MEMO TO: J L Green DATE: 30th November 1989

FROM: R Brentnall

SUBJECT: 555's - British Columbia

Further to my recent short visit to Vancouver on Friday 17th November, the local Imperial team and Richard Ward, Duty Free Export Manager, have provided much assistance and information towards the compilation of this report.

I have deliberately made conservative judgements on the sales potential for 555's as entry into the market will be difficult for two key reasons.

- There is no true Virginia segment at present with most first generation Oriental smokers now happily converted to a modified Virginia taste.

- Exposure and communication opportunities for any new brand in-store will be severely limited and all additional display will have to be paid for.

Nevertheless it would appear that from a modest base of 3% of the local market - 6.5 million in the first year - to 10% in Year 5 - 28 million, a nett nett contribution of £345,000 could be achieved by Year 5.

Pack design would have to be dramatically altered to accommodate the requirement of Bill C-51 (similar design to the Hong Kong pack). The assumption is made that production would be from Southampton therefore carrying the all-important MIE legend. The other issue would be the question of Imperial's willingness to handle the brand in that region and at what cost (I have made the assumption of a 10% RCD).

Attached are the following:-

Appendix A: Background
Appendix B: British Columbia - Market Potential
Appendix C: 555's Potential
Appendix D: Launch Costs
Appendix E: Pricing
Appendix F: 555's Pricing and Contribution
Appendix G: Imperial View of Original 555's Launch
Appendix H: Market Shares
Appendix I: Imperial Tobacco Limited - West Region

R BRENTNALL

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