

File Canada

FROM/DE Wilmat Tennyson

TO/A Mr. R.M. Gibb

May 4, 1982.

Re: KEITH KILBURN PAPER

Agreed, a great deal of work went into the preparation of this paper and the thoughts put forward are provocative.

While one may disagree with some of the suggested consumer needs of the future, and products suggested for development, this does not distract from the overall value of what was presented and I think that Alan Heard is right in taking this seriously.

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However, it would seem that some aspects, which are given mention, should really be of lesser immediate concern to us (ash, falling coals, environmental problems, fire risk, side stream, etc.).

Nor do I feel that novel products (foreign flavours, spices, non-burning cigarettes, self-advertising packs, etc.) are going to alter our fortunes materially. We are tobacco people, producing and selling tobacco satisfaction (actual and imagery).

Neither would I like to see us diverted into seeking solutions in pharmaceutical alternatives; it is not our business and we will be abandoning our craft.

Be this as it may (and who am I in the scheme of "things B.A.T." to judge?); of real immediate concern is the following:

The Canadian experience appears to indicate that there is a barrier of taste dilution beyond which the overwhelming portion of smokers simply will not go. Beyond that, we find only peripheral exceptions (much like the persistent 72 mm plain smokers at the opposite extreme). Of course, this barrier differs from one country to another (it is lower in the U.S. where casing and top flavouring is prevalent, higher in the "pure Virginia" market of Canada).

The Canadian market also appears to indicate that this barrier might be influenced by the consumer's end price (prices and taxes in Canada escalated in unprecedented fashion over the past 18 months, and, suddenly, the movement downward slowed down to a marked degree).

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Could it be that the smoker makes a cost/benefit judgment:

MINUS

- (a) health concerns
- (b) social acceptability
- (c) monetary cost

PLUS

- (a) real tobacco satisfaction
- (b) imagined satisfaction
(brand image)

and is it possible that when the price reaches a certain level, he will override health concerns (low delivery products) and opt for value for money (higher deliveries)?

It would seem to me that the process by which the smoker makes this value judgment, and how he exercises it, is of vital importance to marketing people.

Both at the Federal and Provincial levels, bankrupt governments have now indexed tobacco taxes to the C.P.I., and, in addition, we are asked by our masters to produce a return on assets employed at the rate of inflation plus productivity improvements. Taxes and manufacturers' prices will very soon have a pack of 20 cigarettes at \$3.00 and there is no telling where it will be in 1987!

My problem is not zero deliveries, ash or falling coals; the question is when will the smoker rather opt for withdrawal pains, if the monetary cost element continues to add to his already existing health/guilt/social acceptance problems.

Alternatively, starters seem to be able to overcome health/social acceptance barriers and the rate of starting appears to remain constant. But when will monetary cost, added to the foregoing, preclude starting?

Parallel to this is the problem of social acceptance: is there a corollary between personality types and sensitivity to social acceptance? Once we know, we can try to find out how to bolster the "weak" and support the "strong."

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While not attempting to take anything away from the Kilburn paper, I am giving expression to some very deep concerns (more so than I ever was concerned about health or social acceptance).

I think that we are long on technology (present state of the art) but short on psychology, and this is where I see us coming a cropper. Similar abilities to that of a Kilburn should also be directed to:

"What will people do if ?"

rather than only to:

"What are the alternatives to the present-day product?"

Of course, one is not exclusive of the other; but my problem seems to be more urgent!

I would be grateful for your advocacy in the halls of decision!

WT:pf

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c.c.: Messrs. W. Knox
B. Sanders

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