

PROJECT CRAWFORD

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This paper reopens the exploration of mild menthols last considered in project MEMO.

A number of things suggest that our position in the menthol segment is deteriorating more rapidly than we thought it would when we decided to withdraw active support from the Cameo family.

1. Cameo Extra Mild is not a significant recipient of menthol to menthol switching - even from its parent.
2. We can expect it to fall prey to an increasing level of switch-out to milder (3-4 mg) alternatives.
3. The brands' ability to attract non-menthol smokers switching to menthols has eroded severely at a time when a sound position around 10 mg is increasingly important.
4. It cannot represent our interests with smokers looking for a menthol brand below 10 mg.

Over and above Cameo's weakened position, two things cause us to reopen the possibility of actively marketing menthols.

First, there is some evidence to suggest that menthols may have weathered the initial storm of the "lights" - switching into the segment has been virtually stable for 1980, 1981 and 1982. Switching out of the segment has declined over the same period. The switch-in includes a small, but increasing level of starting. Even at its current rate of decline, the segment will be around for a long, long time.

Second, the successful distribution of several (Viscount, Craven M Special, Accord, Vantage Lights, Select) 3-4 mg products has opened the under 10 mg segment to a point where a "well-executed" I.T.L. option below 10 mg could be successfully and profitably held in distribution - about .5 gross share with half of this net new in the first year.

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OBJECTIVES

Every indication suggests that the "gap" is at a 6-9 mg level. Initially, this will not narrow the scope of the options we will consider. The development of net new business depends on successfully offering the best bank of alternatives to smokers switching into menthols.

The objectives for this project are therefore:

- ✓ 1. To explore various positionings of existing and potential new Cameo options to ensure we have relevant alternatives for smokers wishing to switch to menthols at all major T/N entry levels.
- ✓ 2. To ensure that we have relevant alternatives for +10 mg menthol smokers looking to switch down within the menthol segment.

Unless it becomes apparent that the trademark itself is a major liability, our consideration will focus on options that are either direct derivatives or bear strong endorsement by Cameo.

POTENTIAL FOR OPPOSITION ACTIVITIES

Except for one scenario, it is unlikely that we face any significant threat from opposition entries over and above the death of a thousand cuts they are currently administering to Cameo.

The most serious contenders under 10 mg are:

1. An extension of Vantage into menthol with its ability to deliver tar perceptually below 10 mg and "taste" actually above 10 mg and with its potentially less female positioning relative to other menthol options (and with their new personnel who are well schooled in menthols).
2. A Merit type concept with a menthol addition - the potential for this depends on whether you think B & H have their version of Merit in Accord.
3. A Craven 'A' Ultra Light Menthol which would probably fail.

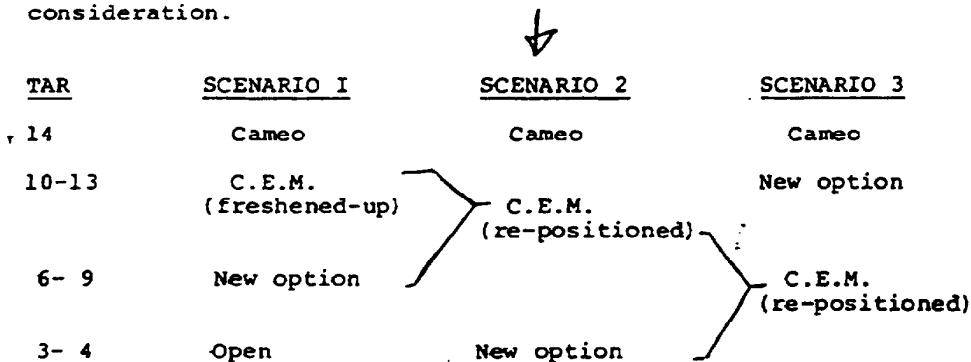
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The real threat lies in being beaten to the 5-10 mg positioning by Vantage, but an opposition move into this space is not considered imminent. The business potential, however, is fragile enough that successful introduction would cause us to significantly reevaluate this project.

POSITIONING OPTIONS

Because Cameo parent controls switch-in to upper delivery menthols any modification to this brand be minor and cosmetic. The exercise will concentrate on positioning from 11 mg down. Because of the size of this area, it is likely that we will require two entries - one of these will be Cameo Extra Mild.

There are three scenarios that make sense for active consideration.



The criteria for defining the most appropriate option will be:

1. The present status of Cameo Extra Mild - whether it is flexible enough to shift quickly to a significantly lower T/N positioning - whether its current franchise would buy this - whether its image is relevant enough to succeed at a lower delivery level in spite of its apparent weakness at 11 mg - whether it requires only modest changes to revitalize it at its present delivery position.

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2. The potential for success as a 6-9 mg vs. as another 3-4 mg (knowing that good 6-9 mg positioning may leave 3-4 mg as an ace up our sleeve for the future).
3. The overall state of health of the Cameo name vs. its competitors - whether its image is presently "vibrant" enough to sponsor an extension which leads to:

Endorsement

✓ At least two levels of endorsement, direct extension and endorsement only will be explored. Direct extension would reflect the current Cameo heritage with the fidelity Cameo Extra Mild reproduced Cameo whereas endorsement should explore overall (name, colours, graphics, etc.) difference holding only the name Cameo constant.

Length

|| The hundred millimeter length is more prominent in the menthol segment (10%) because of the female profile. The member of the family fingered as the representative in the 6-9 mg slot should explore the possibility of both K.S. and 100's.

Mentholation

Although they have probably lost the advantage of perceived safety menthols have retained the characteristic of providing relief from various undesirable effects of smoking non-menthol cigarettes.

|| This characteristic still attracts 10% of non-menthol smokers a year to "occasional use." The benefits of the cure (coolness, astringency) are outweighed for a large number of these smokers by the cloying taste. Even menthol smokers who presumably like the taste of mentholation discriminate on level and mentholation. In 1977 indications were that a substantial number of them found less menthol taste desirable.

← The offer of a milder mentholation/different taste should be fully explored.

→ be aware that mentholation level decreases rapidly on the shelf.

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Image

The potential to enhance our competitiveness against other menthol brands by adding image positioning attributes that are different/better should be explored. The central postures should be:

1. Modernity - During the development of Cameo Extra Mild, outside of product considerations, the single biggest advantage Craven 'M' had over Cameo was that it was seen to be more contemporary/modern/up-to-date. Given the fortunes of the Craven family in the market today vs. 1976 developing this posture for a Cameo derivative may give us a substantial leg up.
2. Taste - There are indications that mentholation may mask the ability of smokers to discriminate on tobacco delivery. A possible position to take advantage of this feature combined with the effect of mentholation is a "more taste" offer to new low tar smokers.
3. Purity/whole sameness vs. refreshment - Despite the fact that mentholation is an addition to cigarettes, they have a perception as purer/cleaner in spite of some concerns expressed about the possible harmful effects of the menthol itself. In the age of granola, it is possible that this might be parlayed up to the Perrier posture. The fact that it is less "pure" tobacco need not be a liability. Herbal Essence shampoo successfully evolved a less pure product into perceived purity based on the experience involved in use.
4. Androgeneity - Menthol products are perceived female, but 30% of users are males presumably locked into feminine trademarks by default. Forty-five percent of occasional menthol usage is male. A less overtly female position may still satisfy females and better attract current and potential male users.

NEXT STEP

It has been more than four years since we last spoke specifically to menthol smokers (and at this time, C.E.M. and particularly Craven Special Mild, the only two brands to break the "light"

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barrier, were relative babes in arms). It has been five years since we approached menthol smokers with concept probes.

It is recommended that this initially large matrix of options should not be refined further until some preliminary research can be executed.

This research should evaluate:

- ✓ 1. The current image of Cameo and Craven 'M' trademarks vs. both menthol and non-menthol smokers.
- ✓ 2. Perceptions of existing milder (3-4 mg) products - motivations for use.
- ✓ 3. Exploration of the existence of a space at 6-9 mg.
- ✓ 4. General perceptions of mentholation - taste - physical effect - levels - other tastes appropriate.
- ✓ 5. The relevance of the outlined image postures to menthol brands and specifically to Cameo.

Following this initial probe a firmer positioning will be isolated and a brief written.

RB:PC

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