

CLIENT BRIEFS

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LAMBERT & BUTLER ADVERTISING BRIEF

Background History

The brand was originally launched as an "International" size brand in October 1974 ("International" was a size that was longer than king size, but not as long as the current 100mm/Superkings. This sector represented premium, international imagery, something extra to king size brands - typified by Peter Stuyvesant).

In the late 1970s, the tax structure changed as the UK joined the EEC and there was a vast movement from standard size cigarettes into the king size sector. Imperial responded to this threat (we previously held 60% of standard size cigarettes) by launching king size variants of our standard size brands, e.g. Embassy Number 1, Regal KS and No.6 KS. However, these shoulder brands were somewhat limited in the extent to which they could compete imagewise with the long established king size brands such as B&H, Rothmans and Dunhill. Accordingly, ITL launched new free-standing king size brands such as John Player Blue, and, in January 1979, Lambert & Butler King Size.

Prior to the change in taxation brought about by joining the EEC, there was a fairly rigid price/size relationship within the cigarette market, i.e. smaller cigarettes were cheaper, bigger cigarettes were more expensive. When the new tax structure took effect from 1.1.78, there was a somewhat flat pricing in our market. By offering a short-term price advantage, it was possible to "buy" up to 8% share of market as seen by John Player Blue, L&B KS and State Express 555. Unfortunately, having "bought in" smokers at launch, each of these brands lost most of their market when the price was eased up to produce profits and, invariably, another cheap king size brand was launched. This happened with L&B KS which suffered as State Express 555 was launched.

In line with the growth of the low tar sector, Lambert & Butler Special Mild was launched in November 1979. This variant was subsequently renamed to Low Tar and then again to its current title "Lights".

In the late 1980's and early 1990's, the cigarette market was affected by the introduction of many "own label" brands (e.g. Red Band, Balmoral) and other floor priced brands (e.g. Dorchester, Dickens & Grant). These ultra cheap brands collectively grew to account for 9% of the market and began to pose a threat to the major UK manufacturers as they attracted smokers to switch away from profitable established brands. In March 1992, ITL responded by repositioning L&B into the "low price sector". Although this "low price sector" was still some 15p above the ultra cheap brands, L&B proved a successful safety net attracting smokers who were looking to save money by trading down.

Until the price repositioning L&B sales struggled to hold under 4% of market, but since 1992 L&B has become the success story of the 90's.

By carefully managing the price of L&B relative to other brands on the market, we have positioned the brand to achieve growth initially from attracting a large proportion of smokers who intended trading down because of price but the brand has also grown because it has become an established brand in its own right and now attracts new smokers and smokers from across the whole market.

The attached charts demonstrate the relative pricing of L&B and its very successful growth pattern over the last 4 years. The sales pattern shows an added impetus each year following the Chancellor's Budget.

Because of the success of L&B, various competitor brands have been launched. Gallahers put a lot of effort behind Mayfair K.S. but found that they could only achieve sales while its price was considerably below that of L&B. Consequently, Gallahers have been forced to keep Mayfair down in price and the success that it is achieving is at the expense of ultra low priced brands rather than L&B. Recently Gallahers have had another go by launching Sovereign K.S. Despite spending some £10mns on the launch of Sovereign, the brand has only achieved 1.2% of market to date. It appears that, at the moment, L&B is robust enough to withstand these challenges. Although launched as a 25's pack, Rothmans Royals priced the same as 20's pack of premium brands is, in fact, the same price as L&B per cigarette. By carrying the Rothmans name, pricing Royals as the same as B&H, Embassy No.1, Regal KS, etc, offering better value for money due to each pack containing 25 plus a fairly heavyweight level of poster and press advertising, Rothmans have succeeded with this brand in a similar way to L&B - i.e. they have marketed a brand that is relatively low priced but still has some premium values to set it above other cheap/cheaper brands. Following the November 1995 Budget, Royals was re-packed in 24's at £2.90 and is being extensively advertised. The Rothmans Royals family account for 3.8% of market.

However, it is inevitable that if L&B continues to grow then it begins to compete with virtually every brand on the market. Therefore it is difficult to predict what marketing initiatives (pricing or otherwise) our competitors may take. Accordingly, accelerating the status/brand standing of L&B through advertising may be a greater need than increasing sales in the short term.

Marketing Strategy To Date

Generally, since its price repositioning with the inevitable reduction in profitability, L&B has not benefitted from much advertising and promotional support. To date, L&B has had little main media advertising - certainly no theme advertising. The only advertising used to support the brand has been the occasional "price message" advertisement to communicate the additional benefit offered by the pre-Budget priced stock still available in January (see example).

We spend a large proportion of our budget on below-the-line multi-branded promotions including direct contact marketing and database marketing. L&B is included in these promotions and, indeed, is one of the main beneficiaries. Also, in the post-Budget period of each year (around January), we have mailed an L&B specific promotion targeted at smokers of competitors premium brands.

One other important marketing initiative (perhaps the most important?) used on L&B brands is the price message printed on the rayophane (cellophane overwrap) on individual packs. Although the price shown is the RRP of the brand, because of the style and prominence of the message, many smokers believe that it is a special promotional price. At the time immediately after a price increase (e.g. post the Chancellor's Budget), packs bought by the trade before the Budget that are price marked must be sold at the price shown on the pack, i.e. the pre-Budget price which is, therefore, a special offer price compared to brands that have their price increased straight away. Most of the independent trade and a proportion of National/Regional accounts take these price marked packs, accounting for 60% of the brands franchise. These price marked packs have become a permanent feature for the brand over the past 3 years.

Current Brand Performance and Imagery

In terms of consumer sales, L&B has shown the most significant growth over the past four years to reach some 12% of market, making it the second biggest selling brand - and still growing. The attached map shows the regional pattern of L&B sales with several "pockets" of particular strength. Recent data analysis indicates that even within towns or cities there are often areas where L&B is much, much stronger than in other areas. It appears that once L&B has reached a certain critical mass in an area (around 8-10% of market?), then the brand is seen as much more credible and acceptable which then leads to even more rapid growth.

In terms of imagery and consumer perceptions, L&B is seen as "a low price brand that still has a quality and imagery that puts it above other cheap brands" (e.g. Mayfair and Sovereign). Whilst not being seen as a premium brand, L&B does appear to have some premium brand values.

Although we are confident in our assessment of consumer perceptions of the brand, we are not sure why L&B has succeeded in achieving this position while many other brands launched into this sector have failed. A copy of a recent market research exercise is attached, but it should be noted that the exercise tended to confirm what we already knew about the brands' standing in the marketplace rather than answer "why?". It is still a matter of conjecture as to what contribution each of the following brand elements have made to the success of L&B:

- * History... is there any lingering imagery from when the brand was first launched as a competitor to B&H KS?
- * Long Established... certainly the brand has been around for a long time and, therefore, consumers do not regard it as a *new* brand
- * First In... L&B was probably the first major single cheap brand (as opposed to the myriad of own label) to become established with a reasonable level of sales. Across other sectors of the market we have witnessed that "the first" brand often achieves much more than follow-on competitors - e.g. B&H KS = first king size, JP Superkings = first above king size, Silk Cut = first low tar and even Berkeley Menthol = first mid-price AKS menthol brand.

... L&B is that smokers will perceive it to be *an advertised brand*, i.e. as B&H KS, Silk Cut, Embassy, Regal, Superkings, Royals etc. and, therefore, will be seen to have the same status as other big brands.

Because tobacco manufacturers are very limited in what they are allowed to feature in their advertisements, humour, interest/intrigue and visual impact are often used to attract smokers attention and aid recall.

Furthermore, it is unlikely that the new L&B advertising will appear more than two or three times a year so we cannot afford to have branding that is obscure or minimal nor can we rely too much on smokers retaining an image from one execution to another in order to build a campaign. Although part of a campaign, each advertisement should be able to stand alone.

Project Parameters

Likely advertising spend	=	c.£1 mn per year
Executions required	=	2 or 3 theme ads with one additional "priced" version to be used on 48 sheet posters
Timing	=	Proposals to be presented by w/c 14.10.96
Briefing Fee	=	£

PMM/TF/l&b
30.8.96

- * The Product... is generally rated as better than other cheap brands. This is probably a consumer rationalisation because, in reality, cigarette products are very similar, it is the brand values that differentiate.
- * The Name... other than being seen as long-established, we do not believe that the brand name *adds* much. However, it is appropriate for the brand.
- * The Pack Design... indications from recent market research are that the pack graphics are in need of a re-design and that the pack may be holding back the progress of the brand. This review is currently under way.
- * The Price... obviously a very important element as this positions the brand in the low price sector and contributes to its "value for money". However, there are many, many brands that are lower priced than L&B so it's price is not the "be all and end all".

Future Marketing Strategy

We intend to continue the growth of L&B but, wherever possible, achieve this growth at the expense of competitor brands rather than stealing from other Imperial Tobacco brands.

Recognising that L&B is ITL's largest selling brand which may soon be the market leader, we will constantly review the profit contribution of the franchise which may put upward pressure on our pricing of L&B and, therefore, the sector.

With this in mind, we will concentrate our tactical activity in areas of the country where our competitors have the larger share of premium priced brands whilst still recognising the need to protect L&B from other cheap/cheaper brands nationally.

The Role of Advertising

Within the marketing mix, L&B theme advertising should help to project that L&B is a big brand, a brand that has premium values - which should help accelerate establishing the brand especially in marginal areas.

CURRENT SHARES OF MARKET

	<u>%</u>
JPS Family	1.8
SUPERKINGS Family	9.7
REGAL Family	8.2
EMBASSY Family	6.6
L&B KS	10.0
L&B LIGHTS	2.0
L&B Family	12.0
TOTAL ITL	----- 38.5 -----
B&H KS Family	14.1
B&H SUPERKINGS Family	1.9
SILK CUT Family	9.8
BERKELEY Family	7.9
MAYFAIR Family	2.1
SOVEREIGN KS	1.2
TOTAL GALLAHER	----- 39.1 -----
ROTHMANS KS	1.1
ROTHMANS ROYALS Family	3.8
MARLBORO Family	3.7
RAFFLES Family	1.7
TOTAL ROTHMANS/PHILIP MORRIS	----- 12.8 -----
DORCHESTER Family	1.1
DICKENS & GRANT	1.0
TOTAL REYNOLDS	----- 2.4 -----
Ronson	0.4
Own Label	6.7
TOTAL Others	----- 7.3 -----