

**RJR**  
**SECRET**

ADDRESSEE ONLY

March 7, 1986

No. 428 By \_\_\_\_\_

~~SW~~  
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LR  
cc RRP  
JSC

To: Mr. R. A. Kampe

Re: Significant Activities

This provides a summary of the significant activities for Marketing Planning for the week of March 3, 1986.

I. Research and Development

A. Flavor efforts have been concentrated on evaluation of Firmenich precursor and empirical flavors. A model containing the flavor system presented by Firmenich at the recent Geneva review was tested on QDA. It is one of the best models tested to date on QDA.

B. Packaging

- Dave Montgomery and Tom Lowe will be updated on packaging during the week of March 10.
- Graphics
  - Silkscreen mock-ups will be available for the March 19 OOC presentation.
  - Printed overwrap and boxes will be completed mid-April.

C. Consumer Perceptions

- One-on-ones were held in Charlotte on March 4-5 and direction for future development was received.
- The Wave V consumer test will be moved up to Wednesday, June 11 for better evaluation of data for the Monday, June 30 date for selecting a final flavor.
- Puff profiles on Alpha product are being obtained this week to determine if gross difference in smoking patterns exist between Alpha and conventional cigarettes.

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D. CO Reduction

- SSI will complete fabrication of dies for low CO fuel sources this week. Initial trials to extrude the rods will begin the week of March 10.
- The most promising fuel source design continues to be the peripheral groove or rib design (CO = 5-8mg). Sufficient experience has been gained in smoking these products to identify performance deficiencies that result from the new design:
  - (1) melt-back of the glass jacket in the initial puffs
  - (2) increased off-taste in puffs one and two
  - (3) a fuel source fire cone that becomes fragile in the latter puffs and may break off.

A new team has been formed to address these deficiencies and an aggressive action plan developed. Target date for issue resolution is week of April 15 and the outlook is positive for resolving these issues.

Next Steps

Timing

Supply of Low CO Fuel Source

- |                                       |      |
|---------------------------------------|------|
| ● Complete Fabrication of Dies at SSI | 3/7  |
| ● Extrusion Trials at SSI             | 3/21 |
| ● Produce 100,000 Units               | 4/15 |

Performance Issues

- |   |           |
|---|-----------|
| ● <u>Glass Melt-Back:</u> Assess E Glass/6437 Blend and Effect on Melt-Back   | 3/7       |
| ● Determine Glass Softening Point Needed for Lower CO Fuel Source             | 3/21      |
| ● Meet with OCF to Determine Production Capability for Higher Softening Point | 4/15      |
| ● <u>Off Taste:</u> Complete Initial Sensory Evaluation                       | 3/14      |
| ● Sensory Evaluations of Glass Paper and Fuel Source Modifications            | 3/28-4/11 |
| ● Recommend Options to Resolve Off-Taste                                      | 4/15      |
| ● Resolve Fragile Fire Cone   | 4/15      |

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E. Tox Testing

- Work is in progress to reschedule the tox testing to include models with the new fuel source design. A two-month delay is probable. This issue will be finalized during the week of March 10.

F. Elimination of Off-Tastes

- New test methodology has been developed by the Applications Division to permit internal sensory testing of the initial puffs only.
- After considerable screening, four samples were selected for the first sensory test: (1) the best standard to date, (2) low CO fuel source, (3) low CO fuel source with the outer paper removed, and (4) low CO fuel source with a flavor additive on the paper. Testing will be conducted the week of March 10.
- Progress continues to be made in reducing off-taste contributions from the glass and paper.

G. Aerosol Temperature

The aerosol temperature with the Alpha product is warmer than a conventional cigarette which could be an issue. Two approaches show promise for reducing the aerosol temperature: (1) cavity filters containing sodium potassium tartrate, and (2) a new polypropylene filter material from Kimberly-Clark. Other approaches are also under investigation.

II. Operations Development

A. Machinery

Three modified G.D. packers have been received from G.D. in Richmond, Virginia and are in storage in Winston-Salem. One unit will be installed in the Development Plant area by June, 1986. The remaining two units are for use in the Pilot Plant. Two additional new packers for use in the Pilot Plant will ship in July, 1986.

Meetings will be held this week with Personnel to begin discussions on training schedules necessary to support Pilot Plant start-up.

Focke representatives will meet with OD personnel this week to finalize case packer layouts. Once layouts are complete, Focke will establish their final quotation.

A. Machinery (Cont'd)

OD is evaluating tobacco rods of various blends, weights, etc., to help determine the characteristics that are required to produce a tobacco rod that will withstand machining requirements.

B. Supporting Processes

A die necessary for the fabrication of the proposed "grooved" fuel source is being machined by SSI and is expected in this week. Upon its receipt, OD will proceed to attempt manufacturing of the new fuel source which appears doable.

An Instron tensile tester has been received and will now be available to test crush strength of the fuel sources.

A Reitz extractor (mixer) is being installed and will be used to mix the carbon extrudate. This will help improve mixing uniformity.

Four hundred pounds of carbon chips have been sent to McDanel to be used for testing of an continuous extruder. Piston extruder to be used in development work has been shipped back to Loomis for speed control modifications.

Extract is being produced for testing purposes in Shed 112. G-7 is being used in the extractor for testing. The spray dryer will begin start-up and testing this week.

C. Quality Assurance

Two final product testing technicians are on board and are receiving orientation.

We are continuing to interview outside candidates for the positions of Manager of Materials and Lab Services, Statistician, and Analytical Lab Technician.

QA assumed raw material testing responsibility on March 3, 1986 for fuel sources and glass fiber. Initial sampling plans and acceptance criteria have been developed for these components.

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D. Facilities

Air handling equipment and ductwork installation has started. Approximately 80% of the floor slab has now been poured. The facility completion date has been revised to the first of June, 1986. This one-month extension will allow for the completion of the mezzanine lab/office construction, but will not affect equipment installation or project timing. The main utility band that runs through the center of the pilot plant is now complete.

Design for power distribution and piping is continuing.

III. Finance/Purchasing

A. Production Facility

Sandra White met with Bill Scantland and Jay Tobin to discuss a phased approach to constructing and equipping a production facility. Based upon information provided in this meeting, Sandra is developing at risk and commitment schedules (by month through 12/87 and annually thereafter). This information will be used to manage/monitor our "at risk" position versus the resolution of the critical issues.

B. Authorizations/Contracts

- McDanel - Management has approved the authorization request to contract with the McDanel Refractory Company. The \$2.6 million contract is for the development of a pilot line for the continuous extrusion of carbon components. This is the first step in the development of a process for the in-house production of carbon fuel sources.
- Firmenich - An authorization request is being prepared to extend our development agreement with Firmenich. Routing should start by the end of this week.
- Carolina Star Warehouse - An authorization request is being prepared to lease the Carolina Star Warehouse for five (5) years. This space would be used to house supporting processes for the expanded pilot plant.
- West and Eyelematic - The development agreements with West and Eyelematic (capsule suppliers) have been signed and are being implemented. Ron Beatty and Ron Reagan met with Jim Rhoades from the West Company to start negotiating a supply agreement. Per our schedule, a supply agreement should be in place by 4/30/86.

B. Authorizations/Contracts (Cont'd)

- Machine Systems - The termination agreement with Machine Systems has been signed by Alan Truluck. After RJRT approval, we will transfer any outstanding orders to Crotts & Saunders.

IV. Marketing

A. Packaging

Silkscreen boxes and outerwrap being prepared to show the packaging protection requirements to Corporate Management 3/19 has been promised 3/14, and every effort is being made to have them available for the rehearsal 3/13.

B. Advertising

Initial advertising comps were reviewed with Executive Management on Monday, March 3. Direction regarding future executional development was discussed. The Agency has begun development of new alternatives to address creative direction, and these drafts will be available for Marketing and Legal review the week of 3/17.

Next Steps

Timing  
(W/O)

- |                                    |      |
|------------------------------------|------|
| ● Initial Copy Review/Legal Review | 3/17 |
| ● Follow-Up Copy Review            | 3/31 |
| ● Presentation to MLO              | 4/7  |
| ● Presentation to GHJ              | 4/14 |

C. Name

Forwarded a recommendation regarding presentation of name alternatives to RJR-TI Management. Recommendation stated that in view of the difficulty of achieving a universally acceptable name, whether by identifying an existing word or by creating a word (e.g., - Exxon), we will focus on selecting the optimum name for the critically important domestic market. We propose to present the name alternatives to TI Management with the recommendation that they proceed to register/negotiate rights for the name we finally select for domestic use.

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D. Public Relations

- Executive Management approval has been received to prepare suppliers to respond to inquiries resulting from the March 19 publication of the foreign patent application. A decision regarding informing RJRT Public Relations should be available shortly.
- Management approval was received to hire Burson-Marsteller as the Public Relations firm on the project. A detailed plan outlining the objectives, tactics and a step-by-step action plan for dealing with each identified constituency will be prepared by April 30.

V. Marketing Research

- Qualitative one-on-one interviews were conducted in Charlotte, NC this week. The purpose of these interviews was to aid R&D in the selection/refinement of prototypes for the fourth wave of product testing. Fielding of the fourth product test is scheduled for the week of April 7, with final results available the week of April 21.

  
G. W. McKenna

GWM:fd

cc: Dr. R. A. Lloyd  
Mr. L. L. Bass  
Mr. R. J. Reagan  
Mr. H. E. Osmon  
Mr. W. W. Juchatz  
Mr. E. J. Fackelman  
Mr. T. R. Campbell

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