

Tobacco business comes back

'Light' gives firms new life

By PETER MADEKEL
of The Gazette

Carole Langlois ripped the cellophane wrapper off a fresh pack of du Maurier Special cigarettes and glanced at the fine print on the package.

The Place Victoria secretary had just purchased one of the 40-odd "light" cigarette brands that have taken over 40 per cent of the Canadian tobacco market since they appeared in 1976.

Surveying the 13-milligram rating printed on the pack, she said: "I switched to this brand about six months ago because I liked the lighter taste."

Langlois is one of an estimated 3 million Canadian smokers who have made the switch to light cigarettes. She's part of a new consumer trend breathing life back into the \$3.2-billion Canadian tobacco industry.

After reports linking smoking to lung cancer hurt business in the mid-1970s, profits are up and competition fierce among the major Canadian cigarette manufacturers.

Lending the pack is Montreal-based Imperial Tobacco Ltd., maker of such familiar brand names as Player's, du Maurier, Cameo, Peter Jackson, Matinee and Medallion.

After watching its market share slide from 34 per cent in 1960 to 37 per cent in 1975, Imperial has turned its fortunes around by riding the rapid take-off of the light cigarette market. The firm was first off the mark with the new lighter brands, says Paul Pare, chairman and chief executive of Imperial's parent company, Imasco Ltd. of Mont-

45% share

Imperial has now laid claim to 49 per cent of the \$7 billion cigarettes sold in Canada.

That puts it well ahead of Toronto-based rivals Rothmans of Pall Mall Canada Ltd., which holds about 24 per cent of the market, and R.J.R.-Macdonald Inc. with 18 per cent.

Running fourth, but threatening to challenge, is Benson & Hedges (Canada) Ltd. of Montreal, with 11 per cent.

The secret of Imperial's success is good marketing, says Thomas Law, tobacco analyst with Nesbitt Thomson Boagard Inc. "Back in the 1970s, Imperial recognized that people would start to compare the tar and nicotine ratings on the packages and shift down to lower tar content."

"Imperial quickly occupied that market before their competitors with brand extensions like Player's Light" (which recently became the top-selling cigarette in the country with a 9.4-per-cent market share.)



Gazette, Richard Arnes, Jr.

"Everything starts with good market research," says Imperial's Wayne Knox.

But, ironically, the companies themselves admit that the "light" term is only relative. At 14 milligrams, Player's Light is still a strong cigarette, although lighter than its parent Player's filter brand, at 17 milligrams.

Nor is there any medical evidence proving that lower tar and nicotine content reduces the health hazards associated with smoking. Yet specialists like Imperial's director of marketing, Wayne Knox, say smokers are demanding a wider choice of cigarettes spanning the whole range of tar content and the companies are simply responding to those demands.

"We don't address the health issue at all," he said.

Knox, a hard-working 40-year-old with 14 years' service at Imperial, is given credit for much of Imperial's success in light brands, along with vice-president of marketing Wilmat Tenynsoo, a former president of Rothmans.

Knox is an articulate professional with a wry sense of humor. Said one colleague: "He probably knows more about cig-

arette marketing than anyone else in the country."

Knox said there are several factors behind Imperial's recent drive to the top. "We have good credible trademarks that mean things to people. We make incredibly good-quality cigarettes because we spend \$25 million on quality control. And we have hard-working dedicated people in management."

But the biggest single factor is "the depth of our knowledge of the market," he said. That research not only gives Knox a head on the typical du Maurier smoker and what makes him different from the guy who buys Player's Light, it also gives him a powerful advertising bold on the consumer.

"Everything starts with good market research," he said. "In North America, there is an incredible amount of consumer choice available. Whether it's cigarettes, beer, cars or radios, the market is very fragmented."

"We're in the trademark business. What counts is the recipe, the package, the name and the image of the brand."

"The package of cigarettes you carry around with you says a lot about either the person you are or the person you want people to think you are," said Knox.

"You don't see what kind of toilet paper people use or the chocolate bars they eat at home. But cigarettes are a very personal product. You carry them around and use them 20 to 25 times a day, often with other people."

One result is that brand loyalty among cigarette smokers is stronger than for almost any other consumer product. But it's not strong enough to keep gradual shifts out of the market.

Six years ago, full-flavor cigarettes like Imperial's Player's and Export A (made by competitor R.J.R.-Macdonald Inc.) still were leading sellers while light cigarettes were not even on the scene. Today, the "strong" cigarettes are in decline while Player's Light has come from nowhere to capture top spot.

The trend has been slower to develop in Quebec, said Knox. Traditionally, French-speaking Quebecers have had different

brands available and do not have the same degree of exposure to U.S. advertising as their English-speaking counterparts.

"Acceptance of light cigarettes in Quebec has been less. But boy, are they ever catching up fast."

Surveying an array of packages on his desk at Imperial's St. Antoine St. W. headquarters, Knox described some of his marketing techniques.

Player's filter cigarettes appeal to predominantly young males, he said, who are slightly older and more mature than those who smoke the competing Export A brand, which Knox called "a macho, truck driver's cigarette."

"We need to say that when you start smoking, you choose Export A because it really shows how tough you are. Then, when your acne clears up, you move to Player's. You start making more independent choices. You want something a little less strong and more refined."

"That's why we advertise Player's as 'a taste you can call your own.'"

The taste of Player's

By contrast, the Player's Light smoker is also a young male "who likes everything suggested by the name Player's and can get all of that in a slightly lighter product."

As the slogan says: "Enjoy the taste of Player's in a milder cigarette."

Imperial has launched nine different light brands since 1976 and each have been a success, said Knox. That compares with an average success rate of 20 per cent for most North American packaged goods.

Imperial's sales for the first six months of 1981 increased 19 per cent to \$549.3 million, while operating earnings were up 29 per cent to \$73.7 million.

In the year ended March 31, 1981, Imperial's operating income totalled \$123 million, by far the largest share of the \$153-million income registered by parent Imasco Ltd. While Player's Light is a big contributor to those profits, the du Maurier family enjoys continued success as well.

In Knox's words, "It's the classy brand in the market. That's portrayed in the product and in the lifestyle by our advertising: 'For people with a taste for something better.'"

"The du Maurier smoker is not as young and not as male. Similarly, the Peter Jackson smoker is older, more mature and more interested in classier, sophisticated kinds of things."

Rothmans girding to fight back

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online ratings on the packages and shift down to lower tar content.

"Imperial quickly occupied that market before their competitors with brand extensions like Player's Light" (which recently became the top-selling cigarette in the country with a 7.4-per-cent market share.)

Marketing analysts say the move to light cigarettes parallels similar consumer preferences for light beer, light food and white wine.

"It's not so much that people are more conscious of health and fitness. It's just a greater preference for light products," said one cigarette company marketer.



PAUL PARE
Imperial first

Rothmans girding to fight back

Since cigarette advertising was banned from radio and television in 1971 under a government-industry agreement, Imperial Tobacco and its competitors have had to rely on print media and other forms of promotion such as sponsorships to reach the public.

Imperial this year sponsored golf events such as the Peter Jackson Canadian Open and the Peter Jackson Classic for women's golfers. It also backed the Player's International Tennis Championships for men and women. It's an expensive way of keeping the company's profile high.

But Imperial's competitors are not taking its recent successes lying down. Its main rival, Rothmans of Pall Mall Canada Ltd., is ready to fight back.

Rothmans' chief executive, Robert Hawkes, told *The Gazette*: "We've traditionally been a king-size brand company. For us, it's a question of persuad-

ing people of the advantages of staying with king size. We think it's a better product."

The firm, whose major brands include Rothmans, Craven A, Dunhill and No.7, had sales totaling \$419 million in the year ending March 31, 1981, but tobacco analyst Thomas Lyle said Rothmans has been showing little growth recently.

Stagnant share

Hawkes admitted the company's market share has been stagnant. Rothmans king-size remains the company's best-seller at around 8 per cent of the market, appealing to what Hawkes calls "sophisticated" consumers who are "more sophisticated than a Player's Light smoker and over 25 years old."

Rothmans is also available in "extra light" and "special mild" versions, although the firm was late getting into the light field.

Ironically, it was Rothmans that got the jump on Imperial

when filter cigarettes hit the scene in the 1960s. Now that light cigarettes are the rage, the situation has been reversed.

Yet Hawkes is not convinced the light cigarette is here to stay. He said studies in the United States show young smokers now switching back to stronger brands such as Camels, adding that the same thing could happen here.

"People are saying, 'I'm looking for enjoyment and that's where I'm going to get it.'"

Rothmans' efforts at carving out new markets are hampered by what Hawkes calls "the high cost of launching a new brand these days." Most companies prefer to launch "brand extensions" rather than spend heavily on the advertising and promotion needed to start a new brand.

Bucking trend

But one company that is bucking the trend is Benson & Hedges (Canada) Ltd. A company official told *The Gazette* that Accord, a new brand launched last year, "is probably the most successful new trademark in Canada in several years," with a market share approaching 1 per cent.

"It's the first ultra-mild product with a real tobacco taste," said the Benson official.

The brand's success has encouraged Benson, with a total market share of 11 per cent, to move more aggressively into the light cigarette field. Its current best-seller, Mark Ten, has not been growing much lately.

Meanwhile, the other major cigarette manufacturer, R.J.R.-Macdonald Inc., with 18 per cent of the market, is trying to branch out from the successful Export A family by pushing light brands such as Vantage.

Fursand Leclerc, a Macdonald public-relations official who previously worked on the marketing of Labatt Light beer in Quebec, said Vantage is "a product aimed at the more urban, more reflective and introspective smoker."

The most dramatic for the cigarette smoker's dollar shows an eight-cent drop. In fact, the Loblaw supermarkets chain in Ontario this year began selling some cigarettes at 30 cents for a pack of 10 king-size cigarettes.

That compares with up to \$1.65 in Quebec for a pack of 25 king-size cigarettes.

The no-name brand is manufactured by Benson & Canada Ltd., a small, non-union company in Louisville, Que.

Whether it's just a puff of smoke or a potential threat to the leading brands, the no-name gimmick is the latest sign that tobacco manufacturers are looking for every edge they can get in a highly competitive market.

— Peter Hackett

The best-sellers

Following are the 10 best-selling cigarette brands in Canada and their market share in the six months ending November, 1981, according to data compiled by the Canadian Tobacco Manufacturers Council (CTMC) and made available by Imperial Tobacco Ltd.

1. Player's Light regular: 9.4 per cent.
2. Export A regular: 9.38 per cent.
3. Player's Filter regular: 6.59 per cent.
4. du Maurier regular: 6.37 per cent.
5. Rothmans king-size: 6.33 per cent.
6. du Maurier king-size: 5.81 per cent.
7. Craven A king-size: 3.18 per cent.
8. Rothmans Special: 2.58 per cent.
9. Craven A regular: 2.32 per cent.
10. Matinee Extra: 2.29 per cent.

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