

GALLAHER INTERNATIONAL

INDUSTRIES IN INDIA

GDW/mcg

11 March 1986

GALLAHER INTERNATIONAL PRODUCTS SOLD
IN USA DOMESTIC MARKET

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G I Product Brochure

1. BRANDS SOLD AND SUGGESTED RETAIL PRICES

<u>Cigarettes</u>	<u>\$ per 20 pack</u>
Silk Cut King Size	1.30
Silk Cut Ultra Low Tar King Size	1.30
*Silk Cut International	1.40
Sullivan Powell Private Stock King Size	-) not
Sullivan Powell Export Virginia	- (per 25) } suggested
<u>Sobranie</u>	
Black Russian 100 mm	2.45
Cocktail 100 mm	2.45
*Menthol Gold	1.50
*Jasmine	2.45
Balkan Sobranie 10s Tin	1.60 (per 10)
Balkan Sobranie Turkish Ovals	2.45
<u>R Y O</u>	
	<u>\$ per Pack</u>
Old Blend	1.20 (40g pouch)
<u>Rich Dark</u>	
	<u>\$ per 50g</u>
Rich Dark Rubbed Out	2.25 (50g pouch)
Rich Dark Rubbed Out	2.25 (50g pouch)
Rich Dark Mellow Dew Flake	2.75 (50g tin)
Rich Dark Mellow Dew Rubbed Out	2.75 (50g tin)
John Cotton No 1 Mild	2.55 (50g tin/200 can)
John Cotton Nos 1 & 2 Medium	2.55 (50g tin/200 can)
Mellow Virginia	2.55 (50g tin)
Sullivan Powell Special Mixture	2.95 (50g tin)
Sullivan Powell Gents Mixture	2.95 (50g tin)
Mscudo	2.95 (50g tin/100g tin)
Balkan Mellow Dew Smoking Mixture	2.75 (50g tin/200 can)
Balkan Mellow Dew No 759 Mixture	2.95 (50g tin/200 can)
Balkan Mellow Dew No 20 Virginian	2.75 (50g tin)
Sobranie Mellow Dew Blend No 3	2.75 (50g tin)
Sobranie Mellow Dew Blend No 7	2.75 (50g tin)
J B R Blend	7.75 (per lb)

<u>Cigars</u>	<u>\$ per Pack</u>
Hamlet	1.65 (5s wallets)
Hamlet Special Panatellas	1.95 (5s wallets)
Manikin	1.65 (5s packs)

*Note:

These brands are still on sale, but have been discontinued in terms of manufacture. It is planned to replace Silk Cut International with Silk Cut Extra 100 mm in mid-1986.

2. REVIEW OF ACTIVITIES 1984/1985

(Prepared in December, 1985)

	<u>Shipments</u>		<u>Sales Out</u>	
	<u>Vol</u>	<u>% Change</u>	<u>Vol</u>	<u>% Change</u> on 83/84
Silk Cut (all brands)	5,185	+ 10.1	5,946	- 5.8
Sobranie (all brands)	9,739	+ 1.6	8,859	+ 13.8
Total cigarettes (000s)	14,924	+ 18.5	14,805	+ 5.0
RZO (k)	504	- 66.5	1,497	N/C
Filter (k)	8,350	- 31.9	10,517	- 4.3
Cigars (k)	95		not reported	

SILK CUT HOUSE

With shipments up 10.1%, in-plant sales showed a slight decline due to the timing of promotional activities. However, the trend in the market for cigarettes is generally upward, with a significant increase in the volume of sales in the latter part of the year. This is a pleasant surprise.

(Sobranie Range cont'd)

Sales out of Menthol Gold over the last twelve months reached 1.5 million as targeted, although we had hoped for an achievement in excess of two million. A strong programme of trade promotion involving bonuses, counter display, and a strong trade competition were supported by trade advertising and a \$1 per carton JBR sales force incentive.

Our disappointment with this brand's future prospects for growth stem from two main problems which concern product and positioning. On the product side, our rate of menthol addition is too low for US smokers and blend strengths (18/19 mg) too great; the gold filter is also too extreme. On the positioning aspect, we have learnt some valuable lessons for the future with Sobranie which show that there is little opportunity for a conventionally packaged Sobranie brand priced between the mainstream of the market and our existing Sobranie range. For menthol smokers trading up our product disappoints and for smokers seeking the special promise of Sobranie our packaging does not justify its price. With this pack format also to be discontinued by Production, we will lose little by converting to a Laube box (ex MTCO) with enhanced menthol and a more suitable cigarette livery. As a consequence, strength should also be reduced.

Our other new brand, Balkan Sobranie in the 10s tin, has performed much better than expected, although with restricted sales up to the middle of August it is difficult to tell what the final sales level will be (certainly in excess of one million p a, and hopefully nearer two). Whilst small in volume, at US\$43.00 per 000 it is extremely profitable.

R Y O (Old Holborn)

Whilst shipments were heavily down, this was due to an excessive JBR stock holding at the beginning of the year. Despite this, and pipeline filling, in market sales were steady.

This year has been largely one of experimentation and assessment of the potential opportunity. We have carried out a myriad of small promotions in college campus areas trying to find the key to developing this business. These have comprised of POS drives, counter displays, price-off promotions, free lighters and free papers offers supported by mini ads in college magazines.

At the same time, we have 'acquired' two major research

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1984/5

BRAND	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL	% CHANGE
BR	400.8	365.0	273.8	601.4	370.0	236.6	430.2	331.8	266.2	261.8	532.6	365.6	4435.8	- 5.9
CT	277.6	165.8	137.4	351.4	126.9	135.8	107.2	240.8	62.4	216.4	341.8	221.4	2384.0	+13.6
JAS	44.6	12.2	44.6	39.8	35.8	6.0	14.0	6.6	27.8	13.2	14.8	22.8	282.2	-18.2
BS 10'S	-	-	-	-	-	-	-	-	-	383.0*	177.4	94.8	655.2	N/A
PARTY P	0.7	0.8	-	1.2	-	-	0.2	0.3	0.2	-	-	-	3.4	-69.4
MG	98.0	163.6	62.4	131.6	67.0	113.8	101.2	48.4	42.0	64.6	145.2	60.4	1098.2	+80.0
TOTAL	821.7	707.4	518.2	1125.4	598.8	492.2	652.8	627.9	398.6	939.0	1211.8	765.0	8858.8	+13.8
CUM	821.7	1529.1	2047.3	3172.7	3771.5	4263.7	4916.5	5544.4	5943.0	6882.0	8093.8	8858.8		
				(+41.7%)			(+14.0%)				(+23.3%)			
SCL	308.2	210.0	219.8	200.2	220.8	266.2	266.2	197.2	238.2	245.8	365.0	337.2	3074.8	- 2.5
SCRS	225.8	195.6	50.2	255.0	177.6	59.2	304.8	195.6	135.4	194.6	245.2	215.0	2284.0	-11.8
SCULT	54.8	28.0	20.0	32.4	26.8	21.4	41.6	25.4	29.8	34.6	64.0	28.2	407.0	+13.6
P STOCK	-	-	-	-	-	0.4	50.0	50.0	-	-	-	-	100.4	+ 0.4
S EXP	-	-	-	-	-	-	-	80.0	-	-	-	-	80.0	-27.3
TOTAL	618.8	433.6	290.0	487.6	425.2	347.2	662.6	548.2	403.4	475.0	674.2	580.4	5946.2	- 5.8
CUM	618.8	1052.4	1342.4	1830.0	2255.2	2602.4	3265.0	3813.2	4216.6	4691.6	5365.8	5946.2		
				(-11.6%)			(-4.3%)							
TOTAL	1440.5	1141.0	808.2	1613.0	1024.0	839.4	1315.4	1176.1	802.0	1414.0	1886.0	1345.4	14805.0	+ 5.0
CUM	1440.5	2581.5	3389.7	5002.7	6026.7	6866.1	8181.5	9357.6	10159.6	11573.6	13459.6	14805.0		
				(+16.1%)			(+5.9%)				(+10.3%)			

R Y O S A L E S O U T - U S A

OR	131	114	100	202	120	99	148	66	-	297	173	47	1497	- 0.8
CUM	131	245	345	547	667	766	914	980	980	1277	1450	1497		
				(-10.0%)			(-8.0%)				(+4.8%)			

* Includes sales not reported for June.


Party pack is a two pack sleeve used for promotional purposes (now discontinued)

1 9 8 4 / 5

BRAND	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL	%CHANGE
BSSM 50g	64	48	65	113	96	71	98	57	39	58	145	79	933	+14.6]
100g	71	50	76	133	49	82	102	68	43	70	156	87	987	- 6.4]
200g	307	135	124	62	143	193	181	146	138	184	240	179	2032	-10.5]
BS759 50g	24	23	29	47	27	47	62	35	25	42	83	51	495	+15.3]
100g	45	21	43	70	13	41	40	27	22	39	52	1	414	-13.0]
200g	193	40	52	102	64	82	103	54	45	74	136	87	1032	+18.6]
BSV10 50g	29	20	1	97	3	-	49	77	17	15	43	43	394	+ 7.4]
R3	23	15	1	50	8	13	18	15	18	14	29	15	219	+ 3.4
R7	5	6	10	8	5	7	15	9	13	8	22	23	131	+ 1.5
JBR1	80	50	57	40	25	43	36	43	39	38	50	73	574	+ 6.0
T O T A L	841	408	458	722	433	579	704	531	399	542	956	638	7211	+ 0.7
C U M	841	1249	1707	2429	2862	3441	4145	4676	5075	5617	6573	7211		
				(-3.8%)			(+3.3)	(-6.1)		(N/C)				
CIC	30	26	36	108	31	19	45	40	43	14	106	100	598	+ 4.0
CRO	15	13	18	51	29	10	40	12	15	25	32	32	292	+16.1
BSC 50g	20	23	21	40	24	14	46	32	19	13	52	38	342	- 9.2
100g	39	26	63	60	67	34	59	21	52	42	63	66	592	- 5.6
RDE RO	3	7	4	20	2	12	20	4	10	5	14	10	111	-17.8
RDE FX	4	8	3	13	9	11	17	8	10	10	28	9	130	-33.0
JCL 50g	10	13	29	22	12	12	21	13	16	16	45	27	236	-14.8
200g	24	8	14	18	13	13	25	34	18	32	29	17	245	-17.2
JCL + 2 50g	15	5	7	24	8	8	21	20	11	22	30	15	186	-29.5
200g	15	12	19	25	26	20	27	43	16	24	38	13	278	-32.2
GLMS M	7	10	7	14	4	9	8	9	10	11	9	8	106	+21.8
SP.M	9	5	6	12	4	8	10	2	12	7	9	6	90	+ 9.8
MVRO	6	3	1	5	13	3	9	6	6	8	13	1	74	-28.2
JC LAT	2	3	3	3	5	-	4	2	-	1	1	2	26	-45.8
T O T A L	199	162	231	415	247	173	352	246	238	230	469	344	3306	-13.5
C U M	199	361	592	1007	1254	1427	1779	2025	2268	2493	2962	3306		
				(-23.6%)			(-21.5%)		(-22.2)		(-10.2)			
T O T A L	1040	570	689	1137	680	752	1056	777	637	772	1425	982	10517	- 4.3
C U M	1040	1610	2299	3436	4116	4868	5924	6701	7338	8110	9535	10517		
				(-10.6%)			(-5.7%)		(-11.8%)		(-3.3)			

6,287
(N/C)

CUSTOMER MASTER CARD

Customer Name & Address JAMES B RUSSELL INC 25 PARKWAY UPPER SADDLE RIVER NEW JERSEY 07458 U.S.A.		Customer Account Number 305500	
Telephone No 010 1 201 934 7177 201 934 7178		Card Issued 25.3.85 Valid From 25.3.85 Amendment number 2	
Contact Name R. DOOLITTLE S. SELTZER		Region NORTH AMERICA DOM Code 1722	
Cable Address 2557109919673 PALICO		Market Classification U.S.A. DOMESTIC Code 1710	
Payment Terms OPEN ACCOUNT 60 DAYS AFTER ARRIVAL		Invoice Currency U.S. DOLLARS Code UD	
Delay Factor Credit Limit \$250,000 US		Shipping Terms F.O.B. UK PORT	
Commission/Discount Arrangements		DOCUMENTS TO BE PREPARED	
In Invoice <input type="checkbox"/> Credit Note Required <input type="checkbox"/>		TRANSPORT NOTE <input checked="" type="checkbox"/> PACKING NOTE <input type="checkbox"/>	
Production Requirements CIGARETTES - US HEALTH CLAUSE (SILK CUT) - US HEALTH & DIST. STICKER (SOB.) TOBACCOS - DIST. STICKER & GM/OZ STICKER CIGARS - MADE IN UK STICKER		T.P.8 <input checked="" type="checkbox"/> CERTIFICATION OF ORIGIN <input type="checkbox"/>	
Shipping & Casemarks <div style="text-align: center;">  </div>		T.P.9 <input checked="" type="checkbox"/> BILLS OF LADING <input type="checkbox"/>	
Shipping Arrangements ACL/TCL FOR SMALL AIRFREIGHT'S EMERY AIRFREIGHT		C273 <input checked="" type="checkbox"/> BLACKLISTS <input type="checkbox"/>	
Insurance Arrangements BUYER		SHIPPING NOTE <input checked="" type="checkbox"/> AIRWAY BILL <input type="checkbox"/>	
Bill of Lading Requirements DATA FREIGHT RECEIPT		AGENTS ADVICE NOTE <input checked="" type="checkbox"/> INSURANCE CERTIFICATE <input type="checkbox"/>	
Chamber of Commerce Requirements N/A		T.FORM <input type="checkbox"/> BANK DOCUMENTS COLLECTION FORM <input type="checkbox"/>	
Consular Requirements N/A		MOVEMENTS CERTIFICATE <input type="checkbox"/> BILLS OF EXCHANGE <input type="checkbox"/>	
Customer's Bank & Account NO		INVOICES <input checked="" type="checkbox"/> CLEAN REPORTER FINDINGS <input type="checkbox"/>	
		CERTIFIED INVOICES <input type="checkbox"/> POST DOCUMENTS <input type="checkbox"/>	
		CONSULAR INVOICES <input type="checkbox"/> BANDEROLLE STATEMENT <input type="checkbox"/>	
		OTHER DOCUMENTATION FREIGHT INVOICE	
		Instructions to Invoice SEPARATE FREIGHT INVOICE SHOWING FREIGHT AND TERMINAL CHARGE	
		Documents Dispatch AIR MAIL	
		To Customer 3 x INV 1 x INV. to DUNLAP ALPERS & MOTT INC	
		Others 1 G. WELMAN 1 COMM. ADMIN.	
		2 x INV 2 x FREIGHT INV. } J.B. RUSSELL INC 1 x DATA FREIGHT RECEIPT }	
		1 INV 1 FREIGHT } DUNLAP, ALPERS & MOTT INC	

Brand Pack Description	Case Sizes	Product Code	Price
<u>Cigarettes</u>			
SILK CUT KING SIZE	10M	P130T009	13.90
SILK CUT INTERNATIONAL	10M	P179T009	16.40
SOBRANIE 100mm BLACK RUSSIAN	10M	P211T009	28.88
SOBRANIE 100mm COCKTAIL	10M	P211T009	28.88
JASMINE 84mm	10M	P179T009	27.24
SULLIVAN POWELL PRIVATE STOCK	10M	P179T009	27.24
SULLIVAN POWELL EXPORT	5M	P179T009	32.50
SILK CUT ULTRA MILD K.S.	10M	P130T009	13.90
SOBRANIE MENTHOL GOLD	10M	P211T009	17.50
SILK CUT EXTRA MILD	10M	P130T009	13.90
TURKISH MEDIUM 10's Tin/200's Outer	3M	P261T009	43.50
<u>Pipe Tobacco</u>			
OLD HOLBORN 40g Pouch	8kg	E3410809	12.00
ESCUDO 50g Tin	10kg	T4251009	21.76
ESCUDO 100g Tin	5kg	T4260509	19.86
JC LATAKIA 50g Tin	10kg	T4181009	21.76
RICH DARK HONEYDEW RO 50g Tin	10kg	T4201009	21.76
RICH DARK HONEYDEW FLAKE	10kg	T4211009	21.76
JOHN COTTON NO.1 MILD 50g Tin	10kg	T4171009	19.36
JOHN COTTON NO.1 MILD 200g Tin	5kg	T4230509	16.78
JOHN COTTON No.1&2 MED. 50g Tin	10kg	T4161009	19.36
JOHN COTTON No.1&2 MED. 200g Tin	5kg	T4240509	16.78
GALLAHUE MELLOW VIRGINIA 50g Tin	10kg	T4101009	19.36
SULLIVAN SPECIALTY 50g Tin	10kg	T4751009	19.80
SULLIVAN GENTLEMAN'S ORIGINAL MIX.	10kg	T4761009	19.80
SOBRANIE SMOKING MIX. 50g Tin	10kg	T4501009	19.36
SOBRANIE SPECIAL MIX. 100g Tin	5kg	T4511009	19.36
SOBRANIE SPECIAL MIX. 200g Tin	5kg	T4540509	19.36
SOBRANIE No.759 MIX 50g Tin	10kg	T4551009	21.76
SOBRANIE No.759 MIX. 100g Tin	5kg	T4561009	21.76
SOBRANIE No.759 MIX. 200g Tin	5kg	T4571009	21.76
SOBRANIE No.10 VIRGINIA 50g	10kg	T4611009	19.36
SOBRANIE RESERVE No.7	10kg	T4551009	19.36
SOBRANIE RESERVE No.3	10kg	T4671009	19.36
CONDOR LONG CUT 50g Pouch	10kg	T4021009	17.00
CONDOR RUBBED CUT 50g Pouch	10kg	T4041009	17.00
BULK JBR NO.1 5lb Polybag	30 lbs	P179T009	12.12
<u>CIGARS</u>			
HAMLET 5's PLASTIC WALLET	2,500	C1791509	9.00
HAMLET SPEC.PANATELLA 5's P.W.	1,000	C1791009	14.50
MANIKIN 5's Ctns/100 D/O	2,400	C1791009	9.00

G.I. TRADING HISTORY - USA DOMESTIC

GI TRADING

	<u>SOBRANIE CIGARETTES</u>			<u>GALLAHER CIGARETTES (principally Silk Cut)</u>			<u>TOTAL CIGARETTES</u>					
	<u>1982/3</u>	<u>1983/4</u>	<u>1984/5</u>	<u>1982/3</u>	<u>1983/4</u>	<u>1984/5</u>	<u>1982/3</u>	<u>1983/4</u>	<u>1984/5</u>			
Sales Volume 000	7740	7660	9544	7632	4930	5380	15372	12590	14924			
Sales Volume £000		151.0	215.0		59.4	63.9		210.4	278.9			
Gross Profit £000	55.8	70.9	97.8	32.5	25.6	33.0	88.3	96.5	130.8			
Advertising £000	33.0	35.0	48.0	53.8	47.0	68.0	86.8	82.0	116.0			
Contribution £000	22.8	35.9	49.8	(21.3)	(21.4)	(35.0)	1.5	14.5	14.8			
	<u>SOBRANIE TOBACCOS</u>			<u>GALLAHER TOBACCOS</u>			<u>CIGARS/RYO</u>			<u>TOTAL CIGARS/TOBACCOS</u>		
	<u>1982/3</u>	<u>1983/4</u>	<u>1984/5</u>	<u>1982/3</u>	<u>1983/4</u>	<u>1984/5</u>	<u>1982/3</u>	<u>1983/4</u>	<u>1984/5</u>	<u>1982/3</u>	<u>1983/4</u>	<u>1984/5</u>
Sales Volume kg/000	8194	8547	5600	4180	3713	2750	190/3008	130/1504	95/504	190/15382	130/13764	95/8850
Sales Value £000		115.9	85.1		50.3	40.1		17.7	12.3		183.9	137.5
Gross Profit £000	36.9	50.1	36.4	15.0	17.1	17.2	7.0	3.8	3.9	58.9	71.0	57.5
Advertising £000	5.0	6.0	6.8	5.0	6.0	-	-	4.5	0.9	10.0	16.5	7.7
Contribution £000	31.9	44.1	29.6	10.0	11.1	17.2	7.0	(0.7)	3.0	48.9	54.5	49.8
	<u>TOTAL SOBRANIE</u>			<u>TOTAL GALLAHER PRODUCTS</u>						<u>TOTAL GI BUSINESS</u>		
Sales Value £000		266.9	300.1					127.4	116.3		394.3	416.4
Gross Profit £000	92.7	121.0	134.2				54.5	46.5	54.1	147.2	167.5	188.3
Advertising £000	38.0	41.0	54.8				58.8	57.5	68.9	96.8	98.5	123.7
Contribution £000	54.7	80.0	79.4				(4.3)	(11.0)	(14.8)	50.4	69.0	64.6

NOTES

- Trading figures for 82/3 are estimated from N.American Totals
- Advertising apportionment for 82/3 and 83/4 is estimated from totals.
- 1982/3 contains several discontinued Sobranie cigarette brands.
- Gallaher cigarette sales for 1982/3 include a duty free transfer shipment of appx. 3.0M.

