

Positioning, Financial, Low market, Substantial, Brands, Govt, Products, Promotion, Revenue, \$1.7 billion, overall strategy, Item 2 (d), Change in focus to strategy, Casvs.

TOBACCO STRATEGY REVIEW TEAM
FEBRUARY 26TH 1992

PHILIP MORRIS

*US any
 BATCO numbers*

- Financial** Tobacco Operating Profits up by 16% to \$6.5bns for 1991. US domestic share up to 43.3% and profits ahead by 14% to \$4.8bn. International volume up by 13% and profits ahead by 24% to \$1.7bn.
- E. Europe** Acquisition of EGRI in Hungary together with Austrian Monopoly.
 Export orders for Russia in 1992 of 11 bns minimum
 Continued search for further acquisition and export opportunities.
- Public Affairs** Pack health warnings to be voluntarily added to all Philip Morris brands globally, the wording being that currently used in the USA.
- Italy** The suspension of Marlboro, Muratti and Merit by Monital for one month which has resulted in rapid legal action by Philip Morris both in the European Court and with the Commission.
- Spain** Philip Morris held a meeting with the Board of Tabacalera in New York recently. They currently have a small shareholding only.
- US Exports** Volume ahead by 9.5% in 1991. Exports now at 107 bn compared with less than 50bn five years ago.
- Progress** International progress in 1991 came primarily from share growth in Europe, exports to E. Europe and Russia, the Middle East, Japan and Argentina.

REYNOLDS

- Financial** Results for 1991 continued to be dominated by the KKR debt although net interest expenses fell to \$2.1 billion from \$3.0 billion in 1990.

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Tobacco contributed \$2.7 billion in 1991, showing no growth from the previous year following volumes losses and higher marketing expenses in the US market.

Expansion

Plans for a Polish factory and a Turkish factory have recently been announced.

USA

Camel Wides will be launched on March 1st 1992 by RJR with an 80mm length but enhanced circumference. This 'magnum' product concept is not new but is the first time it has been applied in the US. Product differentiation remains a key strategy for RJR in this market.

Winston Medium

Launched in Hong Kong to pre-empt any launch of Marlboro Medium. It is too early to assess progress.

*** REMBRANDT**

Financial

Pre tax profit for the six months to September rose by 10% to £266m while tobacco operating profit grew by 8% to £180m on a static sales volume.

Operational

The European re-organisation continues with the appointment of Mr. P. Kaiser of Turmac as Head of Rothmans International Europe and the restructuring of Brinkmann within this, including a name change to Rothmans.

The recently acquired Niemeyer business will be merged with their German RYO interests and the planned closure of the Dutch plant, although without redundancies.

Marketing

Johan Rupert has started a value/price war in some European markets :

- Rothmans Royals at £2 per 25 in the UK
- A planned low price brand launch in Germany
- Application for a new low price brand in France.

The redesign of the Dunhill range continues with the launch of Dunhill Ultimate Lights in the now familiar bevilled edge pack.

P. M. Bingham

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