaste

<u>Project Mellow</u>:

- All smokers of non-menthol brands - 5 mg
- 2.8% of all smokers
- 10.4% of all smokers who expressed a desire for improved aftertaste

<u>Project Jazz</u>:

- Current menthol smokers
- 1.3% of all smokers
- 4.8% of all smokers who expressed a desire for improved aftertaste

product must deliver the positive effects of the coolant with as little reduction as possible in the desirable attributes a smoker experiences in his current cigarettes - in effect, a good smoke foremost that also delivers the benefits of cooling additives.

The necessity of maintaining strong non-menthol smoking characteristics in the face of the moderating influences of the cooling additives may necessitate the use of "tastier" tobacco blends than current flue-cured virginia tobaccos and/or flavorings and casings. The possibility of this product design consideration is not excluded under Project Crawford.

The likely tar levels of the two options are 13-15 mgs and 9-11 mgs.

King size and regular lengths will be required at both tar levels.

5. Communications

Communications must also express the basic product benefits and characteristics without creating rejection by being too reminiscent of either current menthol products or current menthol imagery. A range of conceptual approaches will be developed with the two-fold objectives of:

a) Correctly and credibly establishing the product's characteristics.

b) Validating the product concept in non-product image terms for a target that is distinctly younger and more male than current menthol brands.

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Development work after this focused on brand development. Product/ technology was relegated to exploratory work as we attempted to understand the need more completely as well as how to express it.

The situation was akin to that of a premature light brand. How do you tell smokers that this brand is better for their health when they have absolutely no framework or vocabulary with which grapple with the problem? "All cigarettes have aftertaste - except this one?"

The real crux of the problem is how to tease out the subtle interplay of communications elements. Some of the early, rough, unsuccessful attempts follow. Significantly many of the pre-light strategies emerge in this new context. Significantly product technology and what is possible is not at stake.

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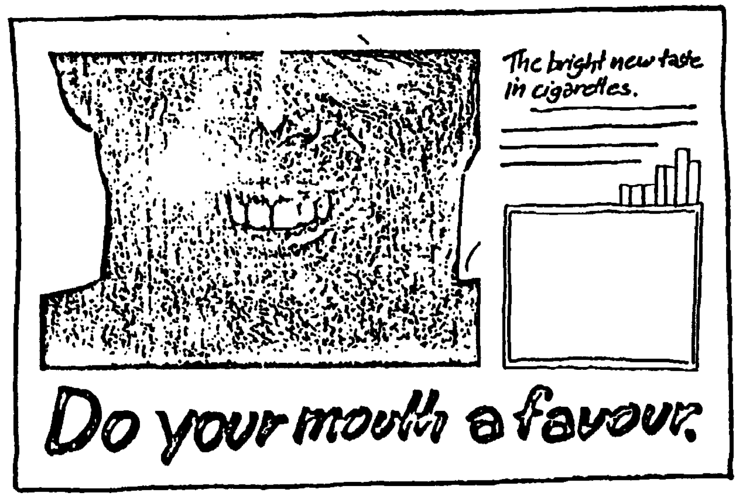
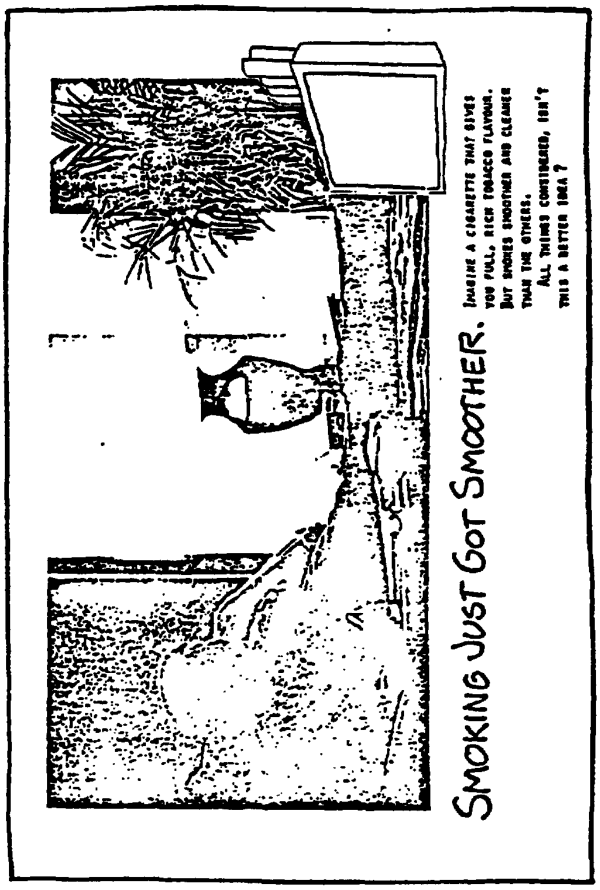

The bright new taste
in cigarettes.
Do your mouth a favour.



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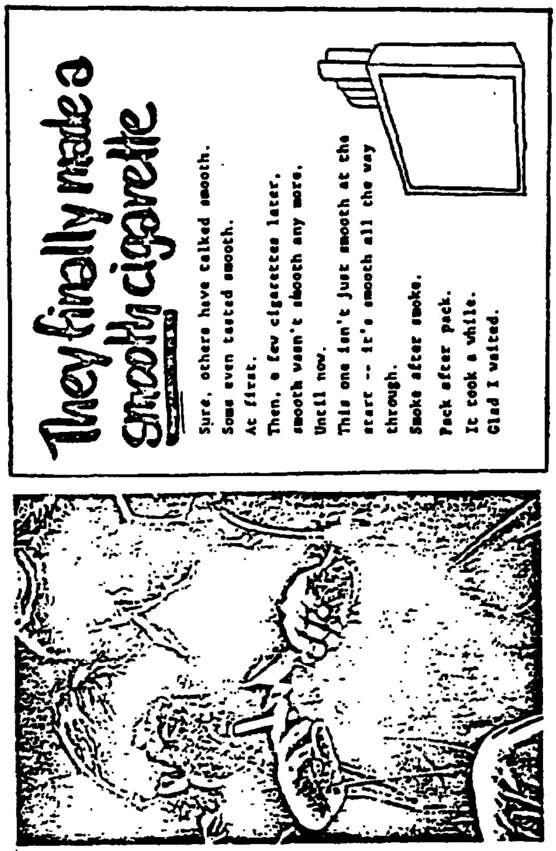
Tobacco tastes best when it tastes fresh. This new cigarette gives you the clear, fresh flavour you always wanted.
A NEW KIND OF SMOKING



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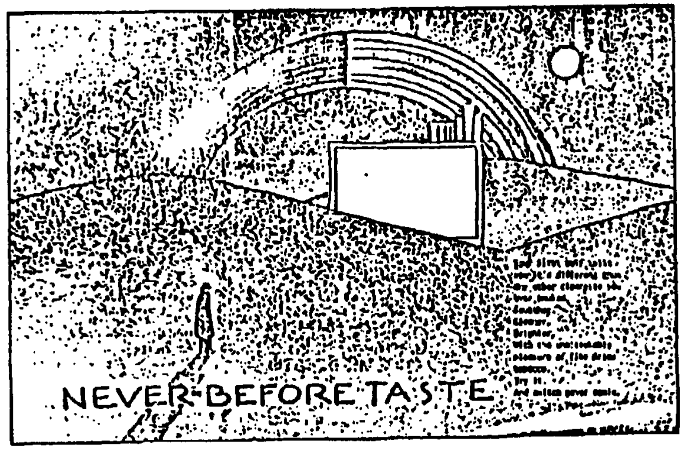

Your first puff tells
you it's different than
any other cigarette you
ever smoked.
Smoother.
Cleaner.
Brighter.
With the unmistakable
pleasure of fine prime
tobacco.
Try it.
And switch never again.

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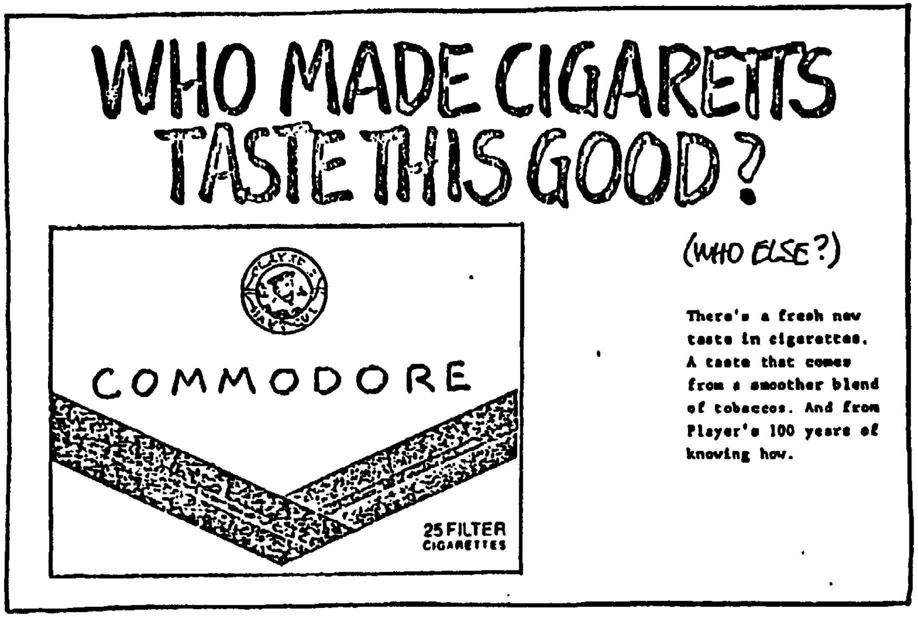
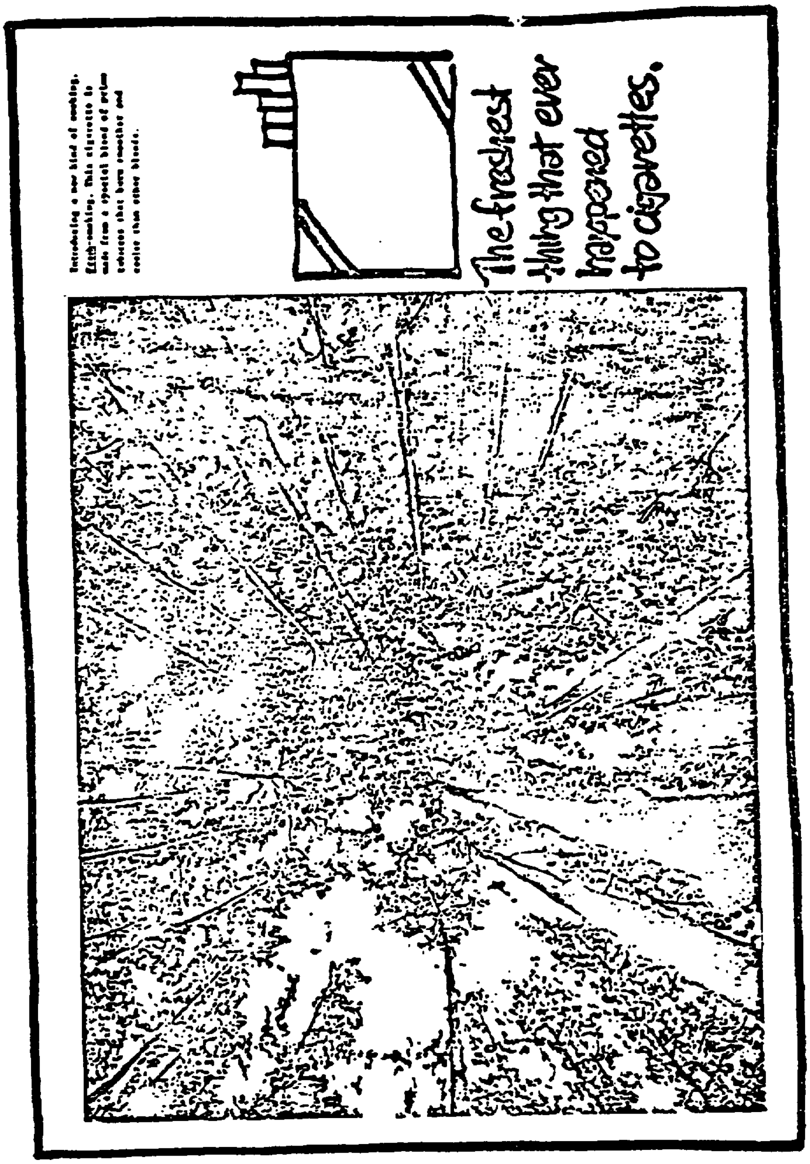

WHO MADE CIGARETTS TASTE THIS GOOD?
(WHO ELSE?)
COMMODORE
25 FILTER CIGARETTES
There's a fresh new taste in cigarettes. A taste that comes from a smoother blend of tobaccos. And from Player's 100 years of knowing how.



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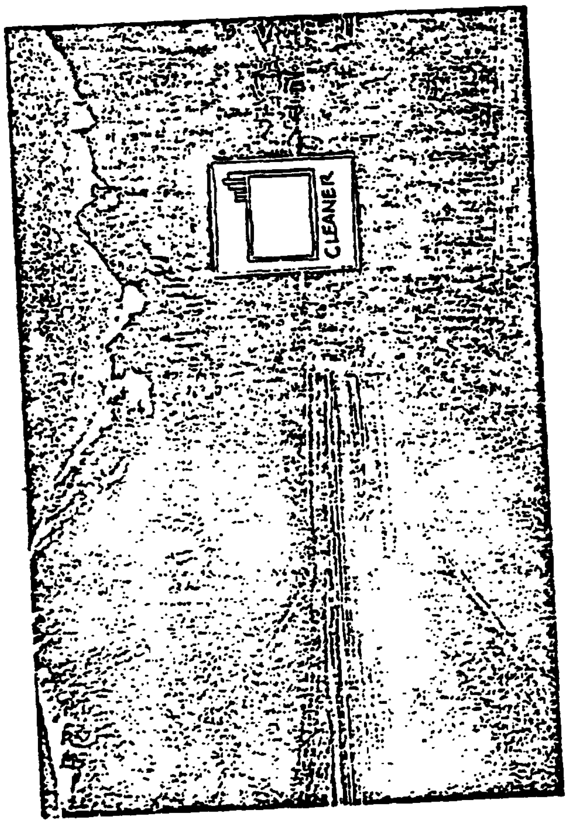

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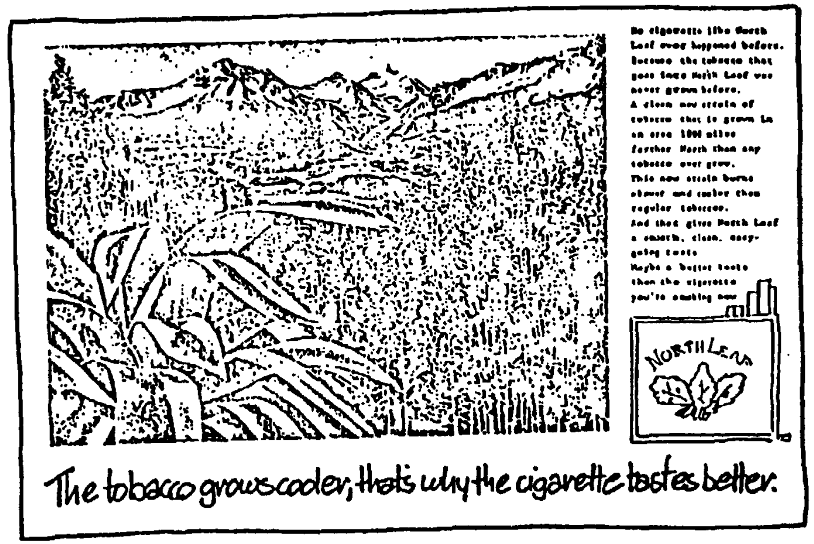

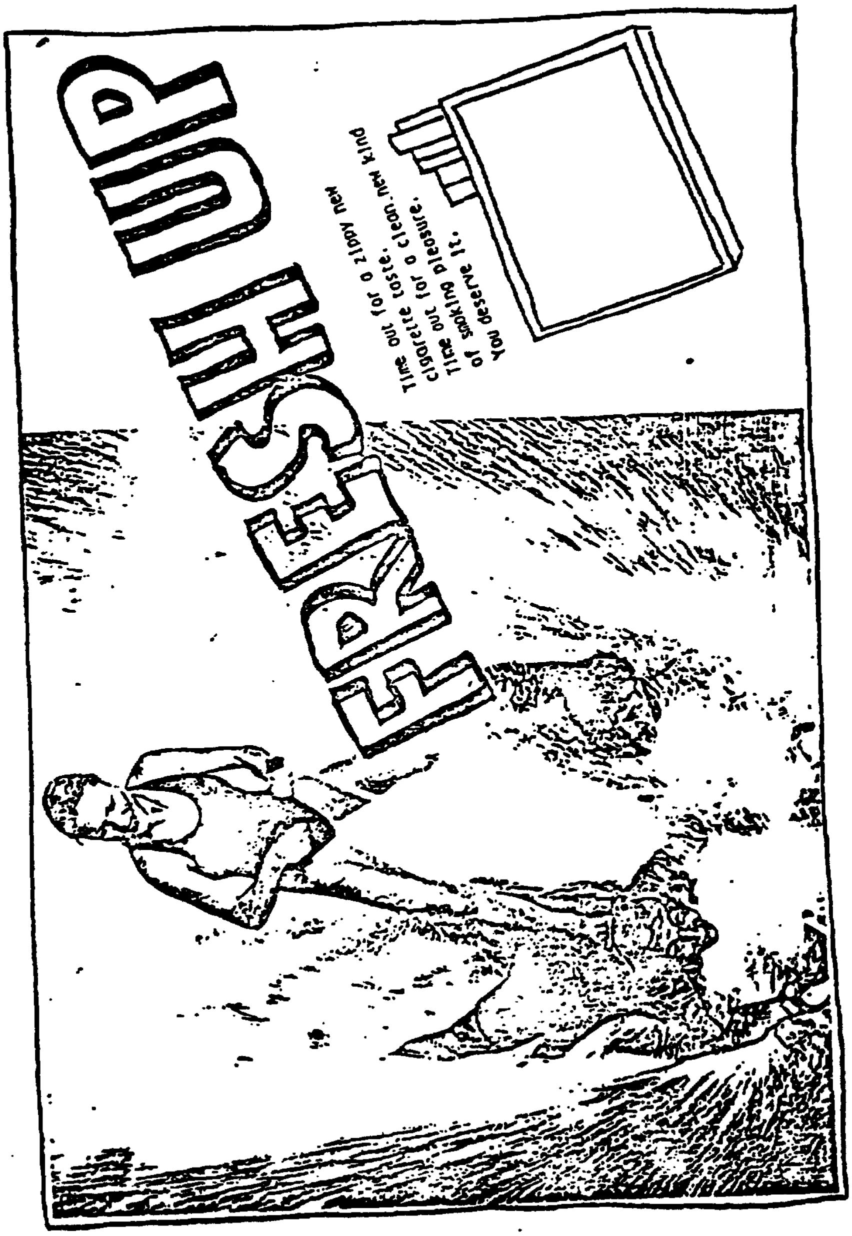

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You know how you look and look for something, and then find out there's no such thing ?

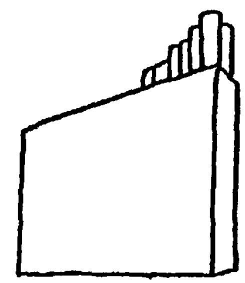
Like, you know, the perfect woman, or the restaurant that's just right.

Well, I found one of those things. A cigarette I'd been thinking about for a long time.

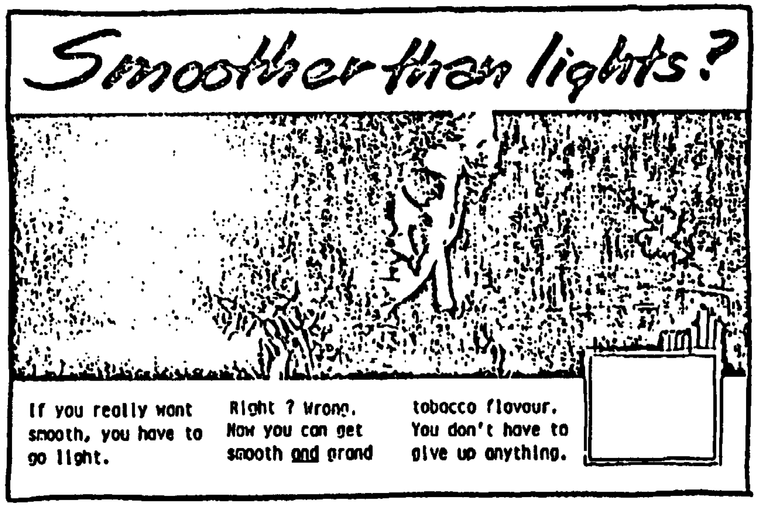
Suddenly there it was.

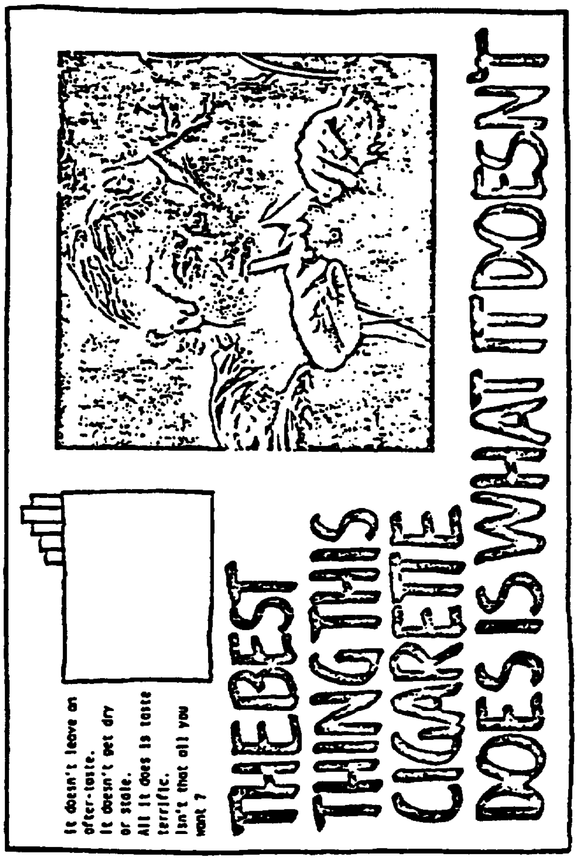
Very very smooth. Just like I'd imagined it.

Oh, I notice you're smoking it too.



A whole new story


Smoother than lights?
If you really want smooth, you have to go light.
Right ? Wrong. Now you can get smooth and grand tobacco flavour. You don't have to give up anything.



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We realized three critical facts in terms of the concept:

1. We did not need to explain how we achieved the product benefit.

2. "Freshness, cleanness" were not credible benefits. Smokers were not interested in the idea when it was "smoke this cigarette to make your mouth feel clean". This was a benefit not related to smoking. More pleasurable smoking because of the elimination of negatives was motivating.

3. We needed a means of expressing the problem that raised it obliquely within the context of enhanced pleasure.

The following concepts were far more successful to a point where numbers 1 and 1A have most of the elements between them necessary to get the point acceptably across.

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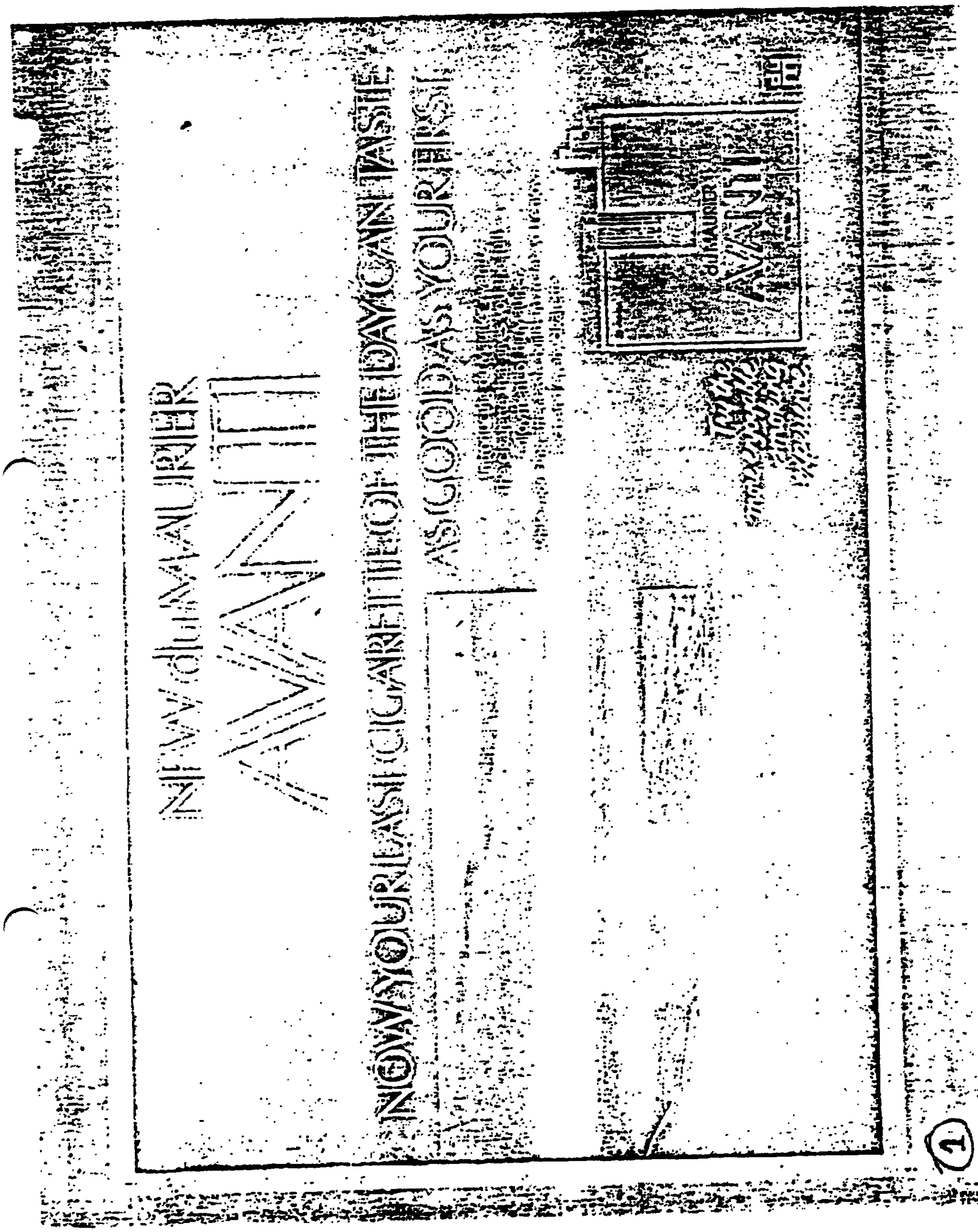

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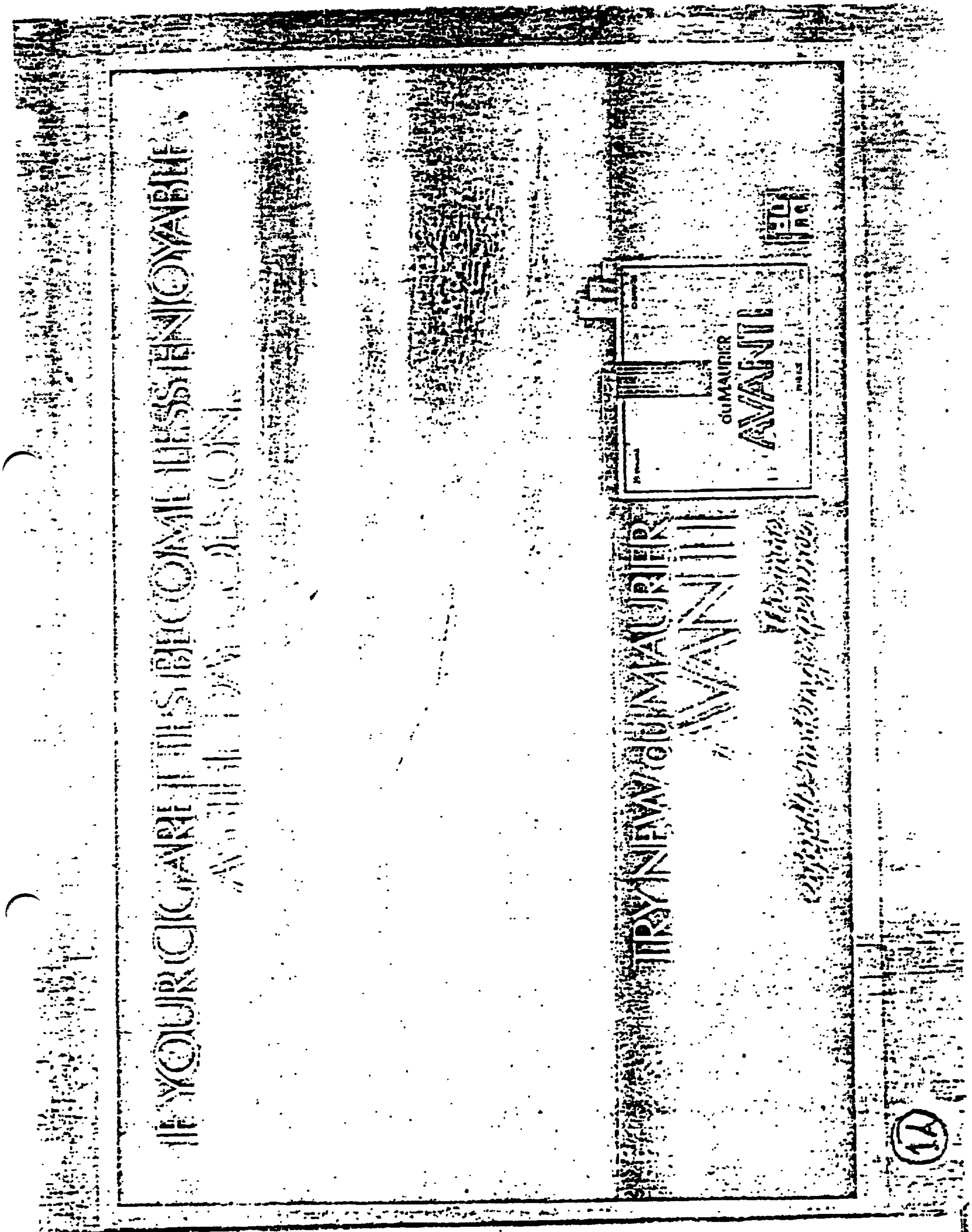

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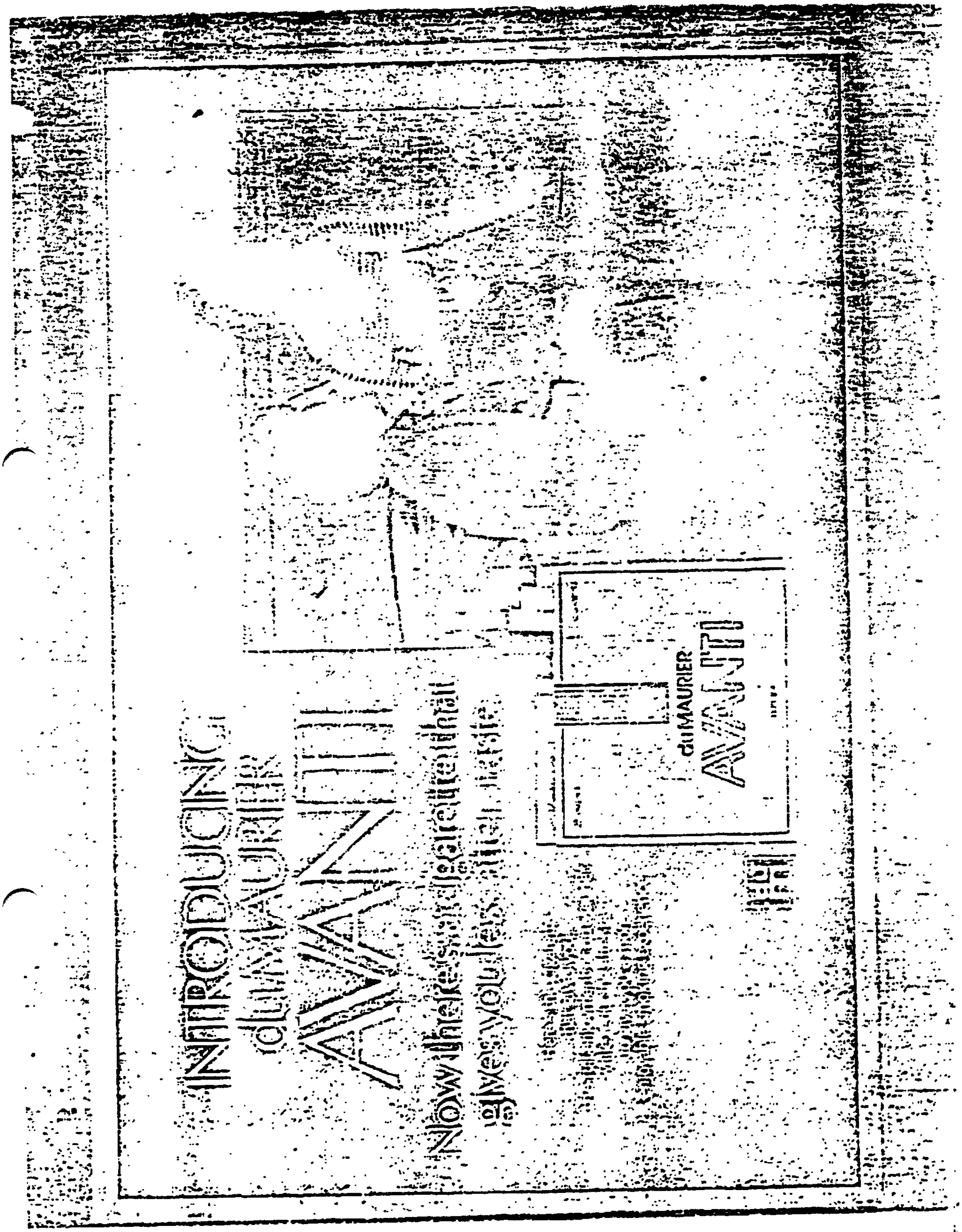

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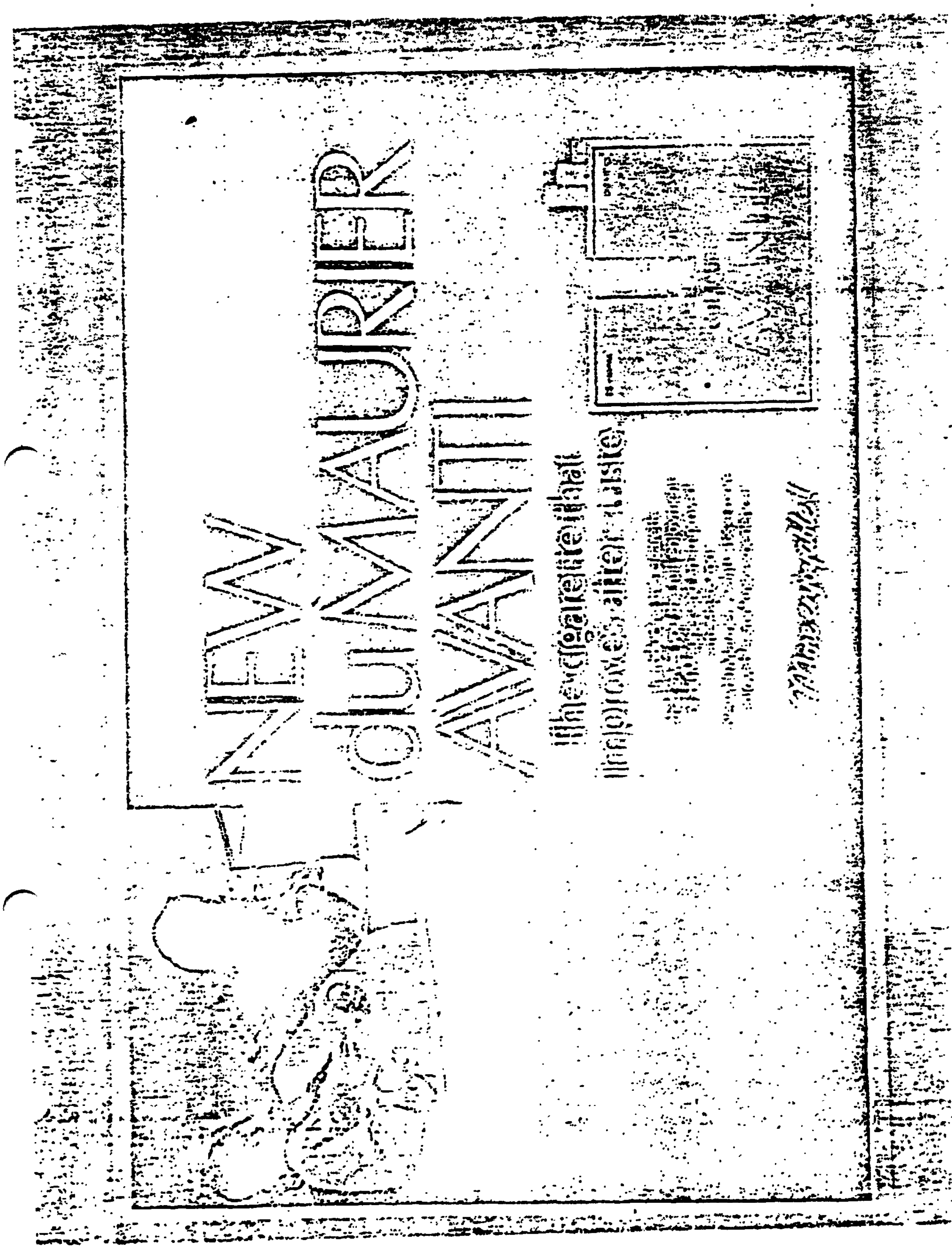

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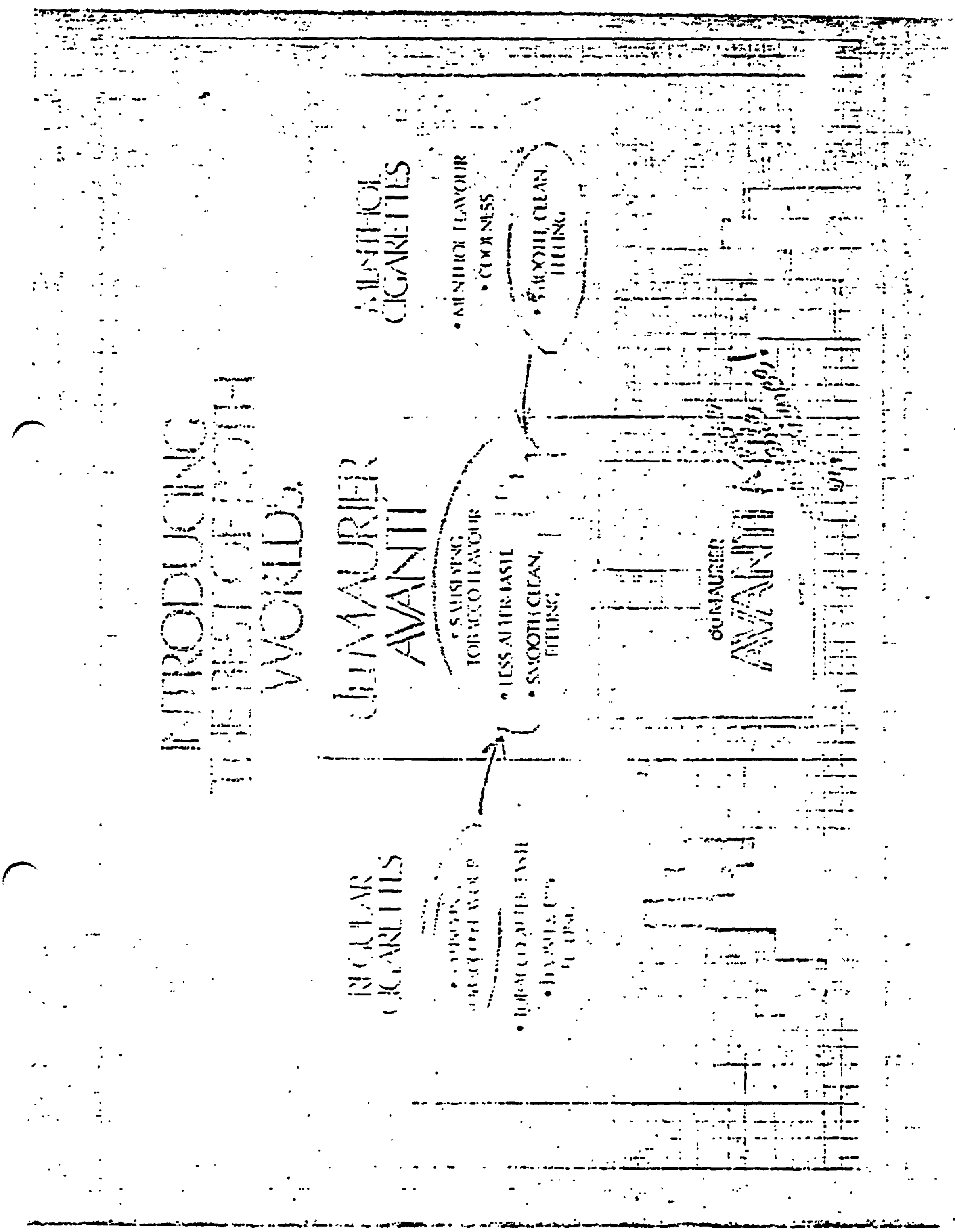

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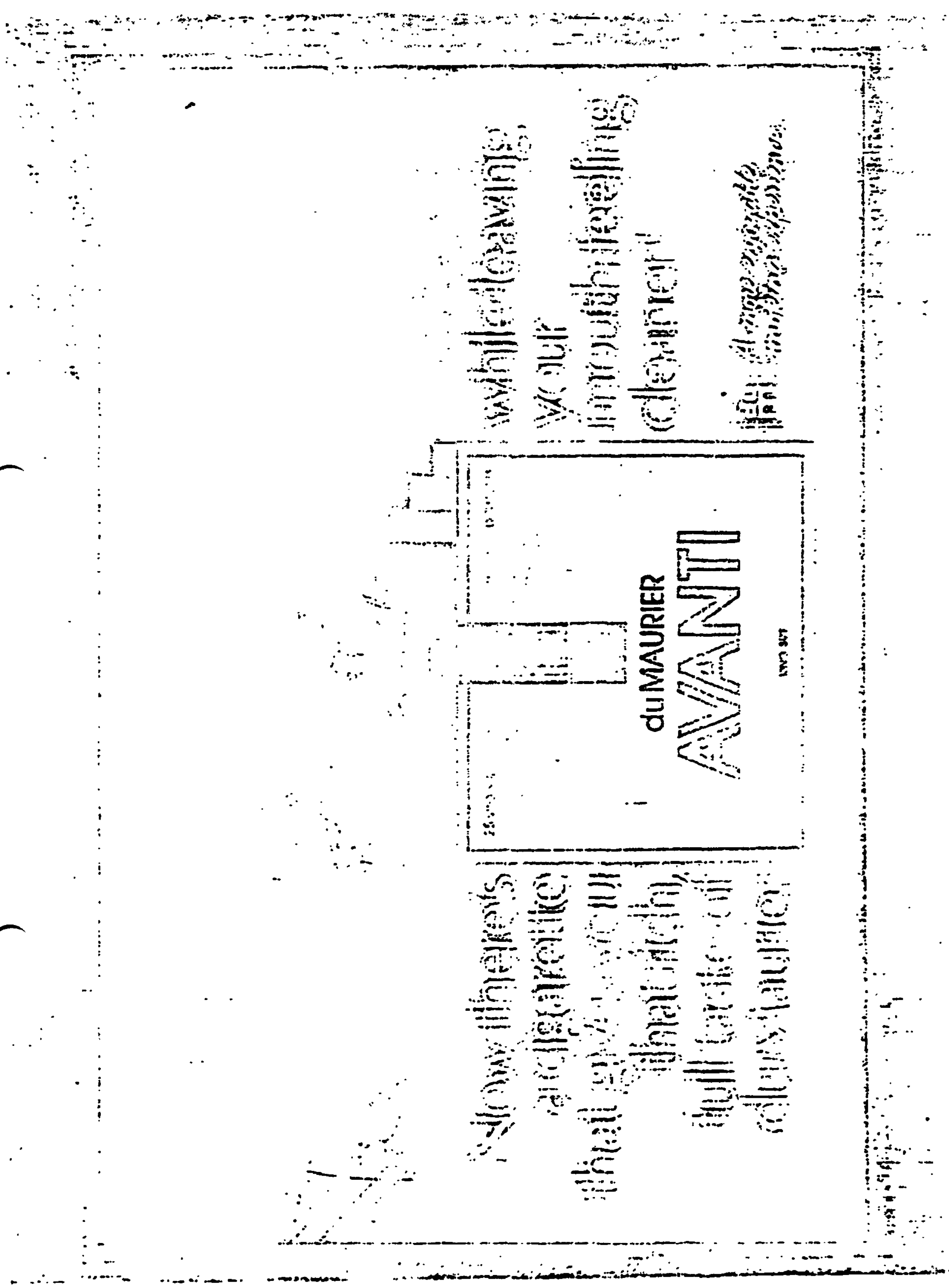

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The following was required of any potential products:

1) A reduction on some scale of the side effects experienced by smokers.

2) Good tobacco taste.

3) Absence of identified menthol taste at the beginning... and over time.

We have learned that in a purely qualitative sense:

1) The use of detectable levels of spearmint is not viable.

2) The use of obvious levels of <u>conventional</u> menthol is not viable.

3) The use of "low" levels of menthol can achieve perceived product benefits in the area we are looking for provided the level does not mask the smoking pleasure - real tobacco taste - of the product.

4) While some respondents may be able to detect a low level of menthol, others may not.

5) A modified recipe (i.e. an A.M.B.) might enhance the smoking characteristics sufficiently to permit a low level of menthol to achieve certain sensorial improvements.
(If you boost the smoking experience, you have greater latitude in allowing menthol to address irritation and harshness (aftertaste)).
This may be more difficult to achieve with a conventional flue-cured cigarette.

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6. We must be very careful as to what is done with the smoking satisfaction side of the equation.

7. "Crawford" product candidates cannot have a detectably non-tobacco pack aroma or sidestream.

8. Some of the test cigarettes were perceived by the respondents to be dry/stale and have a fast burn rate. It remains to be determined if this was a function of the menthol load or the cigarettes themselves.

9. When menthol levels are at the "sub-threshold level", respondents appear less likely to identify sensorial improvements in aftertaste and/or harshness than when menthol levels are at/or around a threshold level.

The project remains in active development. Its fate is currently in the hands of R&D who are working towards reasonable product alternatives.

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