

RE: Suggested question areas for interview with spokesman
for Souza Cruz as made by BBC 26.2.80.

1. How important is the Brazilian cigarette market in world terms ?
 - Brazil's cigarette market, in volume terms, is on a par with that of the UK but of course the population is 2.1/2 times greater.
4. What is Souza Cruz's contribution to the economy of Brazil?
 - This answer is covered in the general facts and figures attached.
6. What is the image of (a) ARIZONA (b) HOLLYWOOD ?
 - ARIZONA is the lowest priced king-size filter cigarette that Souza Cruz makes. It is largely regarded as a rural brand.
 - HOLLYWOOD is a traditional Brazilian cigarette which dates from the 1930's as a plain cigarette. Now, with all its sales coming from the filter version, HOLLYWOOD has a broad mass appeal, is seen as value for money and is largely regarded as an urban brand.
7. Are there any brands whose advertising is designed to appeal to young people?
 - We have no brands positioned specifically for any particular age group. Our function is to meet market demand, and in doing so we pay particular attention to possible future shifts in that demand, and to the demand currently met by our competitors.
8. What is the image of ADVANCE ?
 - Advance is a low delivery cigarette with taste.
9. Does Souza Cruz's future lie with HOLLYWOOD or ADVANCE?
 - The future of Souza Cruz does not lie specifically with any one brand. There is however an increasing demand for lower delivery cigarettes which this company will pursue.
10. Is ADVANCE a less hazardous cigarette?
 - ~~Less hazardous than what?~~ ^{ADVANCE would be classified in the UK as a low tar cigarette.} 97% of all Souza Cruz's sales fall into the equivalent UK delivery categories of low, low to middle or middle tar. Brazil is not a high delivery/strong cigarette market.

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11. Do you believe that cigarettes are harmful to health?
- Standard BAT answer?
12. Why do you use TV for much of your advertising?
- TV is the most effective means of ^{communication} ~~communication~~ in Brazil.
Cigarettes are advertised only after 9pm, except in the rare occasion of a sponsored broadcast of an event which is broadcast live outside this timing.
13. Do you think that television advertising of cigarettes will be banned in Brazil (i.e. in the foreseeable future)?
- Unlikely at the present time.
14. Do you envisage restrictions on your advertising and promotion?
Also unlikely at the present time.
15. Do you think that the Brazilian government would ever discourage the growing of tobacco?
No.
16. What has been the impact of the advent of your American rivals on the market place?
- Souza Cruz has maintained its market share in spite of the entry of American competitors.

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SUPPLEMENTARY INFORMATION RE APPEALING TO YOUTH

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- (1) A minor, under Brazilian law, is under 18 years of age.✓
- (2) All our models as used in advertising cigarettes are over 21. Almost all of our male models are more than 30 years old. Increasingly, we are avoiding the use of models in our TV commercials.
- (3) Fifty per cent of the Brazilian population is under 20, therefore a model in his/her twenties is regarded as more senior than would be the case in the UK.

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I- Importance outside Brazil:

Do you mean what size is it or how important for foreign manufacturers ?

1. Investment by British & American Companies
2. Profits made by Souza Cruz/BAT dividend
3. Losses accumulated by PM and JR
4. Souza Cruz 40% of Britains investment in Brazil
5. Souza Cruz is a Company; PM an JR are branches
6. Indirectly leaf exports
7. No cigarette exports or imports
8. 5th Largest cigarette market in the world.

II- WEO substitute of tobacco growing: Effects on Brazil

1. Main cash crop of 100,000 + farmers
2. No other crop has the price structure, guaranteed purchase of crop regardless of quality
3. Because of area planted (on avg. 7%), climate, market and other considerations there is no viable substitute - see below
4. Brazil earns US\$ 300 M (?) a year from tobacco exports
5. Central Government collects Cr\$ 100 B a year from cigarettes
6. If WHO was not successful everywhere - would Brazil have to import tobacco ?

III- The practical answer appears to be no. See EIU draft report p.54/55.

IV- See statistics - in addition to economic -
Management Dev. Expend. on training - 70 Univ. Stud.
Overseas assignments 20 p.a.
Invests in line with Govt. priorities
Technology to Brazil etc.

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- V- It is true that some farmers are holding back, about 10% in the Santa Cruz areas. Three months of continuous announcements in the press (by whom ?) that tobacco prices would go higher. Free economy - gentleman's agreement on the part of the Co. to buy all before planting starts at prices to be established between the Industry and the Farmers Represent.Assoc. where a negotiating system already exists, watched over by government, independent of quantity or quality. See also Q & As - No. 12.

The fact that a larger no. of farmers plants a larger area year by year is the best indicator as to whether the price is right or not. Exports position - excessive profits ? - see EIU report p.85 et seq. Controlled sales price.

- VI. Within the government controlled cigarette pricing system which varies nearly 300% between cheapest and most expensive, Arizona is placed near the bottom whereas Hollywood is around the half way mark.

Arizona promotion is directed more at the rural, manual worker as the price better reflects his purchasing power.

Hollywood on the other hand is directed at a more prosperous individual, with active interests, probably a professional or a company executive. (Is this convincing ? 25% of market).

- VII. What do you mean by 'young'. 70% of population under 25 (?). The image of rural worker or professional is not tied specifically to age. Voluntary restraints on age of models; times of TV commercials, cinema etc.

- VIII. Advance is one of several different segmentation brands. In reality it is low tar/nicotine cigarette with considerable flavour. Our advertising tries to project this and the fact that the development of this brand took place using our own technological resources in Brazil.

- IX. Souza Cruz's future lies in meeting the consumer demand be it with Hollywood, Advance or any other brand. At present Hollywood, a brand with a great many years of investment behind it (launched

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in 1930's) is the largest selling brand. Advance has been but a few weeks on the market and is aimed at a particular segment which we estimate amounts to possibly 3 or even 4% of the market. How and if this demand will vary in the future is of course like gazing at a crystal ball. However Brazilian market tends to follow US trends where 40% (?) of market is in low tar category. We would anticipate therefore, that this segment will grow and we will concentrate on it.

Questions 10 and 11 should be reversed.

- X. Advance claims and in fact contains the lowest level of tar/nicotine of any brand on the market in Brazil.

Our market research has shown that there is a consumer demand, albeit a very small segment of the market perhaps 3 or 4% for this type of product. Hence the reasoning behind the launch. We are also perfectly aware that this demand from the consumer arises from constantly published articles from a vociferous sector of the medical professional that claim that lower tar/nicotine smoking is generally less injurious to health. People who believe this claim are we believe, those most likely to make up this sector. In Brazil, in general, the consumer demands a product which is not heavy on tar and nicotine. In fact were you to classify our products in tar categories currently used in the UK you would find that 97% of our sales fall within the 'Middle Tar' category or in lower categories. You will find that this figure compares very favourably with sales in the UK.

- XI. Question should be rephrased because its personal. I am not a medical man and am not competent to answer that question. However, as a responsible company we are of course aware of the controversy surrounding the question of health and cigarette smoking and as a member of the BAT group of companies we contribute towards the considerable sums of money spent by the group on research and development into this question. I understand that an amount approaching £10 M p.a. is committed in this way.

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XII. For simple, straight forward, economic reasons. If measured in terms of cost it is to our knowledge the most efficient way to advertise.

XIII/ XIV There are a number of law projects, the Brazilian equivalent to a private members bill, which seek to restrict or totally ban cigarettes and a number of other articles from advertising on television. It is difficult to foretell what the legislature will finally agree.

In the meantime the cigarette and a number of unrelated industries together with TV companies, agencies and other interested parties have entered into a voluntary code of conduct. This implies self imposed, self regulated, voluntary restrictions on TV advertising. We believe this to reflect responsible action by these industries, reflecting the social environment and attitudes within which they do business.

XV. I cannot of course speak on behalf of the Brazilian government and its future policies. As far as we know there is no evidence available for supposing that the government will make this its policy.

XVI. The main impact has been to sharpen the competitiveness in the market place. In addition a number of International brand names owned by these American companies are now on the market. In all the consumer has access to a wider variety of brands and blends. In a free society competition should be welcomed because it should work ultimately to the benefit of the consumer.

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