

IMPERIAL TOBACCO LTD. CANADA  
 T.S.R.T. MEETING - MAY 29/92  
 AGENDA ITEM: 3B

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**CURRENT COMPETITOR ACTIVITY**

**ITL's competitors are RJR and RBH. ITL dominates the market with a total tobacco share of 56.5% in 1991, RBH declined to 24.6% and RJR was 18.9%. Both opposition companies are extremely aggressive and have undertaken intense market activity in the following areas:**

**Fine Cut Market**

**RBH initiated activity in the low density RYO Market in late 1989. In Canada, fine cut tobacco is taxed by the gram, so using diet tobacco reduces the tax burden, making low density RYO a financially attractive alternative.**

**RBH has consistently reduced the weight required to make 200 cigarettes since the initial launch of these products from 149 g. to 100 g. and has launched several major trademarks in this format. The retail price of this product including a box of tubes is approximately 2/3 the price of traditional RYO tobacco.**

**The RBH share of the RYO market has grown from around 22% to approximately 37% since the launch of low density RYO.**

**RJR has recently entered the low density market with the Export trademark at 110 g. This entry will spur growth of the segment by, increasing awareness, stimulating trial, and increasing credibility of the segment. This launch reflects RJR's second attempt at competing in this segment. An earlier entry, Macdonald Special, a minor trademark, failed in the market. We anticipate the Export trademark will be very successful and will help bolster their share which has dropped to 16.3% from 28.0%.**

**ITL has launched a Peter Jackson offering at 100 g. which has gained a 6.0% share of the RYO market. Significant launch activity is planned for the fall.**

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**Tailor-Made**

RBH has undertaken minor re-design and modernization of the Rothmans and Craven trademarks. Their share of the domestic tailor-made market in 1991 continued to decline to 22.1%.

RJR has recently launched a significant up-date of the Export trademark. Consumer feedback has suggested the new packages look modern, smoother, less masculine. We anticipate this may help their share of the tailor-made market which in 1991 declined to 15.6%.

ITL has continued to achieve record share levels and in 1991 attained 62.4% of domestic tailor-made primarily through good growth by Player's and du Maurier trademarks.

A test market of a new brand, Player's Light Smooth has recently been initiated. This brand is designed to address to a significant unmet consumer need for reduced irritation.

**Duty-Free/Export**

Significant smuggling and cross-border activity occurred in 1991.

RBH's tailor-made share was compatible with their domestic share at 21.3%. RJR's share is higher than in the domestic market at 21.5%, primarily due to the lack of Player's availability. Correspondingly, ITL's share is lower at 57.2% in 1991.

The export tax situation has been resolved at the government level, however, there are indications that opposition companies are continuing to ship to known smugglers.

202227192

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*Future developments*

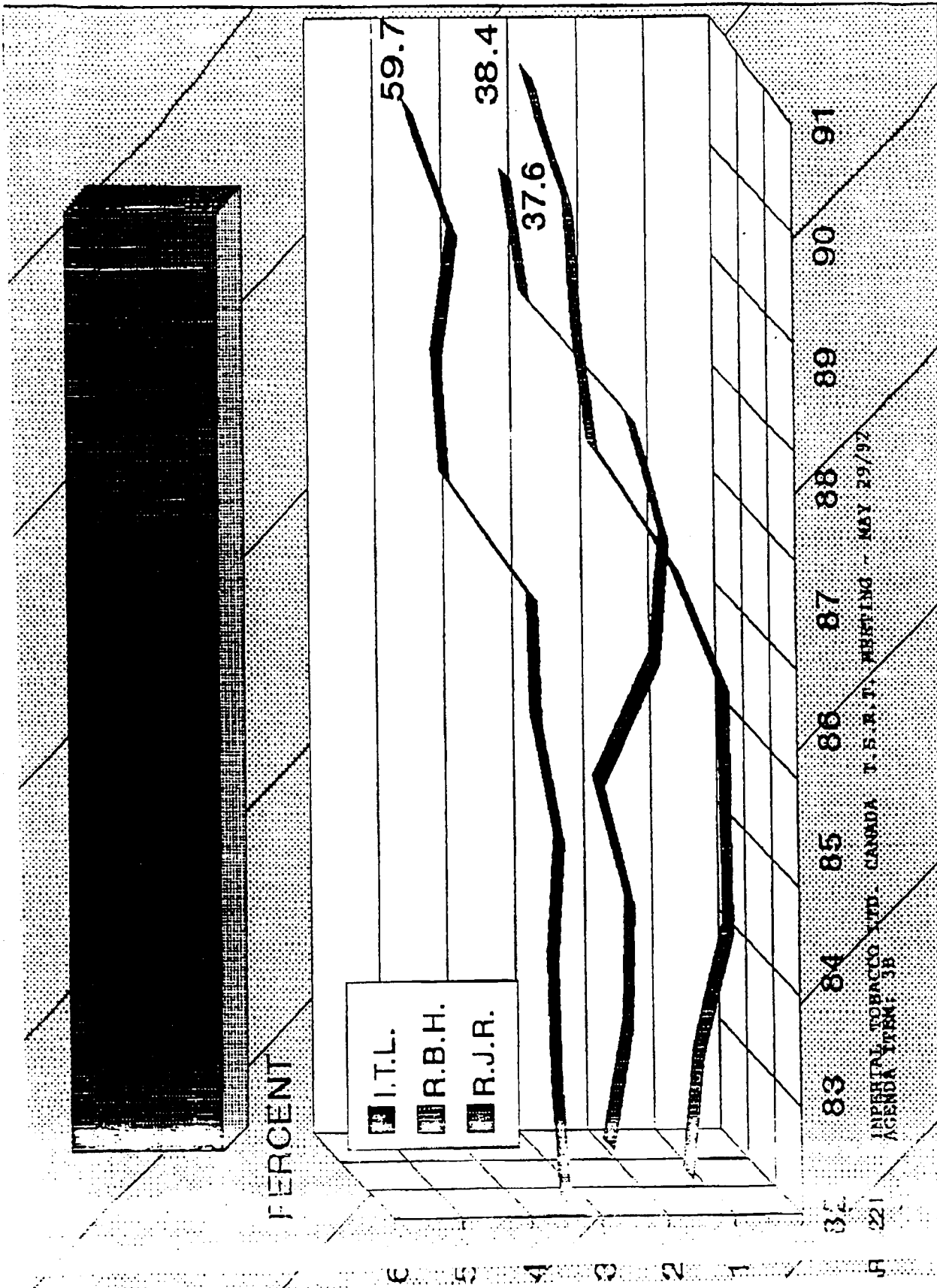
We anticipate continued aggressive activity by the two competitors. RBH has focused on price-value options and the RYO market and we expect this will continue. This will mean their trademarks in the tailor-made market will continue to deteriorate.

RJR, on the other hand, has continued to focus on the Export trademark and it remains a competitive threat. We believe they will continue to compete with this trademark in all relevant segments of the tobacco industry.

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