

BROWN & WILLIAMSON TOBACCO CORPORATION
Internal Correspondence

TO: I. D. MACDONALD
CC: J. L. Hendricks
FROM: M. C. CANAVAN DATE: March 28, 1989
SUBJECT: BARCLAY Ultra Line Extension:
Product Development Charter

Attached is the Product Development Charter for a BARCLAY Ultra (1 mg.) line extension.

The charter identifies a need for King Size and 100's products for test market beginning 2nd Quarter, 1990.

Approval for the charter should be obtained by senior management at the next CPDC in order to ensure product availability for a planned BARCLAY test next year.

If you have any questions, please let me know.

MCC
M. C. C.

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Attachment

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Product Development Charter

BARCLAY Ultra Line Extension

I. Product Objective

To develop a 1 mg. ultra line extension product under the BARCLAY name. The products should be non-menthol and menthol Kings, 100's and 100's Box with conventional filters and tar levels of 1 mg. for Kings to 1-3 mg. for 100's styles. The products should attract current and new Ultra segment smokers, females and males (70%/30%), who are 35-55 years old. It should compete directly with lower tar ultra brands, the key competitive benchmark being NOW.

II. Physical Dimensions/Smoke Deliveries

A. Dimensions

	<u>KS</u>	<u>100's</u>
. Cigarette Length (mm)	84.0	99.0
. Circumference (mm)	24.7	24.7
. Tobacco Section Length (mm)	57.0	72.0
. Tipping Length (mm)	32.0	32.0
. Filter Length (mm)	27.0	27.0
. Conventional Filter		
. White Tipping		

B. Smoke Deliveries

- . Tar: 1 mg. tar (Kings), 1-3 mg. tar (100's)
- . Nicotine (mg.): TBD
- . Puff Count (avg.): 8-9

III. Packaging

A. Styles: Non-Menthol and Menthol

- . Kings
- . 100's
- . 100's Box

IV. Target Consumer/Prime Prospect

- . 70% female/30% male
- . 35-55 primary; 25-34 secondary
- . Upscale, better educated
- . Lights and Ultra smokers

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V. Competitive Set

- . CARLTON NM and M
- . NOW NM and M

VI. Segment Information

A. CARLTON/NOW Share Trends (1985-1988)

	1985	1986		1987		1988		1985-88
	SOM	SOM	SHARE CHANGE	SOM	SHARE CHANGE	SOM	SHARE CHANGE	SHARE CHANGE
<u>CARLTON</u>								
Family*	1.89	1.88	-.01	1.70	-.18	1.72	+.02	-.17
NM Kings	.42	.40	-.02	.35	-.05	.36	+.01	-.06
M Kings	.15	.14	-.01	.12	-.02	.12	—	-.03
Total Kings	.57	.54	-.03	.47	-.07	.48	+.01	-.09
NM 100's	.58	.59	+.01	.52	-.07	.52	—	-.06
M 100's	.22	.22	—	.19	-.03	.19	—	-.03
Total 100's	.80	.81	+.01	.71	-.10	.71	—	-.09
NM 100's Box	.18	.22	+.04	.23	+.01	.26	+.03	+.08
M 100's Box	.02	.03	+.01	.03	—	.03	—	+.01
Total 100's Box	.20	.25	+.05	.26	+.01	.29	+.03	+.09

. BOX IS THE ONLY GROWTH SEGMENT.

NOW

Family	.81	.90	+.09	.97	+.07	1.02	+.05	+.21
NM Kings	.16	.17	+.01	.18	+.01	.19	+.01	+.03
M Kings	.07	.07	—	.07	—	.07	—	—
Total Kings	.23	.24	+.01	.25	+.01	.26	+.01	+.03
NM 100's	.38	.44	+.06	.48	+.04	.50	+.02	+.12
M 100's	.20	.22	+.02	.24	+.02	.25	+.01	+.05
Total 100's	.58	.66	+.08	.72	+.06	.75	+.03	+.17

. BOTH KINGS AND 100'S ARE GROWING.

*Includes 120's and 83mm Box

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B. Competitive Analysis

NOW (vs. Carlton)

- . Lower share but growing (1.02 vs. 1.72)
- . Largest style share: Non-menthol 100's (.50)
- . Lowest style share: Menthol Kings (.07)
- . Tar level Kings (1 mg.), 100's (2-3 mg.)
- . Positive mobility trend (Carlton has negative mobility)
- . More starters/restarters, less quitters
- . High loyal base - 67% (Carlton - 80%)
- . Source of switchers-in
 - Kent, Carlton, Vantage, Marlboro, Salem
 - Full taste (37%), Ultras (38%), Lights (25%)
 - 100's (46%), Kings (44%), 120's (7%)
 - Soft pack (83%), Box (16%)
 - Standard price (96%), VFM (2%)
- . Destination of switchers-out
 - Kent, Virginia Slims, Doral, Quitting
 - Ultras (47%), Lights (32%), Full Taste (21%)
 - 100's (79%), Kings (16%), 120's (5%)
 - Soft pack (90%), Box (11%)
 - Standard price (68%), VFM (32%)
- . Target audience (same as Carlton)
 - Females 35-55
(average age 50, Carlton - 54)
 - White
 - \$30M+
- . Non-menthol/menthol split: 68%/32%

Source: Switcher Data/MSA 12/88

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VII. Testing Methodology

A. CPT

To ensure product acceptability for an aggressive support strategy behind BARCLAY, testing versus primary competition (NOW) amongst target competitive smokers (Full Taste, Lights and Ultra cells) is recommended.

Additionally, in order to ensure that any new product chosen for implementation based on results of the test above does not significantly jeopardize the current franchise, a test versus current BARCLAY amongst the current franchise should be performed. Such results would be used to assess the amount of risk to the current franchise were a product change to be implemented. A loss amongst BARCLAY franchise should not suggest that a new product candidate not be introduced (if test versus competition is positive), but may indicate a need for caution in implementation (e.g., test market versus national rollout).

B. Method

Standard unidentified sequential monadic round robin CPT.

C. Sample

1. The product decision will be made based on results versus NOW, amongst a sample of 35-55 year olds, 70/30 female/male who are smokers of non-menthol and menthol Full Taste, Lights and Ultra products.

King and 100's smokers should evaluate Kings and 100's products, respectively.

2. Additionally, the product should be tested versus current BARCLAY amongst the BARCLAY franchise.

D. Timing

All CPT results are requested by November 1989, so that a test market could begin during 2nd Quarter, 1990.

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VIII. Action Standard

A. Minimum

Preference parity versus key competition (Now)
amongst target Ultra smokers.

B. Desired

Overall preference superiority versus key
competition amongst target smokers with no
attribute penalties.

IX. Timing/Quantities/Capacity

A. Key Timetable Dates

11/89 CPT results; implementation decision
2/90 Start manufacture for test market or
national rollout
4/90 Test market start

B. Quantities Required

To be determined, based on test market or
expansion plans.

C. Equipment Capacity

Manufacturing capacity is available for
production of national quantities.

X. Priority

To be determined.

XI. CPDC Approved

By: _____

Date: _____

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