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GROUP RESEARCH CENTRE	
Date:	- 3 DEC 1982
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Dear Martin:

Nice to be in touch with you again. I hope that you'll be able to provide a little insight into this new ground for us. A quick review of how we got where we are:

1. The project - Crawford - began with the objective of improving our share of switchers moving from non-menthol to menthol cigarettes. Menthols are just under 7% of the Canadian market, grew through the first half of the 70's and then began to decline - slowly - when we introduced options that were numerically "safer" and less irritating - two of menthols' primary attributes thanks to their previous medicinal perception. Cameo - ours - is one of two major trademarks in the segment with a family share of 2.5. We successfully introduced an 11 mg extension in 1975, but have not supported the trademark for the past three years. Within the past year, our competitors in their anxiety to introduce every possible length, packing, etc., started including 3-4 mg menthol members in their launches and this segment grew to about 1.3 share. Cameo's share of switching to menthol products (a smoker movement that has stabilized at about 0.5 share of smokers a year) began eroding. This switch-in goes in thirds to three "nodes" - one third to around 15 mg, one third to around 11 mg, and one third to around 4 mg. Ah, says we, a 6-9 mg Cameo while not developing large gross share would develop profitable net new business. So we decided to freshen up on our knowledge of menthols.

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2. Menthols, we found, in preliminary quantitative among current and occasional users, was more positive a phenomenon than we had expected. They were pleasant, providing perceptions of oral freshening and reduced irritation, and they remained tied in smokers' minds with loose smoking and health benefits. Non-menthol smokers, we found, rejected menthol essentially on elements of taste. This was a little confusing in light of the fact that Herb suggested his panel could not characterize menthol taste; however, it appeared to be supported by experimental exposure of a spearmint flavoured product and the subsequent positive response as well as the positive response to Northwind ads which promised coolness sans taste. We decided that, given the extent to which certain menthol attributes were cited as positives, and the extent to which their limited performance appeared to be restricted by one attribute (taste), there might be more here than a simple extension to an open tar level.
3. Brown and Williamson kindly consented to open their Marketing and R&D people to us. The review of Kool (because the burning question became how menthols got to be almost one third at the U.S. industry) pointed out two very valuable things. First, menthols (and Kool in particular), during their early growth in the 60's, were positioned as options for smokers who experienced non-health related problems with their cigarettes - irritation and "taste/satisfaction" problems (which our researcher has called "cosmetic" problems). Second, that there is a real difference between their menthols and ours in their concept of product "balance". Their cigarettes equilibrate tobacco and menthol effect. Ours provide virtually no effect other than those specific to menthol. We hypothesize that smokers' complaints with "taste" in menthol probably referred more to elimination of tobacco taste as opposed to any problems with the elusive taste of menthol itself.
4. Our next, most recent wave of quantitative probed non-menthol cigarette smoking problems and alternative tastes. We found that, qualitatively, Canadian smokers do have real problems in terms of these cosmetic effects - yes - irritation and an avalanche of complaints with respect to aftertaste. Again, the problem with menthol was taste. Alternative flavours

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masking the taste had a good deal of curiosity value, but for exactly the same reasons menthol is restricted in potential - masking - stood a severe limitation in terms of long-term potential if, indeed they ever got past the stigma of "fadish queerness".

5. The image study you helped us with provided a startling corroboration of these cosmetic problems. We isolated two components - an attribute importance rating for irritation, and an image dimension on aftertaste (quality not quantity).
- Thirty-seven percent (37%) of Canadian smokers claim that it is extremely important that their cigarette be less irritating than other brands.
 - Twenty-eight percent (28%) of smokers, in terms of ideal product development, moved their own brand rating towards good (versus poor) aftertaste.
 - Eleven percent (11%) (combining the above two) said less irritating was extremely important and wanted improved aftertaste.

Within this 11% of all smokers we took a few more breaks:

Other salient attributes:

	Importance		Quite	Very	Extremely
	Not at All	Not Very			
Rich Tobacco Flavour	8%	17%	25%	25%	25%
Satisfying Cigarette	4%	6%	15%	21%	54%
Low Tar	6%	11%	10%	14%	59%

Other own ideal image ratings (9 point scale):

(9 end label)	Own	Ideal	Change
Lots of Taste	6.75	7.54	+0.79
Strong	4.50	4.04	-0.46
Satisfying	7.23	7.92	+0.69
For Health Cons. People	5.45	6.59	+1.14
Good Aftertaste	5.01	8.20	+3.20

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The overwhelming preference for improved aftertaste over other possible improvements is dramatic. The combination of this improvement with the high ideal ratings of satisfaction and taste tends to support the U.S. concept of balance. Irritation, as a perceptual rating, for a reason I have yet to dig out of Research Department, was probed only in terms of attribute saliance. We have considered the possibility that "better" aftertaste is just one of those motherhood statements to which a smoker can do little else except ask for improvement. Not so - of all those smokers who claimed less irritation was important, 70% left ideal ratings equivalent to own ratings or reduced them.

Demographically, this group (11%) is not skewed in any direction. If anything, it is slightly older and female. Within the two phenomena, irritation is slightly older and aftertaste is slightly younger - but not enough that either one is not a major phenomenon throughout the smoking population. I combined the two to put the maximum restrictions on the group. In smokers' minds they appear to be related only when present concepts that link them.

Interest in improvement is not skewed to any given tar level or product type.

As a final point, when looking only at those 28% of smokers seeking aftertaste improvement (regardless of saliance for less irritation):

	<u>Own</u>	<u>Ideal</u>	<u>Change</u>
Lots of Taste	6.88	7.61	+0.73
Strong	4.94	4.43	-0.51
Satisfying	7.30	7.95	+0.65
For Health Cons. People	4.93	6.37	+1.44
Good Aftertaste	5.10	8.10	+3.00

Irritation we can understand. Aftertaste is a curious new twist.

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Page 5
Mr. Martin Oldman
November 24, 1982

Putting all of this together, we assume, at this point, that current menthol products eliminate a substantial number of negatives. Unfortunately, this menthol hit list appears to also include taste, at least as we formulate the products. Presumably, current Canadian menthol smokers are smokers for whom tobacco taste is not a significant priority in terms of attributes. At present, the concept appears to suggest we need a product which selectively eliminates or reduces irritation and aftertaste while letting "tobacco taste come through". Whether it is menthol or not is up to the R&D people.

Our next logical step would seem to be to present smokers with the concept and representative products and get a quantification of potential strictly on this presentation, as opposed to ideal products and attribute importance. We run into a little problem with aftertaste. Experimental products, concept phrasing, etc. brings very much to the fore what aftertaste is all about.

And so we turn to you. I would appreciate anything you might be able to tell us on the subject. For example:

1. Have you encountered significant levels of desire for after-taste improvement? Is it physiological or is it more flowering of smokers' reactions to increasing antismoking pressure? Or is it just a motherhood response or something else?
2. What do they actually mean by aftertaste? Is it really a taste left in the mouth? Or a sensation of tasteless residue? Over what smoking period?
3. What does aftertaste improvement mean? Elimination or qualitative improvement?
4. Anything about specific tobacco blends, tar levels, etc. that increase the "problem"?
5. Anything about menthol or other blends/substances that reduce the "problem"?
6. Etc.

It is, you can imagine, difficult to be specific in an area we know little about. Anything you can provide us with will really be appreciated.

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Page 6
Mr. Martin Oldman
November 24, 1982

I have included specific documents that outline, in more depth, the project's background. If there is other information or fleshing out you would find useful, please let me know.

Thanks in advance.

Best personal regards.



Robert Bexon
Marketing Planning Associate

RB/rm

cc: W. Knox
W. E. Sanders
Enclosures

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