

CDP

Generating Revenue

A Short Presentation
for the 1995 Gallaher Marketing Conference
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Structure of Presentation

Internal Cost Saving Initiatives
New Ways to Grow the Business
Exploiting Market Leadership

■ Travel

- Chauffeurs
- Trains
- Airfares
- Company Cars

Internal Cost Saving Initiatives

■ Production

- Printed Gold
- Reductions in cigarette makeup
- 3 Factories?

■ Other

- Streamline Sales Force
- Advertising - Use One Agency

- Espresso (stubbies)
- Ultra Cheap Tens
- Back to Basics
- Regional Variants
- Bulk purchasing
- Playing Hardball

- Pressure on smokers (allowable smoking areas, perceived antisociability of the ritual etc.) leads to need for concentrated "hit" - quick and unobtrusive cigarette
- Need for credible urban, urbane cigarette brand in tune with 90s smoking-friendly arenas e.g. Cafes, Bars, Streets.....
- Espresso : concentrated quick hit (caffeine/nicotine) with young, streetwise imagery (full strength Marlboro Lights)

- Assume utilisation of existing machinery - Silk Cut #5, Park Drive 5s
- Assume RRP = £2.65 (for 20) (cf. £2.74 for KS)

NSV = £18.14 (Same blend & packaging costs as
S/Cut #3 VsS/Cut KS)

PBO = £14.75

■ Year 1 30 AMS = £5,310,000

Year 2 30 AMS = £5,310,000

Year 3 30 Ams = £5,310,000

= £15,930,000 assuming no price

increase etc.

(Spend = £5m over 3 years)

- Imminent £3 barrier broken (B&H mid 1996)
- Focus on Mayfair as Ultra Cheap Tens
- Challenge L&B
- Promote as cheap/value entry point
- Support c£5m over 3 years
- RRP: £1.13

- Assume 10s generate at least an additional 10
AMS pa
- RRP = £1.13 for 10
- NSV = £7.71
- PBO = £4.06

- AMS 1995 = 487,200
- 1996 = 487,200
- 1997 = 487,200
- Total = £1,461,600

"Smokes" / "Snouts"

- Back to basics.....
 - No frills
 - Basic packaging
 - Cheap - no presentation frills (military stripes, gold etc.)
 - Anti-marketing cigarette brand
 - No conventional marketing - use word of mouth to build momentum by seeding the brand in key opinion-former outlets

- £3.32 /1000 currently cheapest Gallaher Brand
 - Assume shave off 10p
 - Assume RRP = £2.39 for 20 (same as L & B)
 - NSV = £11.79
 - PBO = £ 8.49 (assumes cost stays at £3.30 /1000)
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- Same AMS as Mayfair
 - 1995 = 62 AMS = 6,317
 - 1996 = 68 AMS = 6,928
 - 1997 = 74 AMS = 7,539
 - 3 Year Total =£20,784

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Regional Colours Based on Smokes/Snouts

- Black & White striped packet for Newcastle, Blue /Green & White for Glasgow, Red, White & Black for Southampton, Red & White for North London etc. (!)

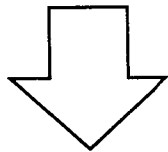
- Selling cigarettes in larger quantities eg. 500s
- Mail order for convenience
- Discounts for bulk
- One-off purchase of solid, re-usable pack eg. tin, case. Could be personalised, item of value as a very individual badge.
- Smokes?

Bulk purchasing 2

- As price pressures become tougher and tougher (c. 15p a cigarette).....
- Sell tobacco in bulk
- Customised roll your own machines with special papers and filters

Flexing Our Muscles

- Exploiting market leadership
- Dominating the gantry - excluding the competition



■ **GET TOUGH!**