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Buenos Aires, April 1st, 1993.-

Mr. I.G. Hacking  
B.A.T. Co. Ltd.  
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Dear Iain:

Please excuse the delay in sending you the report on lessons learnt with the LSF launch in Argentina. Enclosed you will find a video cassette which describes the communicational activities that were carried out during 1992.

The following are the most relevant points regarding the total package, which I hope can be of use to other markets in the near future:

- 1.- Sonst Nichts has been a major advertising breakthrough. It has surmounted the brand's past, image wise and price wise. Given the correct media mix, it is the perfect language and tonality to speak to young adult urbans of high S.E.L.
- 2.- Sonst Nichts communicated core values of originality, high quality, uniqueness, self-confidence and intelligence clearly since the launch. These values are appreciated by the target consumers, and they have allowed us to establish a beach-head in Marlboro territory.
- 3.- LSF pricing must be at parity with Marlboro. If all other elements of the marketing mix provide a high quality image, pricing below Marlboro will destroy the proposal's homogeneity, thus affecting the credibility of the brand.

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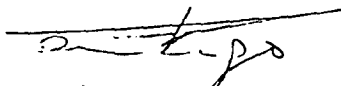
- 4.- Product quality, parity to Marlboro in our case, is essential for a long term growth. LSF target consumers cannot find any weak point in LSF, as both blind and branded, the product performs to their highest standards.
- 5.- In markets such as Argentina, where Marlboro has been the aspirational brand for years, and where at the time of launch it accounts for one quarter of the market, LSF's growth must be expected to be a very long haul. This is due to the fact that the LSF proposal is as good as Marlboro, (avoiding the "me too" area), which in itself will not be enough to get the brand off and running immediately.
- 6.- The previous point must also be coupled to N-P's Sales structure and Distribution system in Capital Federal which is insufficient to nurture new slow growth brands. With a 0.4 p.c. share of the market, LSF's coverage at point of sale is at continuous risk.
- 7.- Regarding P.O.S., it is very important in markets such as ours, in which brand visibility on the cigarette rack is poor (because packs are lying flat) to make sure that consumers can see the front face of the pack. The bull's-eye is a brand property that must be exploited, ideally based on the "eye-level/sale-level" concept.
- 8.- As a result of its past advertising and promotional history in Argentina, LSF is closely related to motorcycling. The two key points to be made regarding this issue are that Sonst Nichts does not interfere with this sponsorship, and that (especially in our market where Marlboro is based on its sports sponsorship) LSF must have a consistent activity in that area. It is the only really International activity by LSF that can be seen by Argentine consumers.
- 9.- Regarding other events such as American Day and Raymond Lowey they will have to come into the mix later rather than sooner. The reasons are:
  - a) Having TV advertising available, we must concentrate our effort and spend in that media.
  - b) There are indications that Americana in itself is not attractive to Argentine young adults in the way it is in Europe. For Argentines, "Made in the U.S.A." indicates quality product, but does not mean that they are attracted to the U.S. lifestyle.

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c) Raymond Lowey and industrial design are not top priority activities for our target consumer. Young adults in Argentina are clearly more attracted to physical than to intellectual activities. At this early stage, it will be more relevant to act on motorcycling than any other LSF related sponsorship.

- 10.- Trial generation is also a very important point for the launch. The Sonst Nichts promotional games are very effective in this sense, and putting them into practice as from the day of launch is highly recommendable. It would be interesting to develop cheaper trial systems to be carried out in between the promotional waves, in order to build trial at a lower cost per contact rate.
- 11.- The consequences of the Sales system's shortcomings stated in 6.- have been curbed by a presentation to Wholesalers in the weeks previous to the launch that achieved the objective of clearly communicating LSF positioning and expected growth. In a scenario where success is measured in terms of 2 or 3 p.c. market share within a month, this has proved to be essential, as it allows own sales force to work on a long term basis.
- 12.- Overall, Sonst Nichts has allowed Lucky Strike to achieve the desired image positioning with the objective target group. The campaign must be supported at the P.O.S. and promotions level strongly to enable LSF to capture Marlboro smokers. The motorcycling activity must be carried out as a means of leaving the intellectual terrain and therefore becoming more real-life style.
- 13.- The challenge now, at the 6 month stage lies not in the area of core advertising as Qué Más seems right both in content and weight. It lies more in:
  - a) Make the brand look bigger: permanent outdoor merch, stock pressure in-store, merch innovation inside the POS.
  - b) Make the brand wider and more international: intelligent use of the 500 cc sponsorship.

Should you need any more details or specifications, please contact me.  
Best wishes,



Santiago Alvarez Forn

cc R.W.Jones  
J.A.Dean

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