

KEY ISSUE II

ANTI-SMOKING ACTIVITIES

Smoking incidence and per capita consumption of cigarettes are declining due to anti-smoking publicity and government regulations.

Major areas of concern:

- Smoking and health
- Social acceptability of smoking
- Taxation
- Bans and restrictions on smoking in public places
- Marketing and product constraints (FTC, HEW and FDA)

OBJECTIVE

Change the public's attitude toward smoking and aggressively combat the regulatory threats and problems.

STRATEGIES

1. Smoking and Health. Acknowledge a statistical and deny a cause and effect relationship; continue to contribute to the scientific resolution of the controversy:
  - a. Sponsor and provide financial support for related research - as a member of the industry and independently (CTR, Rockefeller Research Center Grants, etc.).
  - b. Establish and fund a major program to support and develop basic research in the biomedical sciences.
  - c. Establish before an appropriate forum, such as a regulatory agency, that smoking is not injurious to the health of non-smokers.
  - d. Vigorously defend any product liability case claiming smoking causes disease; look upon each as being capable of establishing dangerous precedent and refuse to settle any case for any amount.
  - e. Provide technical support, analytical information, and position papers pertinent to the smoking-health problem for internal and external use (CTR, SOSAS and ICOSI).

2. Social Acceptability of Smoking

- a. In the U. S. develop and test a long term, extensive effort by the tobacco industry to educate, inform and mobilize support on behalf of smokers, smoking and the entire tobacco industry (SOSAS).
- b. Internationally, working with six other major world tobacco companies, develop and implement coordinated countermeasures (ICOSI).

3. Taxation and Bans/Restrictions on Smoking in Public. Provide leadership to the Tobacco Institute and Tax Council in:

- a. Developing an effective national, state and local legislative representative system to protect and advance the interest of tobacco.
- b. Implementing a "grass roots" program supported by members of the industry - from farmer to retailer - working to make legislators and the general public aware of the value of the tobacco industry and the unreasonable restraints placed upon it.
- c. Combat the "bootlegging of cigarettes" problem by (1) narrowing the differential between high and low tar states through lobbying for tax reductions, and (2) encouraging stronger law enforcement and heavier penalties.
- d. Developing special research studies and programs that provide offsetting data and arguments.

4. Marketing and Product Restraints

- a. Challenge all unreasonable assertions of the FTC's authority and, where necessary, seek relief through congressional legislation; that failing, go to aggressive litigation arguing the basis of their authority.
- b. Aggressively oppose any legal action that attempts to broaden FDA's jurisdiction over tobacco products - e.g., the argument that tobacco products are a drug or filters are medical devices.

## KEY ISSUE III

### PRODUCT QUALITY

Competitively superior product quality must be designed into our products and faithfully maintained throughout the manufacturing and distribution process.

#### OBJECTIVES

1. Determine consumer wants in product quality for cigarettes.
2. Design products with superior consumer acceptance against targeted RJR and/or competitive products.
3. Develop policies, procedures and practices that ensure product quality is faithfully maintained throughout the leaf buying, leaf processing, blending, manufacturing and distribution functions.
4. Meet product constraints and government regulations.

#### STRATEGIES

1. Through consumer research, identify, define and continuously monitor factors influencing product quality and consumer acceptance, and rank their importance. This includes:
  - a. Smoking satisfaction in terms of physiological impact, minimal nicotine requirements, effect of pH, flavor properties of nicotine, tobacco "moisture" (water, humectants, casing materials), etc. With this we can improve our ability to manage the demonstrated physiological elements of smoker satisfaction.
  - b. Smoking satisfaction in terms of psychological and sociological elements. This will be done by our Marketing Research Department. It makes use of consultants and involves consumer response analysis. It is an essential part of optimizing satisfaction.
  - c. Other characteristics: draw, physical appearance, firmness of rod, etc.
  - d. Continued development and utilization of new or improved consumer product testing methodology.
2. Intensify programs to develop and maintain superior consumer products.
  - a. Improve existing products through:
    - An on-going Marketing Research program via consumer testing and interviewing to determine the positives and negatives of our brands in the absolute and versus competition, and why smokers are leaving some of our brands.

-- Identification of the reasons for consumer product negatives. Factors causing these negatives need to be isolated and their contribution measured. For example, a perceived major negative on WINSTON KING seems to be harshness.

- b. Aggressively pursue and evaluate ideas for potential new products from internal and external sources; develop and/or apply the technology for new products that offer superior and/or unique benefits.
  - c. Advance our flavor technology and our ability to apply it to our products. This involves use of new flavorants to enhance flavor delivery plus detailed examination of flavor additives in competitors' products.
  - d. Initiate and aggressively pursue in conjunction with our suppliers the development of innovative materials and components to meet requirements. Examples under investigation and their potential benefits are: (1) super porous plug wrap which permit us to improve quality and production efficiency; (2) perforated heat seal tipping which helps to control tar and gas delivery, improve product quality and production efficiency; and (3) non-wrapped acetate filter which offers a breakthrough in product development capability, tar/gas control and cost savings.
3. Develop a comprehensive product quality program throughout the Company.
- a. Survey present perception, policies, procedures, practices and accountabilities for assuring product quality on each of our brands.
  - b. Develop a quality assurance program covering all levels and functions with appropriate standards and controls.
  - c. Develop and conduct a seminar to assure uniform understanding, acceptance of and dedication to produce quality in all its ramifications.
4. Develop or apply the technology to meet product restraints and government regulations.
- a. Incorporate tar and gas phase reductions into products in accordance with the strategic positioning of the product in the marketplace.
- Employ current technology to meet immediate requirements, primarily through air dilution; blending and configuration changes (e.g., reduced circumference and length).
- Develop new technology to meet future requirements. Current efforts are on alternative paper, tipping, package wrap, filter technology and blending (e.g., increased use of G-13); new knowledge of methods and materials will have to be generated to limit delivery of CO, NO<sub>x</sub> and HCN.

- b. Closely monitor product and smoke components and processes in public controversy or subject to government regulation or banning. Minimize risks where necessary utilizing alternatives or have ready contingency plans against their potential negative impact (e.g., Freon).

With regard to Freon, engineering analyses are being conducted on possible alternatives to the G-13 process. This will help in arriving at the Company's strategic position on the Freon issue.

With regard to flavorants or additives in our products, we have revised our Company policy to base approval on criteria acceptable to the legal, scientific and governmental communities. The major task is to provide the means to meet this Company policy.