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NOTES OF PRELIMINARY MEETING ON MARKETING RESEARCH STRATEGY
REGARDING ADVANCED PRODUCT DEVELOPMENT AS EXEMPLIFIED BY
PROJECTS GREENDOT AND AIRBUS

DATE:	25 - 26th MAY 1988	
VENUE:	IMPERIAL TOBACCO COMPANY CONFERENCE CENTRE, MONTREAL.	
PARTICIPANTS:	MR. A.L. HEARD	CORPORATE R&D MILLBANK (CHAIRMAN)
	DR. P. DUNN, DR. S. MASSEY, MR. D. BROWN, MR. B. BEXON	IMPERIAL TOBACCO LTD CANADA
	MR. P. O'KEEFFE, MR. R.P. FERRIS	BAT (UK&E)
	HERR R. BIELEFELD, HERR R. WERNITZ, HERR E. KOEHN	BAT GERMANY
	MR. T. RIEHL, MRS. C. NEWTON	BROWN & WILLIAMSON U.S.A.

GROUP R & D CENTRE
Revd: 14 JUN 1988
Ack: ....
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AIMS

1. To ensure that each Company has knowledge of past and current consumer research in relation to Greendot/Airbus.

2. To ensure that in future research with consumers, all the appropriate questions are asked.

3. To seek agreement on a standardised international approach to consumer research.

4. To identify means of co-ordinating this consumer research in future.

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At the outset of the meeting it was noted that the primary objective of the projects was not to be centred on the development of an international brand strategy, though this may be an ultimate target. At this stage emphasis is on establishing a general technology/marketing base capable of regional adaptation.

Experience Gained From Attitudinal Testing

1. Canada

The Canadian background experience in attitudinal characterisation of the marketplace was outlined based on project VIKING and related survey material. In the Canadian context, of declining incidence, 45% of current smokers have attempted to quit, but it is notable that 44% of these return to smoking (i.e. 1 % of the smoking population are currently becoming successful quitters). Fully 50% of the Canadian smoking population are dissonant (i.e. have attempted in the past and still wish to quit). Reasons for liking smoking are headed by sensory pleasure and relaxation and reasons for disliking are headed by their perception of alleged health risks and social pressure (in that order). The percentage of adults believing smoking is dangerous for everyone was 48% in 1971, increasing to 79% in 1987, the dynamic trend being among the young, as reflected by the percentage under 25 years not starting (43% to 57% in the corresponding period).

Cancer of the lung and heart disease (in that order) top the list of personal health concern, and these are perceived to be smoke related, smoke being regarded by many of those surveyed as a causal factor. Non smokers perceptions are strikingly similar to smokers in health concern terms. Regarding successful quitters, principal motivating factors are health fears (38%), sickness (20%), general health (61%), physical

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symptoms (33%) and social factors (22%). Chest pains are significant (44%) precursors to quitting and appear to be a case of a symptom animating a basic attitudinal unease, supporting the view of quitting as 'event driven, but fear founded.' Failed quitters predominate in socially orientated reasons for quitting.

Regarding passive smoking, 38% of smokers and 64% of non smokers endorse the concept and with regard to aesthetic aspects (irritation, smell, debris) almost complete unanimity applies with both smokers and non-smokers reaching 80-90% agreement levels. Awareness of passive smoking has escalated rapidly (52% of smokers aware in February 1986, 83% by April 1987). 70% of smokers agree if there was an easy way to quit they would give up, yet 60% regard smoking as one of their few pleasures, overall enjoyability of smoking is endorsed by no less than 90% of smokers, the ideal bundle of smoking benefits being perceived to be social, satisfying, pleasant tasting, natural and calming.

In terms of the Canadian analysis the key dilemma is seen as one of providing an alternative to quitting (which in a sense can be conceptualised as a brand available for the smoker to 'purchase'). The quitting trend is anticipated to be irrevocable. Given the scenario, the alternatives are seen to be either product evolution or revolution as expressed by the defining of a new product category segment.

At this point it was noted that it was important for the meeting to conclude on the issue of whether the industry should be seeking category segment development (much as the Canadian analysis encourages) or a radical new product category development.

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2. Germany

A presentation was made of a retrospective analysis of German data on attitudes to smoking and health, which was notable for its close correspondence to the trend developments outlined in the Canadian material. The German delegation noted their concern for the importance of standardisation and trend basing of market research across and within markets regarding future attitudinal information gathered in support of projects Greendot and Airbus. The question of whether the general strategy should be to take an evolutionary or a revolutionary pathway was re-opened and re-defined as the basic question. 'can we extend the current smoker franchise through benefit innovation?'. Discussion led to the view that the notion of an Industry panacea v. optimising the current franchise may be an artificial polarisation and that the two approaches are not necessarily mutually exclusive, the important issue being that in innovative launches the technical lead must be capable of being sustained for a significant period.

Experience Gained from Concept Testing

1. U.S.A.

Brown and Williamson addressed their concept research, the first stage of which used articulate low tar smokers (one discussion group, 6 one on one interviews) and tested, as a continuum of concepts, (i) a normal low tar product, (ii) the 'ELLIS' type construction, (iii) the RJR construction and (iv) the FAVOR construction. In this limited first stage, FAVOR was rejected, largely on the social embarrassment issue. For the RJR product, not burning down and absence of other cues as to depletion were seen as problematic. The ELLIS product elicited the best reaction since it does burn down and produce ash, although sidestream was still seen as a potential problem.

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On this foundation, a follow-up of study was performed designed to use focus groups and individual interviews in conjunction with exhibit boards and smoking simulation videos which were used to illustrate ELLIS, CHARCOAL TUBE and CHARCOAL END PIECE (RJR) product concepts. The videos were designed to concentrate on smoking effects and burning effects and group individual discussion concentrated on a probe of expectations and concerns regarding the respective product types.

This stage two research was conducted in Minneapolis, Minnesota in April 1988 using 63 individual interviews and 6 focus groups (c.120 respondents in all). Keynote findings were that overall the idea of heating rather than burning tobacco is highly credible, although eliciting some concern over supplementary chemicals that may be 'given off' in the process.

The tar-free, smokeless cigarette was not dismissed as simply being an occasional use device so long as taste and satisfaction were retained through the idea of a partially reduced sidestream product would not be anticipated to make a big difference socially in that smokers still imagined non-smokers would complain if any smoke was discernible. In general throughout the research older smokers were more responsive to new concepts, and there was no attitudinal differentiation by sex.

Regarding the concepts separately, the RJR configuration drew impressed reactions especially in respect of the absence of tar (most important), absence of sidestream and no debris - this was definitely seen as a 'cleaner cigarette'. Drawbacks were perceived to be charcoal fumes, absence of depletion cues, too much technology and hence unreliability. Expected users were pre-quitters, older people, females. The expected

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smoke was ultra low/low and older subjects expected to be the less socially embarrassed to use the product, however, it was generally felt that if the product had an odour, non smoker reactions would still be a problem.

The (peripheral) CHARCOAL TUBE variant was seen as potentially more attractive than RJR due to its burning down and clear depletion cues. The charcoal fumes were not seen as a problem due to the tube arrangement and the product was anticipated to have better draw due to less complex internal 'plumbing', also the tube was seen as making the rod less likely to bend. The negatives were related to increased debris, questions as to whether tobacco and flavour granules would spill out during smoking, uncertainty regarding aroma and general hotness of the burning rod. The product was expected to be a mild, light cigarette and more likely to be an alternative product than a quitting aid.

The ELLIS type produced the least interested overall reaction, although a small minority of respondents actually considered it to be the most appealing concept. Absence of tar was still seen as the most important benefit to pursue thus creating a negative for this variant, however, the absence of charcoal was seen positively in the sense that this was felt to contribute to a 'more natural' product. There was a general view that this product concept would taste best and respondents again liked the fact that it would burn down. Additional expected benefits were that the product would be easiest to make and therefore reliable and cheap, that it would have less 'chemicals' and would have a pleasant aroma when smoked. Additional disbenefits were the expectation that sidestream reduction would be insufficient, that debris would be present, that the tobacco and granules may burn and general uncertainty

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about the flavour tube material. The taste expectation for this variant was light but tobacco-ey, closest to conventional cigarettes and the expected user type would be younger adults, predominately female. Expected social reactions were again negative in respect of sidestream cues.

During the recruitment of the 120 respondents for this study 4 subjects (three female, one male) were detected fortuitously to have taken part in an RJR placement (January 1988) test, apparently for the new product development since physical descriptions of the product structure were consistent with current knowledge. The test was a carton placement with full recall of all 'debris'. The male subject alone found the products acceptable 'like my Winston Lights', the females found the product aversive. De-briefing uncovered the following: taste was strong, even harsh 'like when I smoked Pall Malls', satisfaction produced mixed views though in two cases extreme sickness, nausea and harshness were experienced which would be consistent with nicotine overdosing (in these cases the respondents did not complete more than 2 packs). The sidestream smell was universally regarded as 'bad' and 'offensive', commented on by others and having the character of burning straw. The draw was somewhat harder than conventional, the ash almost non existent and the product was difficult to light and impossible to re-light (subjects were supplied with butane lighters and simple instructions as to how to light the product by applying the lighter for several seconds). Consistency of delivery was apparently reasonable though some sticks were perceived to get lighter as smoking continued (in taste terms). Burn time was as per conventional expectation though some sticks proved to be 'short rounds.' The smoke exhalate was visible but

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fast dissipating and some 'smoke' was visible on lighting. Construction was small and thin, the charcoal end having 4 - 5 holes in it and having the appearance of an inverted speaker cone (the ash burns into the body of the cigarette " or more. The feel of the product was normal but the heat increases to the fingers as the product is smoked (the product apparently does not function well in cold outdoors).

The filter had a 'waffle' appearance likened to a 'True' (brand) filter, but not all respondents noticed this. Finally, the product was accompenied with the following comment:

'....a cleaner cigarette that eliminates or greatly reduces the majority of compounds produced by burning tobacco not only in the smoke around you but in the smoke you inhale - the result is a cleaner smoke, but one that won't compromise satisfaction.'

2. Canada

Canada addressed current development work toward innovative products indicating that the ITL philosophy will be to take principal benefits as solus propositions and to aim where possible to 'normalise' them by association with established brand properties. Three directions are currently planned; optimised taste/satisfaction at minimal delivery, reduced sidestream (project VISA) and a development to address tar quality.

The VISA (sidestream reduction) project is most developed and a prototype cigarette was exhibited (65% reduction, 85% visible reduction, good ash quality, all lamina plus 30% expanded tobacco, 8mg current, 14-15mg planned). The product development time scale is the end of 1988 at the earliest. The brand concept development is to major on the 'normal'

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qualities of the cigarette, taking the sidestream benefit as a serendipitous 'extra' so that the benefit becomes somewhat analogous to the 'DOLBY' noise reduction on a tape recorder (a real benefit built into the broader context of the product, rather than carrying the product). Discussion centred on whether the VISA approach be a line extension or conversion of a main line brand, with the eventual view being endorsed that benefits with no clear technology lead quickly become generic industry standards thus re-asserting the requirement to compete on the original basis of brand differentiation (in which case the notion of a free standing benefit brand is compromised).

Regarding development to address 'tar' quality it was reiterated that in fact nicotine is almost on parity with 'tar' regarding perceived harmfulness to health, a factor which will have important ramifications for AIRBUS and GREENDOT alike. Since the predicted impact of the RJR product will be to trigger a re-definition of delivery issues from quantity to quality (selective removal) the current lTL approach is to test consumer responsiveness to, and comprehension of, some of these issues using a number of preliminary concept platform boards. The objective of this consumer testing is to clarify initially the most meaningful concepts in the consumer view and only then to begin to determine how to communicate such a concept in graphic/semantic advertising terms.

<u>Proposed 'Standardised' approach to Attitudinal/Concept Testing</u>

The U.K. presented a proposed scheme for initial GREENDOT attitudinal research in the form of a questionnaire. The attitudinal monitor is to be applied in the first GREENDOT target market (Switzerland) using 1,000 respondents from June 1988 to full reporting in October 1988. The design of the monitor lends itself to standardised use across markets in order to cross index key attitudinal measures. Within the questionnaire the following consumer attitudinal responses are measured: switching history, quitting experience, cognitive dissonance, health concerns, sensitivity to social pressure, readiness to adopt innovation, product benefit trade-off utilities and broad concept responsiveness. The objective of the monitor is to characterise the attitudinal climate of given markets, to segment consumers within the given market against predictions of 'sympathy' toward innovation of the GREENDOT/AIRBUS type and to provide an initial screening for further detailed stages of brand concept development. Since the monitor is orientated toward consumer type segmentation, potential size of market opportunity can be gauged at least in terms of proportion of consumers likely to trial new generation products.

It was indicated that while the monitor is GREENDOT orientated in the final section (concept responsiveness) in all other respects it may be used for all 'new generation' development. This point was accompanied by a suggestion that future market based attitudinal research be standardised around this model for the obvious reason of facilitating normative comparison and improving interpretation of findings.

This suggestion was supported by Germany and agreement reached that the monitor (subject to local approval) would be applied in Germany in mid-July following preliminary experiences with the Swiss sample. In addition it was agreed that the Brown and Williamson representatives would seek management reaction to the monitor with a view to implementing wholly or partially in the U.S.A. within the year. The current BAT (UK&E) intention is to consider the monitor in Japan following Switzerland.

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Addressing the point that GREENDOT and AIRBUS should not be seen as mutually exclusive exercises even at the market research stage it was agreed that the concept responsiveness sector be re-designed in order to broaden out from too exclusive an emphasis on the GREENDOT product concept (this re-design has now been implemented). It was also suggested and agreed that 'responsive' consumer segments derived from the monitor could be used as a panel to form the basis of later more detailed brand concept testing (all monitor respondents will now be vetted as to their readiness to participate in future activities). In preparation for future more detailed concept testing it was agreed that existing concept board and video material used by Brown and Williamson and Imperial Tobacco Ltd would be made available to all parties. Imperial Tobacco Ltd for its part continues to track the attitudinal climate of the Canadian market using a trend-based shortened version of the Project VIKING attitudinal questionnaire.

It was agreed that responsibility for market research co-ordination across centres should devolve to R.P. Ferris (in which R.P.F. is effectively seconded to BAT (UK&E) International Brand Marketing). The need for further market research specific meetings is to be defined by progress but it was anticipated that practical actions in specific markets is the immediate priority.

The view was clearly agreed by all parties that even in the event of a failure of the planned RJR launch the market and industry climate is clearly shifting toward this type of evolution (and has been at least since the FAVOR experience). Good agreement was reach that GREENDOT and AIRBUS should be maintained at the highest level of commitment irrespective of the position regarding RJR activity.

The meeting closed endorsing the view that in terms of future co-ordination of the Marketing/Production Development interface (as it related to new generation developments of the GREENDOT/AIRBUS type) it is becoming apparent that an international strategy group should be considered. Composition of this group would be, initially, Market Research, Marketing and Product Technology. The role of such a group would be:

a) to ensure adequate communication between those involved in product and those involved in brand concept development.

b) to provide for free-er cross referencing of GREENDOT and AIRBUS applications in potential markets.

c) to develop the foundations for an International brand development should such a route emerge as a possibility.

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