



B.A.T (U.K. and Export) Limited
Woking

TO	DAVID NEWBERRY	FROM	DICK BRETNALL
	cc: C Costa R Ward - Imperial Tobacco		
REF	RB:canada/pae	DATE	18th May 1992

CANADA - DUTY FREE

I had the chance to have an outline discussion with Richard Ward on Monday 11th May with the following points arising:-

1. Launch - December 1992 - to catch commencement of winter holiday travel and in advance of the 1993 summer peak travel. This year's peak season has been missed.
2. Target Outlets
 - (a) Airport Duty Free Shops:
 - Montreal - Mirabel - Operator - UCS
 - Toronto T1 + T2 - Operator - Allders (- 0FS)
 - Vancouver - Operator - Allders
 - Toronto T3 - DF Shoppers
 - Calgary - DF Shoppers
 - (b) Border Shops - US/Canada - British Columbia - 4 outlets
(Ontario - 5 outlets)
3. Pricing

Current Imperial list price Canadian: \$7.18 per carton. Possibly no price increase this year.

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4. Trade Deals

Allders - Participation Allowance 6%
UCS - \$1.26 per carton
DFS - ??

Ideally reduce invoice price by 10% for first month to gain distribution. Only way to obtain shelf presence will be to incorporate brand within existing Imperial trade deal. Therefore Imperial would have to reduce their space to accommodate.

5. Merchandising/Promotion

None apart from presence on shelf as noted in item 4.

6. Labelling Requirements

A further change to requirements is currently being negotiated between manufacturers and Government. Attached as an Appendix. Possibly requirement for special tear strip will be removed due to revision of duty free markings on pack carton.

7. Launch Volume

Hard to estimate. Better for BAT/KE to assess a minimum quantity for distribution to selected outlets than make judgement.

8. Other Points

- Final financial package would/could be influenced by reciprocal arrangement being made for Imperial by BAT/KE in Europe. A quid pro quo!
- Current arrangement with Imperial for domestic launch is 10% off invoice.
- Other costs to be considered - internal freight and bond-transfer transactions.
- R Brentnall recommends that brand is incorporated fully into Imperial's brand portfolio to increase benefit from Imperial's strength in Duty Free.
- Launch only the parent version - Filter Kings - at outset to establish brand and assess potential. One product could be accommodated within Imperial's existing agreement. Range extensions would have to be gained at the expense of competition and therefore on the strength of the parent's performance.
- Project can be progressed when R Ward attends Caribbean Distributors' Conference at the end of May and his visit to UK planned for the end of June.

J Crane

pp R BRENTNALL

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