

## Vision

Significantly strengthen our Winning Company growth strategy by creating a constant stream of innovations that increase our consumers pleasure in the use of tobacco.

- If not RJRT, then who?

53410 2574

## Prep Strategy

Create PREP families on investment brands

- ❖ Smoking enjoyment as primary message
- ❖ Full range of products over time
  - Lights, ULT, menthol reduced exposure
  - Tobacco Heating products
- ❖ Constant improvement approach
  - Launch consumer acceptable products
  - Improve reductions over time

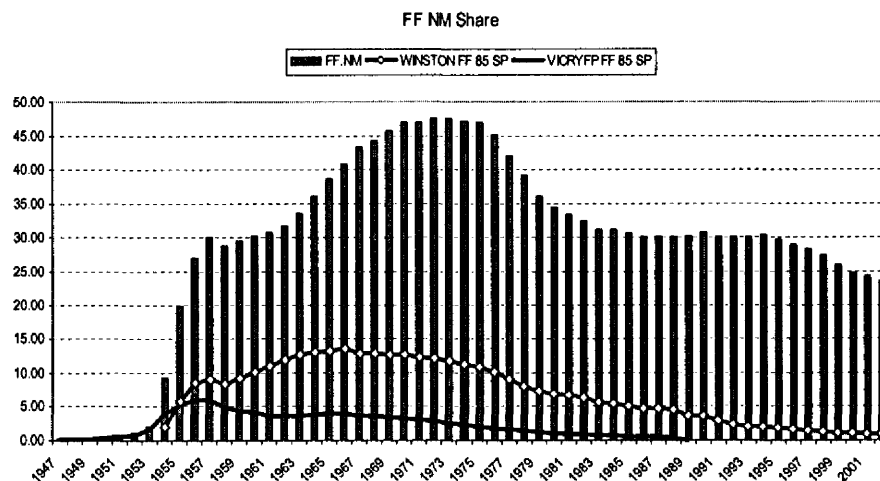
53410 2575

## Why PREPs

- Smokers' relationship with category changing
  - Social pressures, restrictions, taxes
- Reduced harm products appeal to smokers
  - 70% desire for PREP benefits
- Competition commitment to PREPs
  - PM R&D, Marlboro Ultra Smooth, Parliament Blue
- Significant RJRT share/volume potential
  - Smokers express PI of Camel PREP
- Likelihood of future regulation

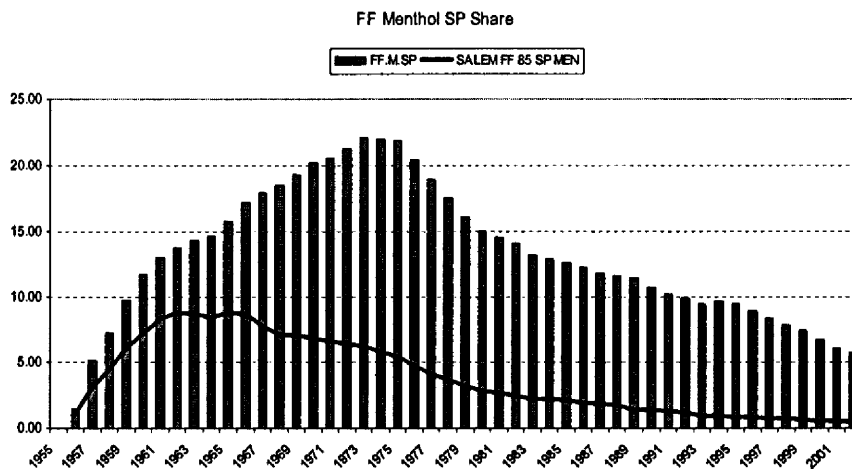
53410 2576

## Filters reshaped the market in the '50's

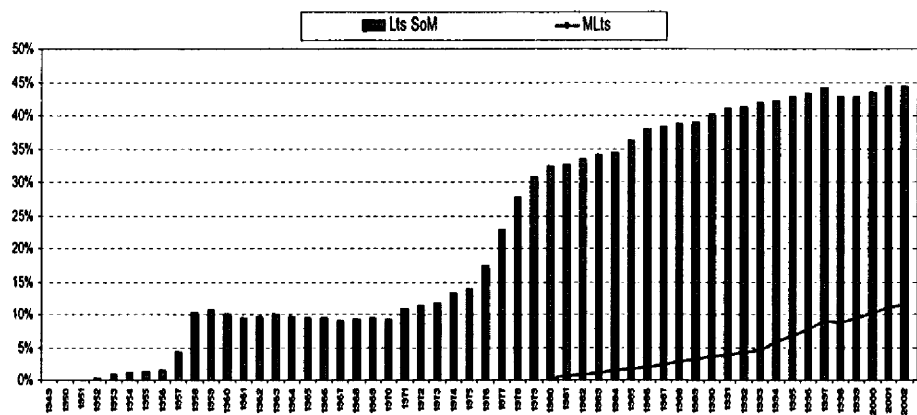


53410 2577

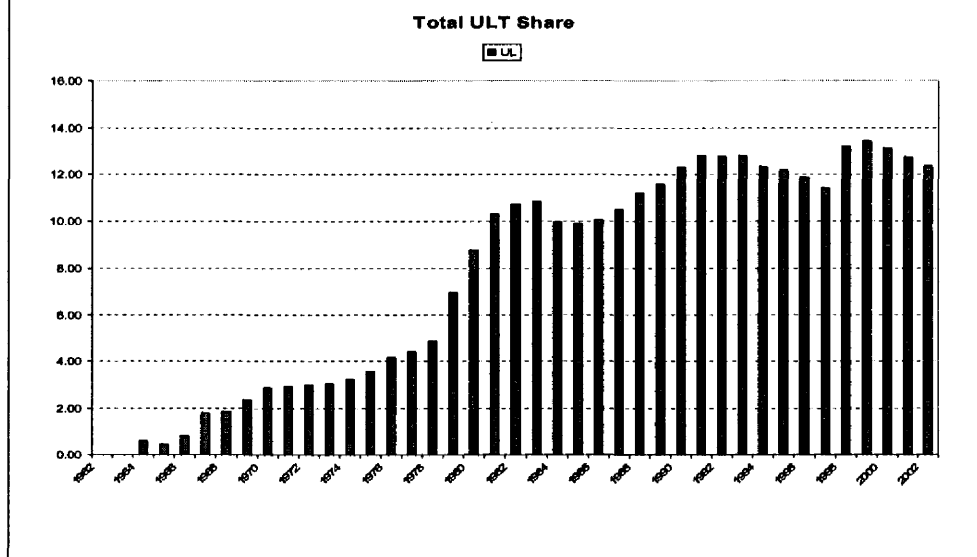
Menthol shifted the market in the '60's 13 SoM in 5 years



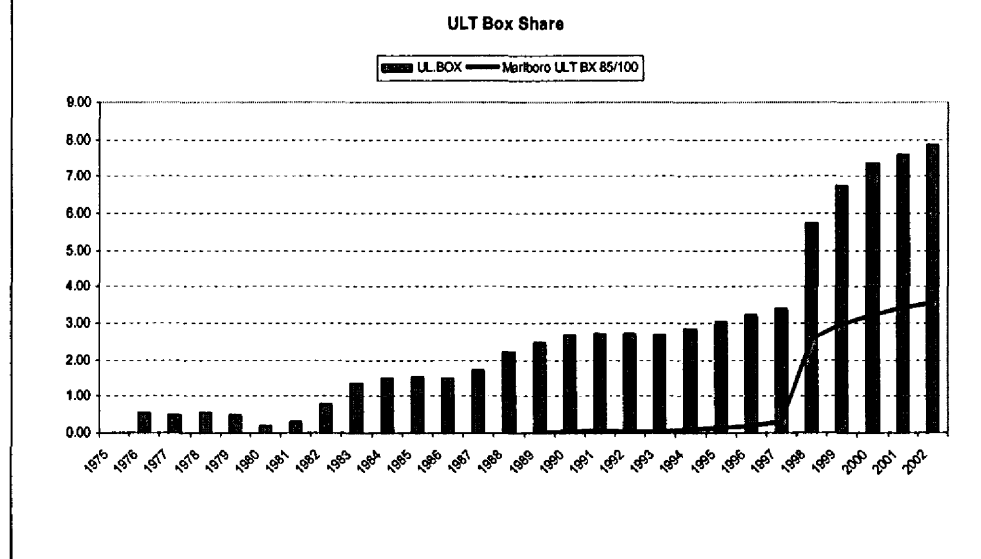
Lights moved the category in the 70's  
Growing 10 points in 3 years



ULT in the '70's growing 7 points in 5 years 1976 - 1981



Marlboro Ult box grew 2.5 points in one year and an incremental point over the following four



53410 2581



## Marlboro Ultra Smooth

### MUS Share performance (YTD)

- Sustained SOM post launch initiatives

AIM Data	<b>Apr 05</b>	<b>May 05</b>	<b>Jun-05</b>	<b>Jul-05</b>	<b>Aug-05</b>
<b>MUS SOM in Georgia Stores Selling</b>	0.30	0.69	0.67	0.71	0.52
Marlin Data	<b>Apr 05</b>	<b>May 05</b>	<b>Jun-05</b>	<b>Jul-05</b>	<b>Aug-05</b>
<b>MUS SOM in GA, UT, FL combined Stores Selling</b>	0.10	0.31	0.39	0.37	0.39

Source: AIM & Marlin data

53410 2582

## Why PREPs

### Opportunity for RJR

Smokers express interest in RJRT branded PREPs

	<b>PREP</b>		<b>Eclipse</b>	
	<b>Camel</b> (non-menthol)	<b>Kool</b> (menthol)	<b>Camel</b> (non-menthol)	<b>Kool</b> (menthol)
Importance	56	59	56	57
Purchase Intent	42	46	48	48
Modeled Trial	29	32	32	35

*\*2004 & 2005 Concept Tests*

53410 2583

## Why PREPs

### Opportunity for RJR

'05 Concept Product Test for Camel PREP reveals lift across all measures following reduced exposure claim

	Ad (no claim)	DM (claim)	Concept Lift
PI	34	50	15.8
Importance	30	54	24.3
Uniqueness	17	44	27
Believable	27	46	19.5
Likeability	41	62	20.8
%70+	44	59	15.7
Simulated Purchase	21	39	17.4

53410 2584

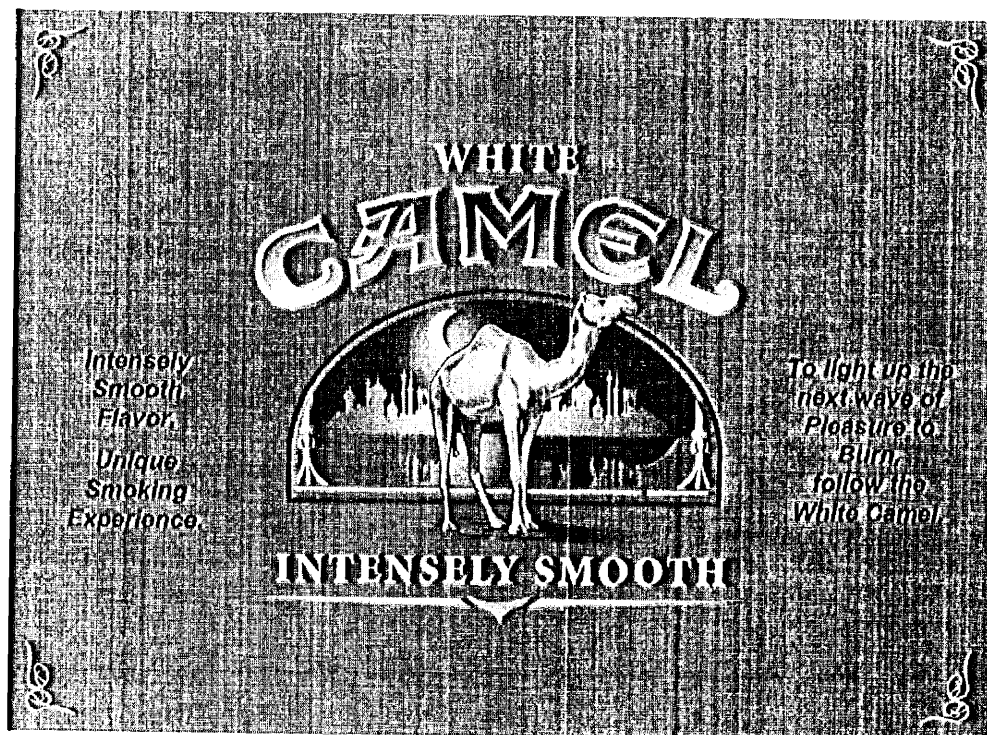
## Camel PREP Branding

### **Branding challenges on Camel PREP**

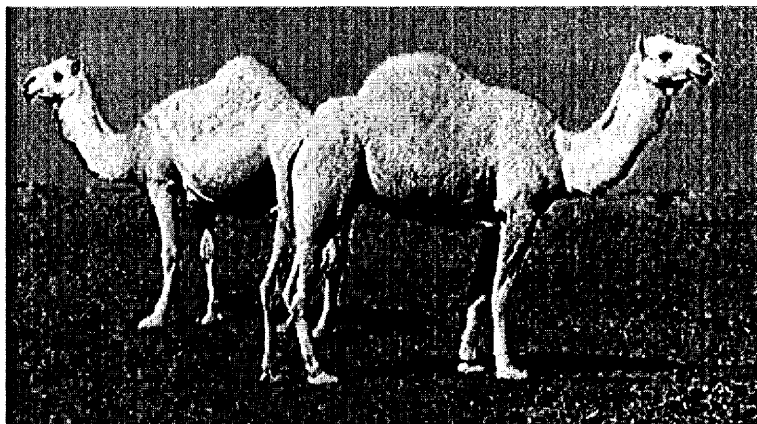
- PREP Incongruent with core Camel pleasure positioning
  - Differentiated, pleasure oriented benefit needed
- Balance progressive nature of product modification with authenticity of Camel
  - Name suggestive of advancement, better
  - Clearly different pack graphics
  - Visual territory hinting of modernity and heritage

## Creative Strategy

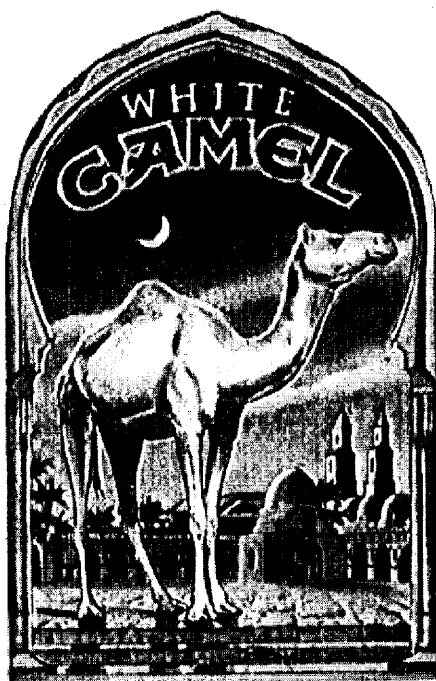
- Continue establishing Camel as the leader in smoking pleasure
- Communicate PREPs that delivers flavor and pleasurable smoking
  - Linkage of advanced filtration & flavor
  - Reinforce blend expertise
- All communication elements must align and work within all brand disciplines (advertising, retail, DM, experiential marketing)
  - Must fit in Camel brand world
- ***So,.....What's The Idea??***



## White Camel



- They exist – they are legendary!
- Rare, revered, prized, and celebrated
- Signifier of good fortune wondrous things to come



## **White Camel Family**

*The Next Wave of Pleasure to Burn*

<b>Audience:</b>	<b>Creative Class</b>
<b>Pleasure Benefit:</b>	<b>Intensely Smooth Flavor</b>
<b>Emotional Benefit:</b>	<b>Individuality &amp; Self-Expression</b>
<b>Inspirational Benefit:</b>	<b>Out-in-Front, Leading the Charge</b>
<b>Brand Space:</b>	<b>Innovative</b>



## 2006 Plan

Two White Camel test markets in 3Q '06

1. White Camel Lights
  - a. Assumes EW success in Concept Product Test
2. White Camel Tobacco Heating Cigarette (Eclipse technology)
  - a. Strengthened marketing approach

53410 2590

## 2006 Plan

Leverage Eclipse learning to maximize Eclipse-like technology with investment brands

### **Current Approach**

Eclipse  
Manage negative experience  
Older concerned audience  
Risk Reduction  
Traditional marketing

### **New Approach**

White Camel  
Celebrate unique experience  
Creative class mindset  
Smoking Pleasure & cosmetic benefits  
Leverage ASU30 model

## Creative Class - Defining the Audience

- Thirty-eight million Americans,
- 30 percent of all employed people
- "Creativity" is a mindset not an occupation
- Attitude, not age, race or gender based
- Heavy users of technology

Source: *Rise of the Creative Class* by Richard Florida

## Creative Class

- Work to create new ideas, new technology and/or new creative content ->
- Have considerably more autonomy and flexibility
- The Creative Class share a common creative ethos: creativity, individuality, difference and merit
- They seek to badge themselves with brands that telegraph autonomy and flexibility

### Bottom Line:

Huge opportunity to connect with those who shape the world to their own intents

## Creative Class Brands



Google™

urban outfitters Inc.



JONES  
LAUNDRY CO.



myspace®  
a place for friends



sony

## Audience

There are two key segments:

1. Creative Class
  - Artists/Musicians
  - Marketing/Advertising
  - Science/Engineering
  - Design
  - Entertainment
2. High Touch Occupations
  - Wait staff
  - Personal care
  - Sales professionals

53410 2595

### Upcoming Events

- Week of 10/24
  - Packaging review
- 10/31 – 12/11
  - Packaging revisions & mock-ups
- 11/16 - 11/17
  - Focus groups, Chicago, IL
- 12/05
  - Fielding online Concept Test (3 cells)
- January '06
  - Results of concept test
- February '06
  - Finalize packaging
- Q3 '06
  - Two (2) potential White Camel test markets