

Gallaher NPD

Potential Areas For Research

2nd October 1997

**M&C SAATCHI**

# Introduction

- Brief is simply to look at initial areas for NPD research
- Applicable to
  - new products
  - brand extensions / variants for existing portfolio
- Initial brainstorm allied to portfolio and market issues to create areas for discussion
- Ranges from major new brand launches to gimmicks for existing brands

# Five Areas For Investigation

Price	Demographics	Provenance	Packaging	Product

# Price

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<b>Super-premium</b> <ul style="list-style-type: none"><li>• Flaunt wealth</li><li>• Ultimate quality product</li><li>• “The Gold of Gold”</li></ul>				

# Super Premium

- Historical Gallaher strength is Premium brands
- Share of premium sector has remained steady at c.52% since 1995
- However, sector is under pressure
  - total share of market down from 52.5 to 45.2 (Jul 94 to Jul 97)
  - existing brands struggling to maintain price premium justification
- Opportunity for unashamedly premium brand
  - justifies price premium through marked product quality increase
  - no “used to be much cheaper” baggage
- Potential (small) market amongst new “super class”

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# Cheap To Make, Cheap To Buy

- Cheap sector is where the market growth is
  - July 94 23.9%, July 95 26.0%, July 96 29.0%, July 97 31.6%
- Gallaher share of cheap sector has grown strongly through Sovereign and Mayfair:
  - July 94 3.8%, July 95 6.1%, July 96 12.8%, July 97 18.4%
- However, sector remains a comparative weakness for Gallaher
- Company aim is high margins through premium brands, however high margins can be maintained with very low overheads
- Opportunity to create a new “commodity” or “super-cheap” sector

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# Male, Laddish, Blokey

- Gallaher is strong amongst 18-34s and 18-24s (although declining, hence 198)
- However, amongst 18-24s Gallaher is stronger amongst women (44% m/o penetration) than men (36%)
- In addition, anecdotal evidence is that existing Gallaher brands lack “maleness” appeal vs (eg) Regal, Embassy and L&B
- 198 is intended to address credibility issue among all 18-24s, but is not intended to be overtly male
- Opportunity exists, therefore, for a male targeted brand, perhaps co-branded with Loaded or with scantily clad women on the cigarette paper!

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# Woman's Cigarette

- Smoking remains marginally female in profile, a bias which is slightly increasing (1989 - 52.2/47.7, Mar 97 - 53.9 / 46.1)
- Women are heavier smokers of certain niche brands, but there are none which are overtly female in attitude and approach
- Gallaher, through Silk Cut and Berkeley, has a strong female franchise
- Opportunity possibly exists for overtly female targeted cigarette, (perhaps tapping into female cigar smoking trend?)
- Difficult to market, but a niche not yet filled

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# Student Cigarette

- 18-24s are a key target and a problem area for Gallaher
- 198 is intended to attack this area, but not with a specific student focus, more with an urban venturer feel
- Several areas of potential could be investigated for students
  - commodity, no frills brand (discussed above)
  - brand available only on campus
  - retro, kitsch styling, tapping into 60s/70s/80s style nostalgia (Abba, Jo Bogie etc)

# Provenance

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# Devolution Cigarettes

- Both Scotland (index 90 despite Kensitas) and Wales (87) are slightly weak areas for Gallaher
- Current movement towards devolution provokes strong nationalistic sentiment
- Opportunity for nationalistic (but not jingoistic) cigarette seems to exist)
- May extend to areas of England as well - Yorkshire, Cornwall, London

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# British Cigarette

- Potential for “proud Briton” cigarette, celebrating renaissance in British music and fashion, London, exciting new Government etc
- One area discussed for Silk Cut, but is an existing strength of Benson & Hedges (aggressively so)
- May be that trend has passed, but a British antidote to Americana (Marlboro, Camel, Lucky Strike, Coke, Budweiser) may have legs

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# Anti Cigarette

- Do a Death but more constructively
- Open a Quit Line and launch Quit cigarettes, including advice on how to stop smoking
- Guaranteed heavy press coverage!
- Would have to be carefully handled - constructive or cynical move?
- May also steal some thunder from existing brands, especially Silk Cut

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# Smoker's Cigarette

- Pressure on smokers is stronger than ever before, especially since the election
- “Bunker mentality” among smokers may present opportunity:
  - 23% of smokers say they “have no desire to give up smoking”
  - 23% say “I never feel embarrassed at lighting up”
  - 21% say “I’ll go on smoking whatever the cost” (*Optima 97*)
- Reaction to aggressive anti-smoking policies in USA may be a guide
- Celebration of smoking , the “smoker’s friend” would be a brave move, going against the flow

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# Natural Cigarette

- Simple, unostentatious, natural cigarette
- Cloth packaging, only natural ingredients, no natural additives etc
- Movement towards simplicity, natural products, “90s values” of authenticity, understated style and inconspicuous consumption
- Antidote to cigarette market which could be seen as slightly dated, old school, manufactured

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# Packaging - Image

- Soft pack
  - may have had its day, be a bit try hard
  - however, remains rare or unused in the UK
  - potential element of new brand or brand extension
- Transparent pack
  - “what you see is what you get”
  - antidote to over-elaborate packaging in the market
  - could be seen as honest, unpretentious but cool
- Cigarette case
  - metal case, high quality, emphasises product value
  - could be an expensive pack or a refillable special

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# Packaging - Value

- Refillable tin
  - common in many product areas to sell pack refills
  - offers good value, commodity based product
  - initial pack could be expensive or low cost
- Larger packs
  - why stop at packs of 20?
  - could sell packs of 40, 60 or more at a relative discount vs 20s
- Integrated pack
  - complete smoking experience - matches, strike strip on pack, small ashtray included
  - especially useful for vending, but also fun for going out, visiting friends etc

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# Packaging - Gimmicks

- Jokes
  - joke per cigarette or on pack
  - variation on old cigarette cards
- Puzzle packs
  - limited edition puzzle packs, with prizes for first correct answer etc
- Zippo type sideways opening
  - every cigarette pack is the same, why not have variety of openings - side, zippo, button dispenser etc

# Product

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# Product - Cigarettes

- Shorties
  - convenience based, quick smoke
  - suits low tar smokers, “outside the back door” smokers, smokers who leave a long butt
- Espresso
  - Spanish “Terrano” idea
  - Shorter, fatter, quicker smoke, delivers strong taste hit
- Limited editions
  - special occasion collectibles
  - sponsorship deals, advertising on pack, different colours etc

# Product

Price	Demographics	Provenance	Packaging	Product
<p><b>Super-premium</b></p> <ul style="list-style-type: none"> <li>• flaunt wealth</li> <li>• ultimate quality product</li> <li>• “The Gold of Gold”</li> </ul> <p><b>Cheap to make, cheap to buy</b></p> <ul style="list-style-type: none"> <li>• “no brand” commodity cigarette</li> <li>• stripped down, simple packaging</li> </ul>	<p><b>Male, laddish, blokey cigarette</b></p> <ul style="list-style-type: none"> <li>• co-branded w/Loaded</li> <li>• naked women on cigarette</li> </ul> <p><b>Female cigarette</b></p> <ul style="list-style-type: none"> <li>• long, slim, delicate</li> <li>• woman’s cigar</li> </ul> <p><b>Student Cigarette</b></p> <ul style="list-style-type: none"> <li>• several areas</li> <li>• cool, cheap, retro</li> </ul>	<p><b>Devolution cigarettes</b></p> <ul style="list-style-type: none"> <li>• Scottish, Welsh branded</li> <li>• Limited dist’n</li> </ul> <p><b>British cigarette</b></p> <ul style="list-style-type: none"> <li>• Celebrate British music, fashion etc</li> </ul> <p><b>Anti Cigarette</b></p> <ul style="list-style-type: none"> <li>• “Quit” Quit line</li> </ul> <p><b>Smoker’s cigarette</b></p> <ul style="list-style-type: none"> <li>• “Chimneys”</li> <li>• Celebrate smoking</li> </ul> <p><b>Natural cigarette</b></p> <ul style="list-style-type: none"> <li>• Understated</li> </ul>	<p><b>Image based</b></p> <ul style="list-style-type: none"> <li>• Soft pack</li> <li>• Transparent pack</li> <li>• Cigarette case</li> </ul> <p><b>Value based</b></p> <ul style="list-style-type: none"> <li>• Refillable tin</li> <li>• Large packs</li> <li>• Integrated with matches etc</li> </ul> <p><b>Gimmicks</b></p> <ul style="list-style-type: none"> <li>• Jokes on pack</li> <li>• Puzzle packs</li> <li>• Zippo side open</li> </ul>	<p><b>Cigarettes</b></p> <ul style="list-style-type: none"> <li>• Shorties</li> <li>• Espresso</li> <li>• Limited editions</li> </ul> <p><b>Taste</b></p> <ul style="list-style-type: none"> <li>• American blend</li> <li>• Camouflage</li> <li>• Flavoured</li> <li>• Super quality</li> <li>• Charcoal filter</li> </ul>

# Product - Taste

- American Blend
  - remains an option for all Virginia or light-taste cigarettes
- Camouflage
  - cigarettes which smell like marijuana (Camel almost achieves this)
  - otherwise scented - hide fact of smoking?
- Flavoured
  - whiskey, chocolate, co-branded?
- Super quality
  - choice or select leaf tobacco
  - limited edition, super-premium version of existing brand
- Charcoal filter
  - health benefit fits with Silk Cut

# Next Steps

- Discuss areas of interest
- Identify research areas
  - whole new brands
  - extensions or product variants for existing brands
- Put areas of interest into research
- Launch dozens of new brands from 1998