

This paper was written by Neil Collishaw.

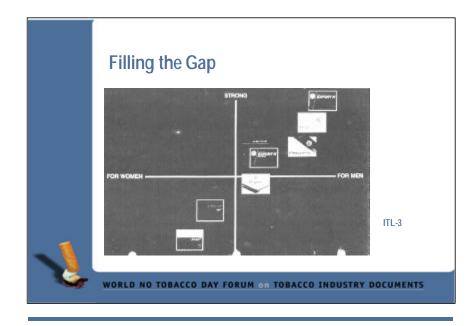
The opinions expressed are those of the author and do not necessarily reflect those of Health Canada or Physicians for a Smoke-Free Canada Player's is the largest selling brand family in Canada. And it is no accident.

Our story begins in the early 1970s. Tobacco companies were muddling through their marketing management. All had structured their marketing departments on a brand-by-brand basis with a manager and staff for each brand. There were dozens of brands, but only four companies.

Imperial Tobacco had been in decline, and was feeling sorry for itself. Market share had slipped from a high of nearly 50% in 1963 to under 40% ten years later. Clearly, it was time for the company to pull itself up by the bootstraps. Here is how, Donald Brown, then a regional marketing manager, described the situation.

Well, we were, up until that point in time, had a long track record of losing market share and we reviewed our whole attitude toward the marketplace and concluded that since cigarettes are all sold for the same price and virtually have the same product structure – sorry, profit structure, that it didn't mean – we really didn't care which brand people chose as long as they chose our brand. So we viewed the brand management structure as creating internal competition and therefore inefficiencies. So we went to what we referred to as a central planning structure whereby we addressed the market as a whole and strategically placed brands in various parts of the market to address market opportunities and avoid overlap or internal competition. Essentially, that's the reason for the change.

Quebec Court of Appeal, Montreal. Case Numbers 500-09-001296-912 and 500-09-001297-910. 1991. Joint Record, Brpwm RD. Testimony, Volume 8, p. 1128.

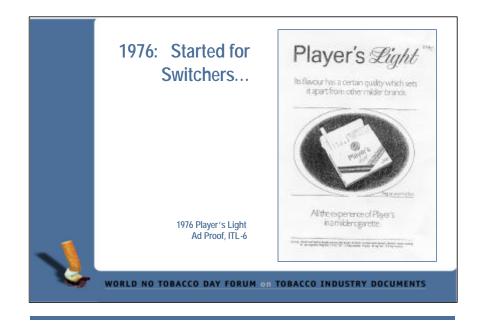


Donald Brown had referred in his testimony to the new strategy addressing market as a whole. A complete explanation of the new structure was given in 1978 by ITL employee A.I. Kalhok at a marketing/personnel conference in Georgia. A.I. Kalhok identified this key advantage of the new integrated approach to marketing:

"It optimizes the whole rather than the attempting to maximize the individual parts, in other words it recognizes the interdependency of all the brands." (Marketing structure, p. 690123512)

The research, planning and development that went on to develop the new extension of the Player's family, Player's Light, was the first major test of the new central planning structure.

In keeping with the new philosophy, the market niche for Player's Light was identified in relation to all the other brands, including other Imperial Brands. When the market was examined as a whole, a significant gap appeared, and Player's Light was designed to fill the gap.



Now came the first big test of the new integrated marketing strategy. Market research had identified that Player's Filter smokers were switching, but that they were switching to brands of competing companies. The solution was to give them something to switch to. To senior company managers, however, this would look like cannibalizing from the company's flagship brand, Player's Filter. It was going to be a tough sell. Here is how Donald Brown described the problem.

"It was difficult ... convincing our management to spend money on a brand that was designed to take smoekrs from a brand we already had."

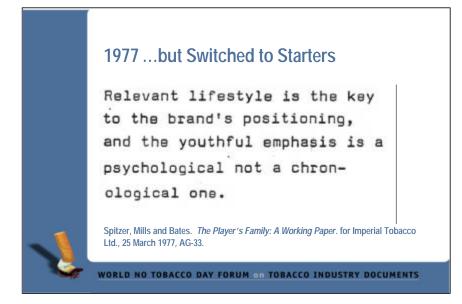
The pitch was successful. Senior management bought it and Player's Light would soon be launched. The year was 1976.

Initially, in keeping with the integrated marketing approach, it was very much designed to be something to appeal to the Player's Filter smokers who were switching to competitors' brands. This strategy was strongly reflected in the advertising copy of those first ads:

"All the experience of Player's in a milder cigarette."

"Its flavour has a certain quality which sets it apart from other milder brands."

Quebec Court of Appeal, Montreal, op. cit. Volume 8, p. 1180



A cigarette for switchers might have been the marketing strategy at the beginning in 1976, when the brand was first launched, but a whole new dimension was identified by 1977. That year, the market research firm, Spitzer, Mills and Bates, working on behalf of Imperial Tobacco, advanced the theory that the a youthful emphasis would be part of the relevant lifestyle and this would be the key to the brand's positioning, leading to even greater marketing success.

A youthful emphasis translated into these advertising objectives:

"Advertising objectives:

- 1. To promote Player's Light as a serious, independent mid-range brand.
- 2. To position the brand a little upscale of Player's Filter (but well below JPS) in terms of user profile, social status and perceived image.
- 3. To target the brand at the younger end of the smoking spectrum without male or female bias.(1977 brief, p. 689452214)

The prime target market was "...people in their early 20's to early 30's , and without male or female bias."

Young adults were the prime target, but there was an important secondary market, not to be ignored.

"Very much a secondary market, but one that we anticipate will increase in importance as the brand gets better known is young people starting the smoking habit and looking to start with a milder mid-range brand."

Quebec Court of Appeal, Montreal, *op. cit.* Spitzer, Mills and Bates. The Player's Family: A Working Paper. Prepared for Imperial Tobacco Ltd., 25 March 1977. p. 12 (14408)., Exhibit Number AG-33. Volume 73, pp. 14396-14465.

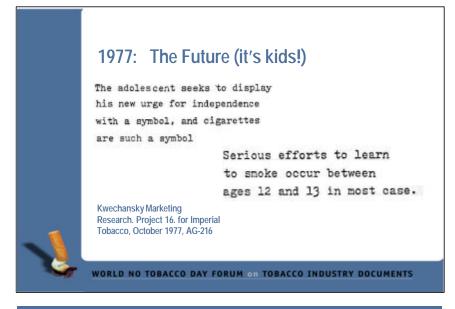


Later in the same 1977 working paper, Spitzer, Mills and Bates expanded on the theory of youthful emphasis. Cigarettes were to be sold to those of "a younger age" on the basis of "social requirements", observed to have primacy over "taste requirements".

It is particularly fascinating that the marketing strategy involved creating a cigarette with a taste so undefinable and undistinctive that it would offend no-one. The taste of the cigarette would be so elusive that "people can apply their own taste qualities to it." As we shall see, this strategy would prove to be wildly successful. Cigarettes with distinctive tastes would liked by some people, but disliked by others. Cigarettes with undistinguished tastes would be disliked by no-one.

The potential market would therefore be much larger, but customers would not be drawn by taste. Customers would have to drawn to this product of undefinable taste almost entirely by marketing flim-flam, and appealing to the "social requirements of those at a "younger age."

Quebec Court of Appeal, Montreal, *op. cit.* Spitzer, Mills and Bates. The Player's Family: A Working Paper. Prepared for Imperial Tobacco Ltd., 25 March 1977. p. 12 (14408). Exhibit Number AG-33. Volume 73, pp. 14396-14465.



How much younger is younger? A little later the same year, Imperial received a report it had commissioned called Project 16, a report of focus group research conducted among children 16 years of age.

Why would ITL commission work on people so young and vulnerable? Introductory remarks of the Project 16 make the answer to this question abundantly clear: "....how the beginning smoker feels today has implications for the future of the industry." (Kwechansky, p. 566627839)

From Project 16 Imperial Tobacco learns that Canadian children begin smoking at ages 12-13 and use cigarettes as easy-to-acquire symbols of the the independence they seek.

Quebec Court of Appeal, Montreal, *op. cit*, Kwechansky Marketing Research. Project 16. for Imperial Tobacco, October 1977, Exhibit Number AG-216. Volume 190, pp. 39280-39392.



Every year, new cohorts of 16 and 17 year old smokers learn that quitting smoking is harder than they thought it would be when they started four or five years previously. Imperial Tobacco already knew this in 1977, and has used the knowledge to hook a whole generation of children on Player's Light.

The purpose of Project 16 was not in doubt. In the Introduction we read:

"Since how the beginning smoker feels today has implications for the future of the industry, it follows that a study of this area would be of some interest." (p. 566627839)

Theory held that taste requirements were of less importance than social requirements. This was borne out by the youthful focus group members in Project 16:

Social requirements:

"The first time I did it I was with a bunch of older kids and they smoked. So I took one to feel older just like them."

"They call you a little suck, a creep, a chicken. It hurts. Well, it doesn't hurt but you really feel rejection so you do try." (Kwechansky, pl 566627849-51)

Taste requirements (at age 16)

Q."Did you fall flat on your rear?" "Oh, yeah. You turn green. Dizzy too. You feel sick. You feel like barfing, almost." (Kwechansky, pp. 566627858)

Advertising (Reaction to a Player's ad with horses). The young focus group members gave reactions like this:

"You're in the country, aye, and you're free and everthing's going all right. If you buy Player's that could be you." (kwechansky, p. 566627927)

This reaction and more like it led the researchers to conclude:

"This was perceived as the most teen-oriented cigarette ad, and as teenoriented as any other ad." (Kwechansky, p. 566627836)



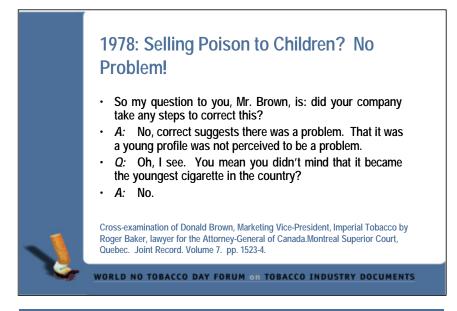
Careful planning and research had gone into bringing Player's Light to market. Then – serendipity! 1978 market evaluation revealed Player's Light to be "one of the youngest" cigarette brands in Canada.

Careful targeting of the youth market had led to success beyond the marketers' dreams. The kids were smoking their brand!

Still the voluntary advertising code in force at the time did not allow marketing to children. This bothered Imperial not at all. Ostensibly they could show, for the most part, that they targeted Player's Light to young adults. Of course, they also knew that nothing is more attractive to teenagers than images of young adulthood, the state of grace they wish to achieve as fast as possible. So far, the introduction of Player's Light had succeeded because of a rare combination of good management and good luck. Now it was time to manage the luck.

New objectives for Player's Light in 1978 included:

"More firmly establish Player's Light as a milder version of Player's Filter - the brand for modern young smokers." (1978 Creative, 689451877)



How much was the corporate conscience of Imperial Tobacco troubled by the fact that their own market research showed Player's Light to be the youngest brand in the country? Roger Baker , lawyer for the Attorney-General put this question to Donald Brown in court in Montreal in 1989. In 1978 Donald Brown was the Vice-President of Marketing, and now he is the Chief Executive Officer of Imperial Tobacco. In 1989 he asserted under oath that the fact that Player's Light was the youngest cigarette in the country "was not perceived to be a problem".

It seems the corporate conscience was bothered not at all by the fact that children were becoming addicted to Player's Light.

Quebec Court of Appeal, Montreal, *op. cit.* Cross-examination of Donald Brown, Marketing Vice-President, Imperial Tobacco by Roger Baker, lawyer for the Attorney-General of Canada. Volume 7. pp. 1523-4.



By 1980 Player's Light marketers clearly recognized that they were on a roll. One of the early marketing design features that was working was the strategy of constructing marketing to offer overt appeal to boys and young men, but to fashion the brand image in such a way that it would also appeal to girls and young women. A marketer's dream! A cigarette smoked by both boys and girls! Appeal to both sexes was the creative focus in 1980.

Other 1980 marketing objectives and strategies were also designed to reinforce the good things that were already happening.

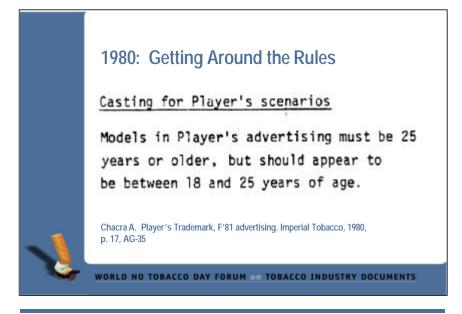
"Player's Positioning Objective: To maintain the trademark's established image as a full-flavoured, masculine trademark for young people...."

"All Player's advertising will use lifestyle imagery to relate product to its core target group by association."

"All lifestyle images in Player's ads will promote the social acceptability of smoking where appropriate. Scenarios and settings for the lifestyle imagery will be selected to invite the reader to associate a Player's brand with a pleasant peer group situation."

"Media target group definition: Young people under 35 years of age with major emphasis on under 24 year old males."

"Models used in our French advertising are selected to "look" Quebecois. Typically Anglo/American featured (blond, blue-eyes) models are avoided." (Trademark, pp. 684451897-912)



Having established through theory, research and evaluation that Player's Light would succeed if marketed to young people, it remained to develop and execute marketing plans. First, it would be necessary to deal with the inconvenient voluntary marketing code which forbade use of models under 25. This was dealt with expediently by hiring people who were 25, but looked much younger.

Quebec Court of Appeal, Montreal, op. cit. Chacra A. Player's Trademark, F'81 advertising. Imperial Tobacco, 1980, p. 17 (14868). Exhibit Number AG-35. Volume 75, pp. 14817-14939.



In one case Imperial Tobacco made decisions on where to place advertisements based on target markets defined by the magazine industry as young as 12. In this case, groups aged 12-24 and 12-17 were defined, with media placements to be especially weighted to these youngest age groups.

Donald Brown explained this one away by saying that these target groups were selected by the magazine industry, not Imperial Tobacco. He had this to say in court in Montreal in 1989:

"And in the first two years of this study, the age breaks were as shown there in four (4) categories, and were unavailable in any other break from the computer. Subsequent to the first two (2) years then, the age breaks were change."

However finely Donald Brown was able to split hairs, there is no doubt that Player's advertisements were placed in magazines seen by some 12-year-olds in 1980. They were then and they are now. Player's Racing ads appeared in TV Guide just a month ago.

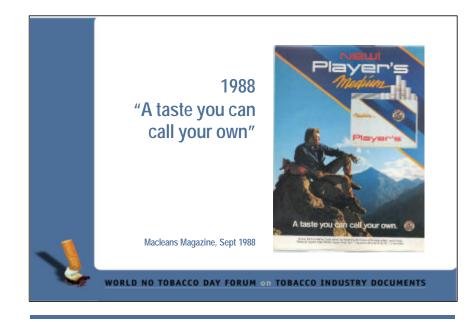
Quebec Court of Appeal, Montreal, *op. cit.* Imperial Tobacco Limited, Fiscal '80 Media Plans, Phase I, 1980, pp. 27,30 (46862, 46865, Exhibit Number ITL-13. Volume 228, pp. 46836-46929. Quebec Court of Appeal, Montreal, *op. cit.* Brown, R.D. Testimony, Volume 8, p. 1269



In other marketing documents, "starter" target groups were variously defined beginning at ages 18, 16, and 15. In all cases, good project management was being applied. In the late 1970s objectives had been set to market Player's light to the prime target "young adults" and to a secondary target group "young people starting the smoking habit." Creative Guidelines, written in 1981, show that the objectives were being carried out very effectively.

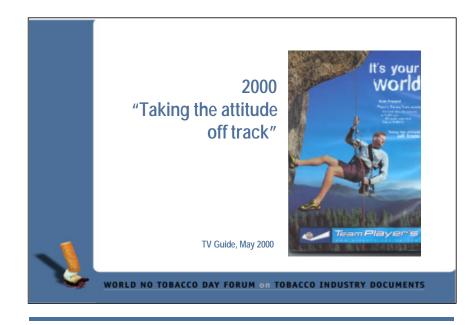
Appealing to aspirations for individuality were hot buttons for pitching Player's to children. They were then and they are now. Notice the remarkable similarities between these two Player's ads from 1982 and 2000. The latter ad passes legal muster by navigating successfully through the complex exceptions allowed under the Tobacco Act.

Quebec Court of Appeal, Montreal, op. cit. Player's Filter '81: Creative Guidelines. Imperial Tobacco Ltd., 1981, p. 1 (14817). Exhibit Number AG-35. Volume 75, pp. 14817-14939.



- In 1982, another round of focus group research found that smoking cessation, every tobacco marketer's nightmare, was now desired even earlier, "even prior to the end of high school". Fortunately for the tobacco company, among the hapless adolescent addicts, "the desire to quit, and actually carrying it out, are two quite different things, as the would-be quitter soon learns". (Plus/Minus, p. 366627753)
- Project 16 and its sequel, Project Plus/Minus were first made public in 1990 during the Canadian government's defence of the Tobacco Products Control Act. These two documents surfaced again in the 1998 trial in Minnesota. In a series of increasingly stern judicial orders, Judge Fitzpatrick expressed his dissatisfaction with the abuse of attorney-client privilege, and ordered documents released to the plaintiffs. In the last of these rulings, 7 March 1998, he cited a document for which Brown and Williamson had claimed attorney-client privilege.[1] It was entitled:
  - "Series B, ITL Documents: Apparent difficulties and relevant facts, Volume II, Project 16 and Project Plus-Minus."

1. To view the full text of Judge Fitzpatrick's order of 7 March 1998, visit web-site htt;://www.rkmc.com/toacco.order3798lit.cfm

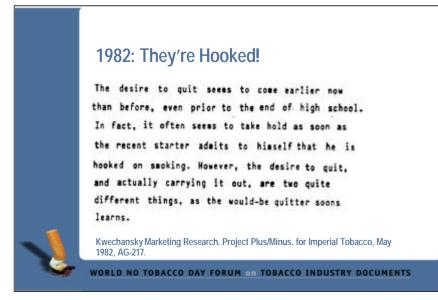


What probably followed were some explanatory notes prepared by Ogilvy Renault (the Canadian law firm acting on behalf of ITL), and the full texts of Project 16 and Project Plus-Minus. To support his contention that the document was about children and not something protected by attorney-client privilege, Judge Fitzpatrick referred to the following information concerning Project 16:

"The research was conducted among 16-17 year olds."

- "The studies reported on youngsters' motivation for starting, their brand preferences, etc. as well as the starting behaviour of children as young as 5 years old."
- "The studies examined examination [sic] of young smokers' attitudes towards 'addiction' and contain multiple references to how very young smokers at first believe they cannot become addicted, only to later discover, to their regret, that they are." [1]

 To view the full text of Judge Fitzpatrick's order of 7 March 1998, visit web-site htt://www.rkmc.com/toacco.order3798lit.cfm



Ironically, Judge Fitzpatrick, although he did not do so, could have cited an even more straightforward reason for making Project 16 and Project Plus Minus public. They were already public and had been so since 1990 when they were presented in evidence by the government lawyers in Montreal. Brown & Williamson must have hoped that, somehow, attorney-client privilege could be claimed for documents already in the public domain.

Montreal Court of Appeal, *op. cit.* Kwechansky Marketing Research. Project Plus/Minus for Imperial Tobacco, May 1982, Exhibit Number AG-217. Volume 191, pp. 39393-39611.



Imperial Tobacco never stopped assessing the market positioning of its flagship brands, Player's and duMaurier. In the 1985 report of Project Stereo/Pheonix by the New York firm of MS&P, Player's Light was identified as having a key marketplace advantage over the competing brand Export. It was OK for for women to smoke Player's, but not Export. This meant not only more sales in the present, but greater capacity of Player's than Export to adapt to shifting market conditions in the future.

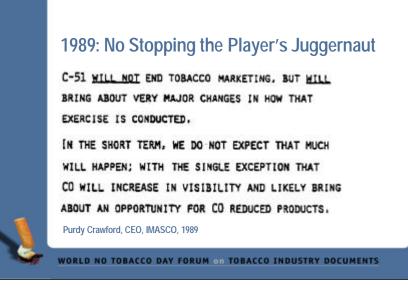
Other key marketing advantages of the Player's family included the following:

"Self-reliance seems to offer good opportunities for extending the positioning of Player's."

"Freedom and independence are at the core of Player's positioning."

"Player's Filter has a considerably softer masculine image than Export 'A' which carries masculinity to an extreme."

"Player's positioning offers considerable 'elbow room' for strategic flexibility which may be required to counteract competitive pressure (possibly from Export 'A')." (Stereo Phoenix, pp. 102692366-6367)



In a same presentation to his colleagues in 1989 Mr Crawford, CEO of IMASCO, also indicated that even though Canada had implemented a ban on tobacco advertising that was near total, this would not actually eliminate tobacco marketing, only change it. Moreover, the Player's family, by then a well-established brand family among adolescents and young adults stood to gain market share in a more restrictive marketing environment. This prediction turned out to to be true.

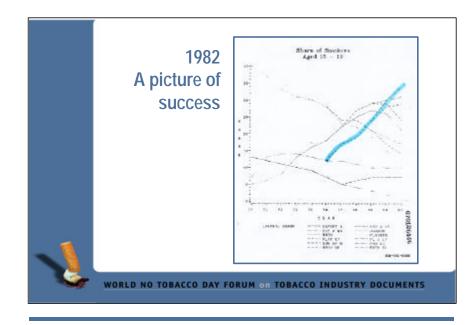
"Imperial's extensive sponsorship portfolio is being restaged under new corporate names that will allow them to continue exploiting the huge equity in their investments in this area."

"The retail environment will continue to be exploited. We have invested heavily in developing the exposure of our brands and will aggressively defend what we have got."

"Consumer response is expected to emerge in the mid-term. C-51 is expected to reduce the industries ability to create fine points of image differentiation. There will still be brands for men and brands for women, but we will lose the ability to articulate the small image differences that separate, for example, Camel and Marlboro in most international markets."

"We look to Imperial not only for funds today but also to ensure that we access the market potential that is latent in the future."

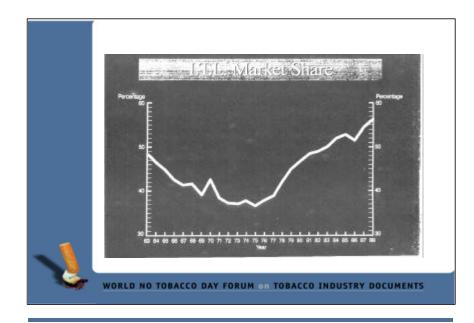
(Crawford presentation, pp. 201795972-975)



The success of Player's Light among teenagers was phenomenal. It captured 12% share of market among teenagers in 1976, the year of its introduction. In five short years, it had become the leading teenage brand, with 35% share among the 15-19-year-old set. By 1989, Imperial Tobacco makers of Player's Light, held over 50% of the Canadian cigarette market; its share of the teenage market was 60%. By 1992, Imperial had increased its market share to 66%, and sold all five of the five most popular brands. Player's Light were the undisputed market leader. In 1997, Player's Light had 17% of the market. Even though its growth in market share has slowed somewhat in recent years it is still by far the leading brand in the country.

Until the mid-1970s Imperial Tobacco's market share had been slipping. In 1974 they introduced a system of centralized and integrated marketing management that was to be a key to reversing the company's fortunes.

Another key was to make and sell the brand that teenagers would begin to smoke, the brand for starters. Theory held that if you hooked them early, they would continue to smoke your brand throughout their lives. The theory worked like a charm. Many of the 16-year-olds who started smoking Player's Light in 1976 are turning 40 this year, and they are still smoking Player's Light, keeping Player's Light firmly in lead of brand market share in Canada (17% of market share in 1997).



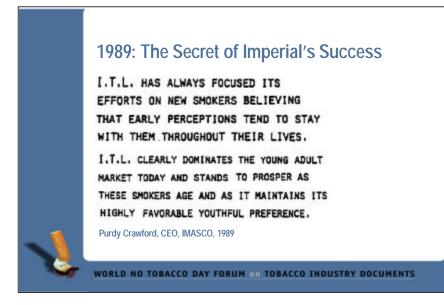
Even though today's teenagers no longer overwhelmingly choose Player's Light, Imperial's integrated marketing management system permits them to continue to dominate the teenage market with other brands and brand extensions, notably du Maurier and Player's. By 1993, 75% of smokers under 25 years of age smoked Imperial Tobacco brands.

Today, World No-Tobacco Day 2000, both Imperial Tobacco, the company, and Player's Light, the brand, hold respective leads in company and brand market share. Imperial has close to 70% of the market and Player's Light is still the leading brand. Its closest rival, DuMaurier, is another Imperial brand. Donald Brown, the Vice-President of Marketing, who didn't see selling cigarettes to adolescents as a problem in 1989, was promoted to President and Chief Operating Officer of Imperial Tobacco in 1991, and later promoted to Chief Executive Officer, a position he still holds.

Public health workers are often dismayed at how little success has been achieved in discouraging teenagers from smoking. To better understand their failure, they need look no further than at the workings of the Imperial Tobacco marketing machine that hooked a generation of Canadians on Player's Light.

Only when public health workers learn how to trump the siren song appeals of tobacco advertisement to teenagers, the appeals that push their hot buttons of desire for individuality and adulthood, only then will real public health progress in preventing tobacco use be achieved.

Quebec Court of Appeal, Montreal, op. cit., ITL Market Share, 1963 to 1988, Exhibit Number ITL-1, Volume 228, pp. 46824.



Player's Light moved from a brand that did not exist in 1977 to the leading brand in Canada today. Imperial's growth in market share over the same period is largely accounted for by Player's Light. Purdy Crawford helpfully explained the secret of Imperial's success to his management colleagues, other CEO's of other BAT companies at a meeting in May, 1989. (2018250039)