

CYTREL[®] NEWS REPORT-3

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This third issue of the Cytrel News Report brings to the public the latest developments since the introduction of cigarettes containing tobacco supplements in Britain six months ago.

There has been considerable speculation that this new development in the modification of tobacco products has been disappointing. However, now that the initial blasts of publicity—for and against tobacco supplements—are over, the tobacco industry has been analysing the results of its efforts. It is clear that the rate of success has been less than originally anticipated; nonetheless, there are signs that some of the twelve new brands launched last July have established a firm position in the market, which will provide a base for continuing long-term growth.

Brand leader is Rothmans International's Peer Special, which contains Cytrel Tobacco Supplement. Gallaher, with its Cytrel-containing brands, Silk Cut, has also strengthened its position among low-tar smokers. While the advertising and marketing efforts in the UK for cigarettes containing supplements have been subject to criticism, no fault has been found with Cytrel Tobacco Supplement, Celanese Corporation's product, which is being used in many of these new cigarettes.

In the emerging tobacco supplement sector of the market it is estimated that cigarettes containing Cytrel have captured some 50% of the market. Peer Special cigarettes account for about 25% of the tobacco supplement market in the UK.

During the last three years sales of cigarettes containing Cytrel in West Germany, Switzerland and the United Kingdom are in excess of one billion units.

On the Market Only Three Months, Cigarettes with Tobacco Substitute Take 2% Share of British Market

By Michael F. Barford (*United States Tobacco Journal*, November 3, 1977)

LONDON. Popular newspapers in Britain are black with lurid stories about major tobacco manufacturers making a bonfire of synthetic-blend cigarettes which the public will not buy. But this story, in its more extreme versions, is as synthetic as the press ballyhoo which accompanied the launch in July of 12 cigarette brands containing non-tobacco smoking materials.

The plain facts are that the new type of cigarette has secured about two per cent of the British market, and that is a substantial achievement in only three months—the more so as it was achieved in the face of considerable discouragements and obstacles.

There were miscalculations by the three largest manufacturers in Britain—Imperial, Gallaher and Carreras-Rothmans—whose excitement over finally getting official permission to market cigarettes in which real tobacco was blended with man-made materials led to initial over-production of the new products. The Wills branch of Imperial is now arranging to burn about 100 million synthetic blend cigarettes which are in excess of market demand. Other manufacturers may do the same with certain surplus stocks.

The reason for destroying these cigarettes is technical. The tobacco from surplus all-tobacco cigarettes can be salvaged and re-cycled, but no one has found a satisfactory way of separating synthetic smoking material from a tobacco blend. The total loss in destruction of surplus stocks may run to about \$2 million.

At launching time, some 1,000 million cigarettes containing NSM (made in Scotland by associates of Imperial) or Cytrel (made in the US by Celanese for Gallaher and Carreras-Rothmans brands) were in the trade pipeline. Smoker awareness that something new had happened was high. Millions of packs were bought out of curiosity and initial sales reached at least three per cent of the cigarette market. But public acceptance, once the initial excitement had died down, settled at a level lower than marketing men had been predicting earlier this year. Nevertheless, a two per cent market share, if it can be

sustained, is not the flop which the popular press talks about.

Some manufacturers' calculations before the launch were widely over-optimistic. One could hear notions like: "nine per cent of the cigarette market within a year or two," from quite responsible levels in major houses.

Now the counter-influences are being weighed up. Four seem important. The biggest is the lack of cost appeal in the new brands. Should not something that is purely substitute cost less than the real thing? Government taxation of man-made ingredients at rates paid for natural tobacco deprives the manufacturers of the ability to give synthetic-blend products the price appeal that explained all the most successful cigarette launches in Britain in the past ten years.

A second counter-influence derives from the first. If there is no price advantage, just what is the encouragement to buy? The new brands are not particularly lower in 'tar' and nicotine than brands that achieve mildness through heavy filters, porous paper, perforated tipping and selection of blend tobaccos. A lot of smokers need more than just the magic word 'New!' in advertising.

Then, there has been official lack of enthusiasm. The Government that permitted the use of Cytrel and NSM in cigarettes also obliged manufacturers to use the damaging words 'tobacco substitutes' to describe the new ingredients on packs and in advertising. Simultaneously it financed another spasm of anti-smoking propaganda in sabotaging the synthetic blends. One dramatic series of press advertisements showed a man falling from a high London building. The legend told smokers that switching to a synthetic blend had the same fatal effect as deciding to jump from the 39th rather than the 50th floor of a building.

Natural allies of the Government's Health Education Council were the press (habitually anti-tobacco, like the press in most other countries), which started proclaiming that the synthetic blend experiment was a flop before most smokers had sampled their first packet.

A final counter-influence had been

smoker confusion. The new brands emerged at a moment when the British cigarette market was already in turmoil. They would have been more clearly visible to the smokers and their market performance would have been more transparent, if their launching had been an isolated event in a period of market serenity.

As it was, their launching was one event among several. It came at a moment when there was a big swing from smaller to king-size cigarettes; a savage price-cutting war; a concerting of prices under the influence of the Common Market cigarette tax structure; and a proliferation of line-extensions as major brands sprouted low-tar, lower-tar, with coupon, without coupon, king-size and other alternatives. The end of the no-additive rule at the beginning of this month adds a further ingredient of bewilderment to distributors and smokers.

The dust will not settle until well into next year. Then, predict the more sober tobacco observers in the trade, the surviving three or four synthetic-blend brands will be seen to have a one per cent to two per cent market share and from that point they will slowly and gradually move into better favour. A final twist of tax reform on January 1, is likely to work in favour of these cigarettes and over the long term there should be a cost advantage which manufacturers could pass on to the smoking public.

The end of the no-additive rule in Britain could also help sales of synthetic-blend cigarettes. At present their taste and aroma properties are somewhat negative but the right to use flavourings might change all that.

Those observers who are not ready to write off the most interesting innovation in cigarette manufacture for many years, on the basis of three months' market experience, point to the fact that, with a marked price advantage, filter tipped cigarettes took more than eight years to win three per cent of the British market.

They also recall, that, with vigorous prodding by the Health Authorities, low-tar brands took four years to reach the same point.

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