

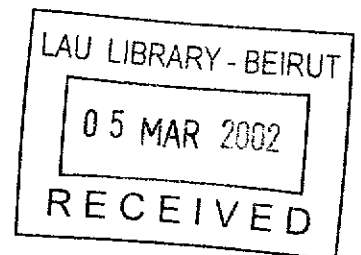
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MARKETING EFFORTS OF PHILIP MORRIS
IN LEBANON: THE CASE OF CHESTERFIELD
CIGARETTES

A Research Topic
Presented to Business Division
Beirut University College

In Partial Fulfillment
of the Requirements for the Degree
Master of Science in Business
Management

BY
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February 1986.



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APPROVAL OF RESEARCH TOPIC

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TITLE OF RESEARCH TOPIC: MARKETING EFFORTS OF PHILIP MORRIS IN LEBANON:

THE CASE OF CHESTERFIELD CIGARETTES.

The following professor nominated to serve as the advisor of the above candidate has approved his research work.

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CHAPTER I

INTRODUCTION

Philip Morris International had introduced the Marlboro cigarettes in Lebanon in early nineteen fifties. At that time the market for imported filter cigarettes was limited. But as time passed, Marlboro became the number one selling cigarettes in Lebanon with a market share exceeding 50%. In the nineteen eighties, the Lebanese cigarette market has many imported brands from U.S., England and France, but Marlboro is still maintaining its position as a market leader. At this point Philip Morris reevaluated its strategy in Lebanon and decided to launch a new full flavour American cigarette "Chesterfield".

This research attempts to identify the reasons underlying Philip Morris decision to launch Chesterfield in Lebanon at this specific period (2nd semester 1984) where instability prevails on both the domestic political and security situations. This marketing research will analyze the tools used by Philip Morris in order to promote the sales of the newly launched "Chesterfield" in a market which is already saturated with various local and imported brands of cigarettes.

Statement of The Purpose:

This research is a marketing oriented study. It will try to analyze the steps and preparations carried in order to launch a consumer product. In our case the consumer product is a brand of American imported cigarettes "Chesterfield" in the Lebanese market.

The 4 Ps of a marketing plan will be incorporated in our study:

- The Product
- The Price
- The Place
- The Promotions.

launch

Statement Of the Problems:

launch strategy
why
How

What will be interesting in this research is to examine the role of the many parties involved in the planning, preparation and implementation of the launch campaign of Chesterfield cigarettes. These joint efforts are attributed to:-

1. The multinational company "Philip Morris International".
2. The International advertising agency "Leo-Burnett".
3. The distributor of Philip Morris Int. In Lebanon "Ets F.A. Kettaneh S.A.".
4. The Monopoly of state for the importation and distribution of tobacco in

Lebanon. (Régie des Tabacs et Tombacs Libanaise).

Hence one of the most important problems faced in the launch campaign is the coordination of efforts of 4 different organizations in order to carry on a complete job of introducing, distributing and creating demand for a new brand of imported american cigarette "Chesterfield".

This research attempts to follow the launch campaign prepared for Chesterfield trying to answer the question:

Why to launch "Chesterfield" in Lebanon at this specific period where instability prevails on both the political and security situations? We will try to reach an answer to this question through the series of interviews carried with the Philip Morris Int. experts and those from the International advertising agency Leo-Burnett which has created the image, advertising message and T.V. commercials for Chesterfield.

Then we will turn to the question "How to launch Chesterfield" in Lebanon and the action plan resulting in the Chesterfield's availability on the shelves of the retailers thru the joint efforts of the local distributor of Philip Morris Int. and the monopoly of state i.e. The administration which is responsible for the importation and distribution of tobacco products in Lebanon.

Also included in our research is an attempt to answer questions, that do arise in such marketing launch compaigns of consumer products, with the assistance provided by experts in the field. Some of these questions are:-

1. What marketing mix should be used in the launch campaign?
2. When should the advertising support campaign break through?
3. What is the effect of the increase in the exchange rate of the U.S. dollar with respect to the Lebanese pound on the domestic consumption of american imported cigarettes and the resulting changes in the smoking patterns and hence the impact on the role and positioning of Chesterfield?

Performance Objectives:

The performance of Chesterfield is evaluated after more than year of its launch in the Lebanese domestic market. In this respect the ABC marketing services monitoring sheets were consulted for information regarding the cigarettes advertising expenditures in local media during 1985. These figures will be compared with the market share of each of the brands available in the market in order to carry out a benefit-cost analysis. The sales of imported brands of cigarettes and the market share of each were worked out on the basis of the data, and up to date statistics prepared by the local distributor of Philip Morris Int. in Lebanon: Ets F.A. Kettaneh S.A.

*Evaluation
ads exp, market share, benefit cost
sales & market share analysis*

CHAPTER II

PRESENTATION AND ANALYSIS OF RESULTS

Philip Morris incorporated, International Business: An overview. Philip Morris is one of the largest companies in the world. Its name is linked with Marlboro cigarettes it manufactures since 35 years. This cigarette has become the No. 1 selling cigarette in the world. The company sells more than 140 brands which include L & M, Merit, Lark, Chesterfield, Virginia Slims... In the recent years, the company diversified its operation by buying leading beverage companies such as 7-up and Miller beer. Philip Morris is divided into 2 main divisions:

1. Philip Morris U.S.A. which handles the U.S. domestic Market.
2. Philip Morris International which handles the international markets.

Lately Philip Morris paid \$120 a piece in cash for 47.3 million shares of General Foods. At some \$5.7 billion, the merger is the largest ever outside the oil industry. Moreover, the deal will give Philip Morris annual sales of about \$23 billion, making it the biggest consumer-products firm in the U.S. said General Foods Chairman James Ferguson: "We are convinced that Philip Morris' offer is in the best interests of our shareholders". Rumors of a merger between the largest American cigarette company (Philip Morris) and one of the biggest food-and-beverage firms had been wafting through Wall Street for months. Maxwell house coffee, Log Cabin Syrup, Oscar Mayer hot dogs, Jell-O, Birds Eye peas, from breakfast to dinner, millions of Americans eat General Foods products every day and millions smoke Philip Morris brands every day. This makes Philip Morris the owner of 7-up soft drinks, Miller beer, Marlboro cigarettes, and General Foods the biggest consumer products firm in the U.S.^(a).

(a) Time Magazine, Economy & Business, Call From Philip Morris, October 7, 1985.

The Philip Morris takeover of General Foods is part of the cigarette industry's diversification. The reason for this is the following:-

U.S. cigarette sales has declined by about 4% during the past three years.

In June R.J. Reynolds, maker of Camel and Salem bought Nabisco brands for \$4.9 billion. That development coincides with the consolidation in the food industry. In addition to the Reynolds-Nabisco agreement there were also mergers between Nestlé and Carnation and Beatrice Foods and Esmark during the past 14 months.

2- Philip Morris Cigarettes Business (The Products Marketed)

Philip Morris (1984 revenues: \$13.8 billion) whose Marlboro man and Virginia Slims woman exemplify marketing pizzazz has most of its principal products in so-called "mature industries". Some may think market maturity means trouble, but Mr. Hamish Maxwell, the chairman and executive officer of Philip Morris Incorporated, believes that good companies can grow and prosper in stable industries. Philip Morris has proven it. He is positive about the cigarette industry. We quote his words^(a): "Right now we have 35% of the domestic U.S. cigarette market and only 6% of the international market. Even with that healthy share there is still plenty of room to grow". Mr. Maxwell adds " The challenge is to make sure we capitalize on our opportunities. We have a very strong competitive situation domestically and internationally. We have several of the best products in the world including Marlboro, Miller beer and 7-up and we see vast opportunities to build our business around our great brands."

(a) Extracted From Am "Executive Interview" Published in the Quarterly Call News in April 1985.

Philip Morris International business is good. Its cigarette sales outside the United States are running about 4% above last years's levels. Mr. R. William Murray president and chief executive officer, Philip Morris International, is sure that the export business appears to be recovering, not withstanding the strong dollar.

Philip Morris International sells cigarettes and soft drinks in some 170 countries and territories around the world. In many of these markets, its share is small but its growth potential is great. Mr. Murray states that Philip Morris cigarette business have relatively small market shares in the United Kingdom, Canada, Japan and Brazil^(a). These are all very large markets that present significant growth opportunities for us. In many other markets, principally in Asia Philip Morris is either very small or not represented at all. In countries where Marlboro is well established the opportunities for line extensions are still largely available.

(a) Extracted From an interview held with Mr. William Murray, president and chief executive officer Philip Morris Int., in the quarterly Call News issue dated October 1985.

Table I- PHILIP MORRIS INTERNATIONAL PRODUCTS

Source: CALL NEWS MAGAZINE, ISSUE OF OCTOBER 1985

A SAMPLING OF PHILIP MORRIS INTERNATIONAL PRODUCTS:

1. MARLBORO: THE BEST selling cigarette in the world.
2. MARLBORO LIGHTS;
3. CHESTERFIELD:
4. MERIT: } → all widely available throughout the world.

5. L & M:
6. LARK: Which is especially popular in Japan and Ecuador.
7. PARLIAMENT: Also popular in Japan.
8. PM SUPERLIGHTS: made and sold in Europe.
9. LIDER: Which is manufactured and sold in Ecuador, Vensuela and other Latin American countries.
10. RUBIOS: made and sold in Guatemala
11. COLORADO: Which is made and marketed in Argentina
12. NACIONAL: Manufactured and sold in Dominican republic.
13. RAFFLES: A new brand recently introced in U.K.
14. PETER JACKSON: Manufactured and sold in Australia
15. RED & WHITE: made and sold in India and Pakistan
16. VIGINIA SLIMS: Recently introduced in Hong Kong and Japan
17. MURATTI AMBASSADOR: Sold in Europe and especially popular in Italy and Switzerland.
18. GALAXY: A low tar best seller, manufactured in Brezil and other Latin American markets.
19. HAPI: Fruit flavoured soft drinks sold in M.E. by 7-up.
20. LIKE: Marketed in Argentina, Holland, Saudi Arabia and Kuwait.
21. BOHEMIA BEER: Brewed in Santo Dominigo by cervecenia Bohemia, a PM affiliate

22 - 23: LINDERMAN's WINES: Produced in Australia and sold in selected markets around the world.

24 - 25: 7-UP: Which is sold in 85 countries in more than 50 packages.

26. DIET 7-UP: Sold in 15 countries.

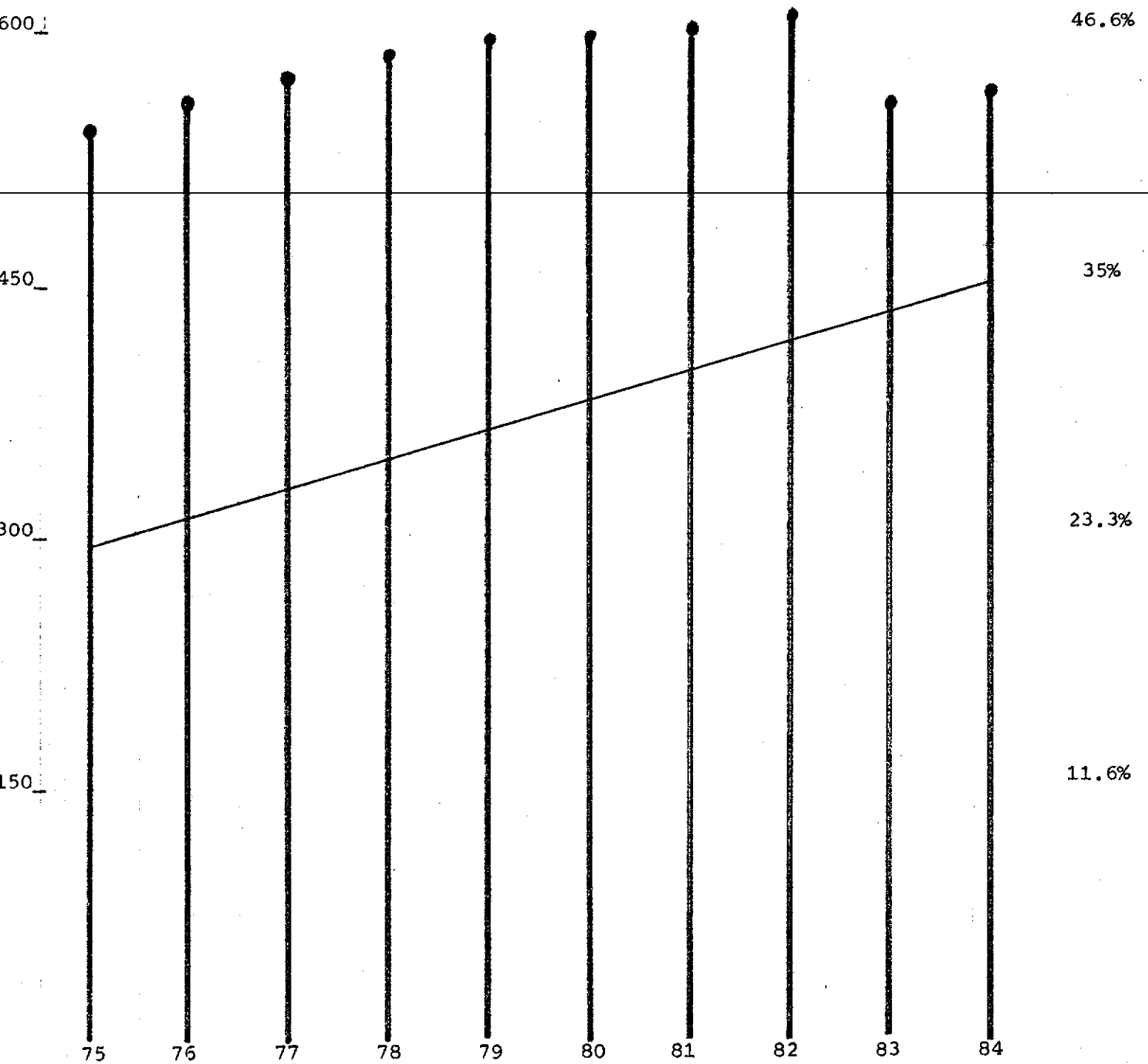
■ U. S. CIGARETTES INDUSTRY

▨ PHILIP MORRIS SHARE OF U.S. INDUSTRY (%)

U. S. CIGARETTES INDUSTRY UNIT SALES

REFERENCE: CALL NEWS, MAY 1985
GRAPH REFERENCE # II

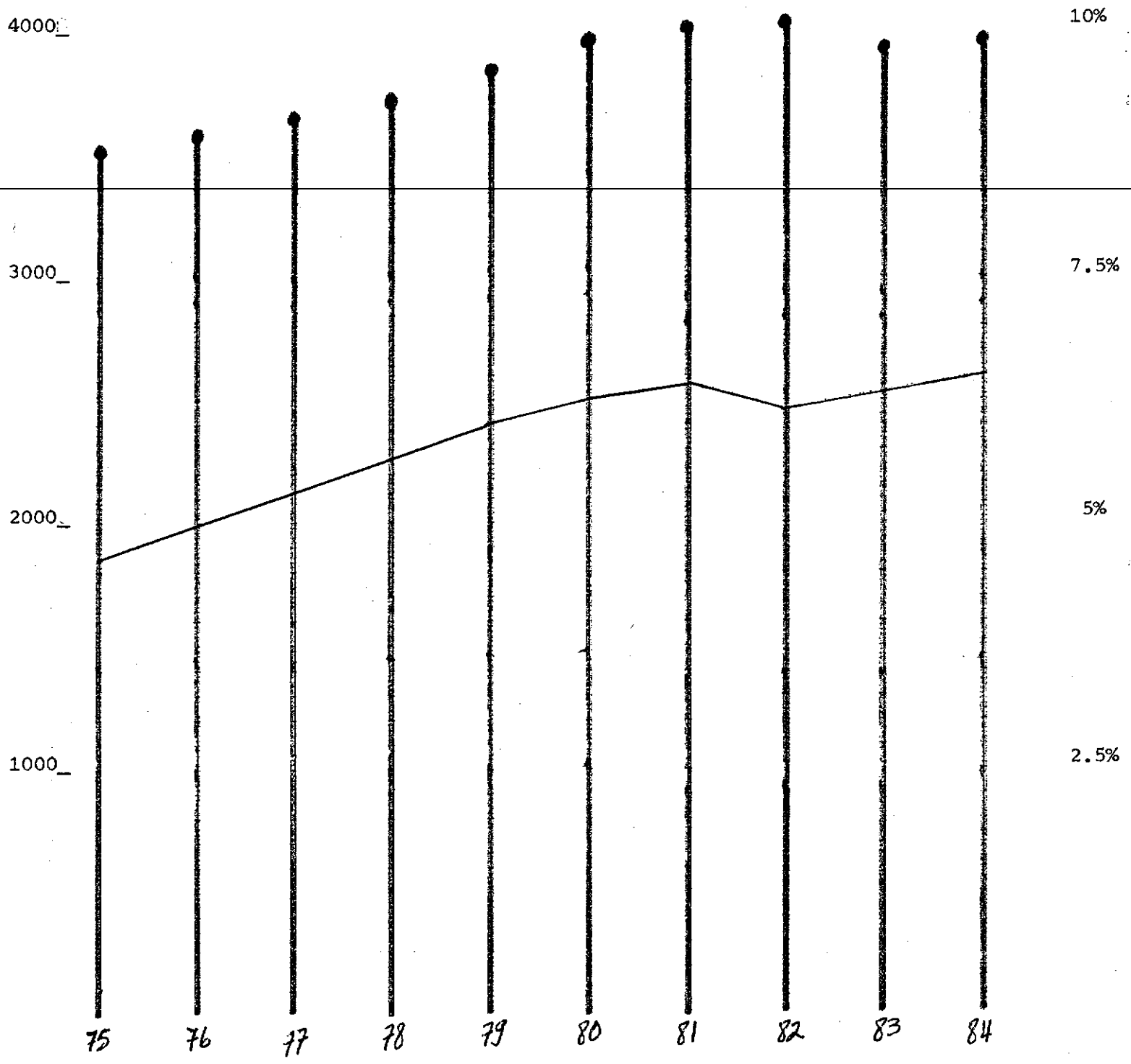
BILLION
UNITS



■ WORLD CIGARETTES INDUSTRY UNIT SALES
 ▨ PHILIP MORRIS SHARE OF WORLD MARKET

WORLD CIGARETTES INDUSTRY UNIT SALES
 (EXCLUDING U.S.A.)

REFERENCE: CALL NEWS MAY
 '85 GRAPH REFERENCE # 3



3- Philip Morris Activities In The Middle East:

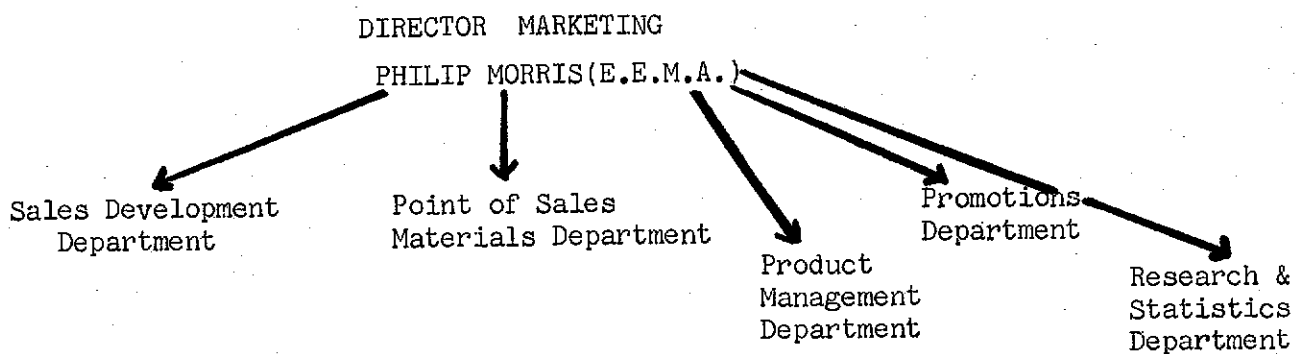
Philip Morris International which handles the exportation of P.M. brands to outside the U.S. domestic market i.e. to the International market has a series of divisions each responsible for promoting the sales of cigarettes in a specific geographic area in the world.

Lebanon's business activities are handled by the E.E.M.A. division (Eastern Europe, MiddleEast, Africa) in the Philip MOrris Int. organization.

The main function of this division is directed towards advising and assissting local distributors on matters related to strategic planning, sales promotions and various marketing aspects of the business.

Organisational Chart of Philip Mörriis (E.E.M.A.):-

Reference: IV



During an interview held with Mr. Ulriche Gerckins (Philip Morris E.E.M.A. marketing director) in Lausanne, Switzerland in May 1984 he explained the functions of each of the departments reporting to him together with their job descriptions.

The organisational structure of Philip Morris E.E.M.A. is as follows:-

Department

Functions & Activities

1. Sales Development Department: Most people working in this department are field people. They do extensive travelling and they scan the markets in their areas. They evaluate strenghtnesses, weaknesses, and the future opportunities and threats. They prepare and send reports to the Director Marketing suggesting solutions to overcome present and future difficulties. They participate in the formulation of strategic plans and follow up sales and pricing related matters (supply of cigarette cases to the different markets taking into consideration the lead time.....)
2. Products Management Department: This department consists of a series of managers. Each manager is responsible for one brand of cigarettes. Thus there exists one manager for Marlboro, one for Merit, and one manager specialized for Chesterfield. Each manager is responsible for all the marketing features characterizing his brand. This includes the image of the brand, its advertising message, the promotions,

The distribution and market share. Each manager on the other hand works with the local distributors in the various markets to adapt the advertising programs to the prevailing socio-cultural factors in order that the image created via advertising appeals to the potential consumers.

3. Promotions Departments: The people working in this department have the most important task of selecting the most appropriate promotional campaigns to be sponsored by each brand of cigarettes in order to maintain and increase brand awareness promotion campaigns include the sponsoring of events such as car rallies, beauty competitions, sports events, musical concerts. Moreover each brand is specialized for sponsoring a particular promotional campaign. For example Merits name is collaborated with the tennis tournaments held internationally (financial assistance, branding of courts, press-releases related to the event together with the sponsor's name i.e. indirect advertising).

4. P.O.S.M. Department: This Point Of Sales Materials Department is responsible for the creation and branding of advertising materials such as stickers, posters, outdoors signs, flag ropes, lighters, ashtrays, packdispensers, wall clocks... that are distributed for free to retailers, supermarkets, hotels, restaurants, cafeterias in order to encourage them to promote the sales of Philip Morris brands.

This P.O.S.M. department plays an important role in what is known in marketing as "in-direct advertising".

5. Statistics and Market Research Department:

This department gathers the data needed about each specific market it is responsible for thru studies and surveys it carries together with specialized marketing firms such as the ABC, PARC, and the C.E.P.I. marketing services companies in the middle east. All this is done in order to secure reliable information concerning:-

1. Philip Morris' Market Share
2. Competitors' Market Shares
3. Advertising Messages effectiveness
4. Brand Awareness
5. Consumers' Taste and Demand
6. Products' availability and distribution levels.

6. Philip Morris Distributor in Lebanon:-

Philip Morris' eyes in the Lebanese market are represented by its distributor "Ets F.A. Kettaneh S.A.". This company along with its representation of Philip Morris is the agent for many diversified products. This firm, according to Mr. E.T. Razzouk, director of the Philip Morris Division in the Kettaneh's organisation, is divided into the following divisions:-

A- Machinery Division: Kettaneh's machinery division is the agent for:

Atlas Copco International (Driller), Kohler
(electrical generators), Winget and FEB (building
chemicals).

B- Electrical and Home: This division is the agent for General Electric,
Presto, Eureka, Hotpoint and Siemens Telexes in
Lebanon.

C- Auto Division: This division is the agent for Volkswagon, Audi,
Porsche cars in Lebanon.

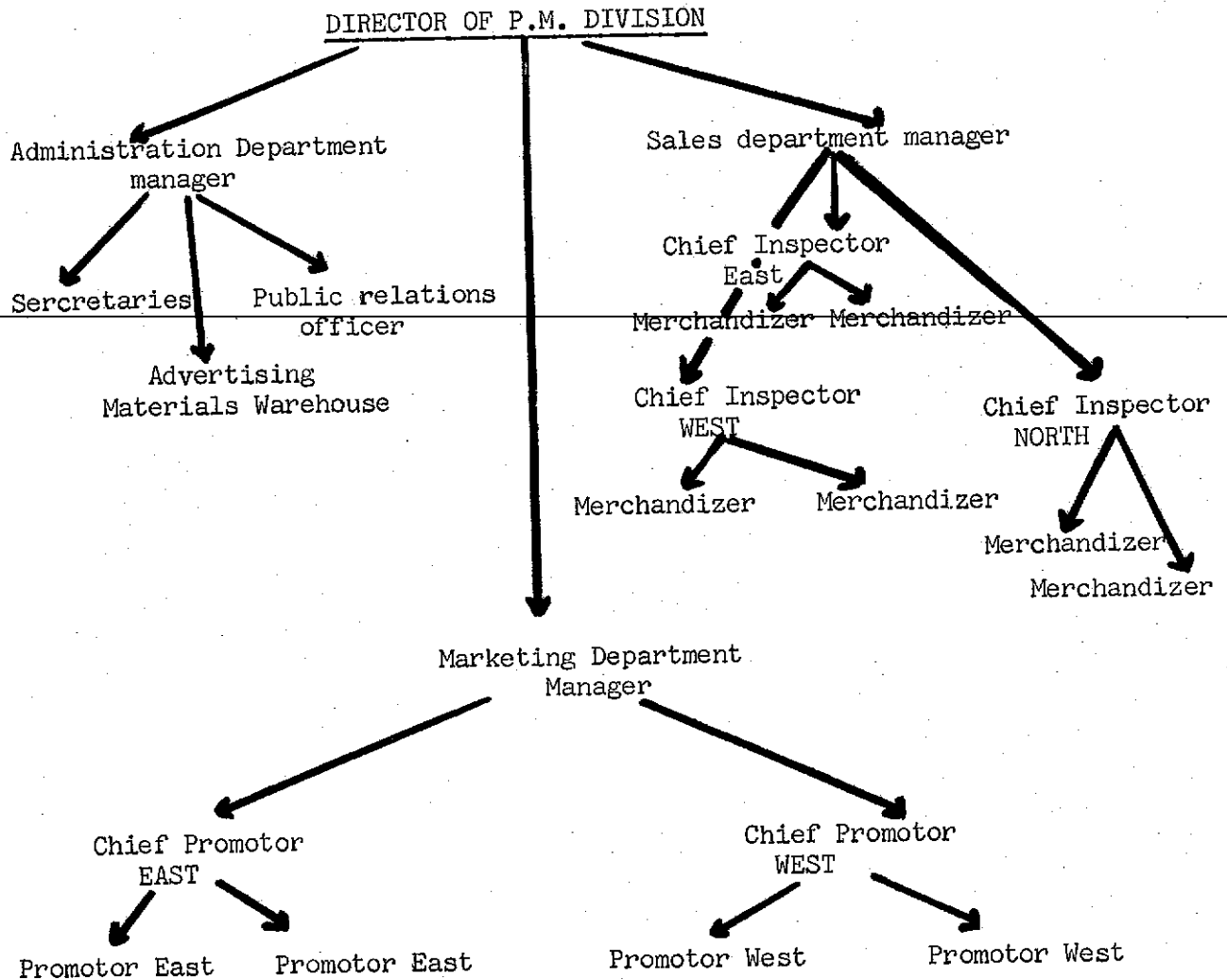
As we can see, these 3 divisions require intensive after sale service and the company "F.A.Kettaneh" has earned, according to Mr.E.T.Razzouk, an excellent reputation for the quality of its after sales services rendered to its customers".

D- Philip Morris Division in The Kettaneh's Organisation:-

Mr. E.T.Razzouk said that he, being the head of the division, was not assisted in his work and operations prior to 1982. He had to be in charge of all the aspects of the business up to the point when the accumulation of duties and responsibilities hindered him to think conceptually. With the increasing business, something had to be done. Consequently reorganisation took place in 1982. This reorganisation complied with the management theory "The Skills of An Administrator" which emphasizes on the technical and human aspect of the enterprise. The technical aspect because the manager must know how to formulate plans, design a marketing program (advertising and promotion campaigns) and human because he has to manage a field force. Moreover, Mr.E.Razzouk adds, "Knowing both the technical and human aspects, the manager can set the Division's objectives and formulate strategies for the future".

Organisation Chart - Kettaneh's Philip Morris Division

Reference # V-



The Organisational Structure Of Kettaneh's Philip Morris Division is as follows:-

<u>Department</u>	<u>Functions</u>
* Administration Department	- Recruitment Of Employees
	- Receipt Of Advertising Materials (P.O.S.M.) to the warehouse and up dating the inventories.
	- Secretarial Work (typing of telexes, business letters).
	- Filing of Documents.

- * Sales Department:
- Check the products availability on the retailers' shelves.
 - Filling the gaps in the market (direct sales)
 - Checking the wholesalers stocks of Philip Morris brands and controlling the Philip Morris products' availability in the central and regional warehouses of the monopoly of state.
 - Merchandizing Activities (putting stickers, outdoors ~~advertising materials~~) in retailers shops, supermarkets...

- * Marketing Department:
- Control the A.T.L. activities and follow-up the implementation of these Above The Line schedules of advertising in all of T.V., newspapers, magazines, cinemas.
 - Carry on B.T.L. activities (Below The Line campaigns) which include direct consumers' contact in sponsoring promotions and sampling cigarettes activities.
 - Assisst in marketing surveys regarding the following subjects:-
 - a. consumers' taste and awareness
 - b. image building for the various brands.
 - c- appreciation of potential consumers to the sponsored promotions and the recommendations for future activities.

* All the information regarding the organizational structure and jobs description of the different departments in the Philip Morris Division at Ets. F.A.Kettaneh was forwarded by Mr.E.T. Razzouk, director of the division.

Role of the Monopoly of the State (Régie Des Tabacs et Tombacs Libanaise)

At this point we have asked Mr. Abraham Dogramajian, director of the Commercial department, in the monopoly of state to inform us about the role of the monopoly in the importation and distribution of cigarettes in Lebanon and the business relations held with the local distributor of Philip Morris.

The monopoly of state is responsible for all operations related to the purchase of tobacco crop from the farmers, the processing of locally manufactured cigarettes, the importation of other brands of cigarettes and their pricing, distribution and direct sales to wholesalers in the Lebanese market.

The state monopoly opens a letter of credit in favour of the cigarette supplying companies for each order of cigarettes it wants to purchase. When the goods reach Beirut port, they are unloaded customs cleared, and transported to the monopoly's central warehouse in Hadeth. Then the distribution begins to the regional warehouses in the various sectors of the country. The authorized wholesalers go to the regional warehouses, buy the cases of cigarettes and distribute the cartons of cigarettes through their own channels to the retailers situated in their area of operation^a. The role of the cigarette supplying companies and its local distributors is restricted to filling gaps in the market i.e. carrying direct sales in areas in which the brands availability is low. They also carry proper merchandizing and direct consumers' contact in order to promote and stimulate the sales of the imported cigarettes they represent domestically. It is also noticed that "price setting" of cigarettes is decided by the monopoly of state

a. Interview held with Mr. Abraham Dogramajian, Commercial Director in the monopoly of state, in his office in Hadeth, on Nov. 18, 1985.

in Lebanon. Hence the role of the representatives of the International cigarette supplying companies is directed mainly towards carrying promotional and advertising campaigns that assist in building market share for each brand.

Lebanon's Cigarettes' Market:

Philip Morris Int. had introduced the Marlboro cigarettes in the Lebanese market in nineteen fifties. At that time, the market for imported filter cigarettes was limited, but as time passed Marlboro became the number one selling cigarette in Lebanon with a share exceeding 50% of the market^(a). In the nineteen eighties, the Lebanese cigarette market has many imported brands from U.S., England and France, but according to the monopoly of state sales figures (1980-1984) Marlboro is still maintaining its position as a market leader selling around 25,000 cases per month which is around 50% of the total sticks of cigarettes consumed per month in Lebanon. If we examine the official monopoly's sales statistics (1980-1984) we notice that the sales of the American Full Flavour Cigarettes are around 70% of the total sales of cigarettes in Lebanon. (refer to table II).

Table No.II

American Full Flavour Average	Market Share (1980-1984)
MARLBORO 52%	According to the official monopoly sales statistics.
WINSTON 11%	
KENT 7%	
LUCKY STRIKE 1%	

(a) Reference: Monopoly of State, Sales Statistics of Imported Cigarettes (1980-1984) prepared by the commercial department in the monopoly of state, dated February 1985.

THE FRENCH AND ENGLISH cigarettes market share are limited and do not exceed 10% of total cigarette sales (refer to table III).

Table No. III

EUROPEAN IMPORTED AVERAGE MARKET SHARE (1980-1984)		
DUNHILL	3%	
ROTHMANS	3.5%	According to the official monopoly's sales statistics
GITANES	2.5%	
GAULOISES	1%	

The low Tar and Nicotine segment in the Lebanese Market is limited to less than 10% of total cigarette sales (refer to table IV).

Table No. IV

The lights Cigarette Market Share (1980-1984)		
MERIT	4.5%	
WINSTON LIGHTS	1.5%	According to the official monopoly's sales statistics.
MARLBORO LIGHTS	1.5%	
VANTAGE	1.5%	

The locally produced cigarettes which are positioned at a lower price have a market share less than 10 percent due to the limited production capacity of the factory in Hadeth. The cigarettes pertaining to this category are:- Byblos, Cedars, O.K, Bafra....

5. The Problems and Limitations of Importing, Promoting and Distribution
OF A New Brand of Cigarettes with Reference to Chesterfield

We have raised the question, concerning the problems and limitations of importing from the U.S. and distributing locally a new brand of cigarettes, to Mr. N.Hobeiche, manager of the sales development department in Philip Morris Int. E.E.M.A. division^a.

"Our U.S. exports, which are billed mainly in dollar, have become more expensive for foreign importers. In other words as the dollar strengthens, the cost of the importers increases in local currency"^a. Not only are the difficulties arising from the strong dollar but are also effected by the low purchasing power of the limited income earned by the Lebanese workers during the last few years as a result of the long civil war. This made the American imported cigarettes more expensive for buying in the Lebanese market. Another difficulty arising is that the various Lebanese geographic areas are separated from each other by artificial barriers, as a result of the political and security situation prevailing in the country. This causes according to Mr. Hobeiche a lot of difficulties in the distribution process of goods from the central warehouse in Hadeth to West Beirut, North Lebanon, Beka'a and the South. Mr. N.Hobeiche adds that even the advertising channels Philip Morris is using in Lebanon are mostly regional and not national since each newspaper

^aInterview was held with Mr. N.Hobeiche, manager of the sales development department in Philip Morris International, during his market visit to Lebanon in March 1985.

is limited to a specialized area and only few of them are distributed and read on a national basis. The same applies to the local television which covers only the coastal line from Tripoli to Saida (i.e. around 1/3 of the country). All these facts had lead Philip Morris and its representative advertising agency to use a diversified marketing mix that utilizes various media including, other than television and newspapers, regional magazines, cinema theatres in addition to outdoor billboards in various towns and on the highways.

B- PLANNING AND SCHEDULING OF THE MARKETING ACTIVITIES OF PHILIP MORRIS PRODUCTS IN LEBANON WITH REFERENCE TO CHESTERFIELD.

- i. Setting of An Original Marketing Budget for both Expenditure and Expected Sales fo the coming year.

Philip Morris invested millions of dollars per year in order to promote the sales of its brands in Lebanon. The positioning of its brands according to the monopoly of state sales statistics (1980-1984):-

- Marlboro is the number one selling cigarette in Lebanon with a market share exceeding 50%.
- Merit is the number one selling cigarette in the low tar and nicotine segment.

The above mentioned ranks achieved by Philip Morris brands were the results of profound market studies carried, emphasizing and analyzing the psychology of the consumer and his taste. These results were translated into advertising messages that appealed to the Lebanese consumer through the efforts of the advertising agency Leo-Burnett.

The success of Philip Morris in Lebanon is not restricted to good advertising but is attributed to an adequate marketing mix used in order to push sales.

The marketing mix used by Philip Morris in Lebanon includes the following ingredients:- merchandizing, promotions, outdoors and advertising.

- Merchandizing:- A team of well motivated merchandizers each operative in a specific area, cover the Lebanese market. Their job is to put stickers, posters, outdoors signs, and other branded decorating materials on the windows of the 12,000 retailers spread in the Lebanese market, according to the files of the local distributor of Philip Morris in Lebanon. Their job also includes the checking of the availability of Philip Morris brands on the shelves of the retailers and supermarkets, and the control of the stocks of cigarettes at these point of sales. They also report about the competitors' activities in the market. Finally they carry on direct sales in case the retailer is out of Philip Morris stock (a job of filling gaps in the market). This merchandizing team reports directly to the local distributor of Philip Morris and the manpower available is nine in number reporting to the sales department manager in the Kettaneh's organization (please refer to organization chart V).

- Promotions:- Among the elements of the marketing mix used by Philip Morris in Lebanon is the sponsoring of sports, social and other events that appeal to the target consumers of its brands. There are two promotional teams in the Kettaneh's organisation:(refer to chart V)One is for East Beirut and the other is for West Beirut. Their job is to animate such sponsored events (please refer to the enclosed album) and carry on sampling of cigarettes to the consumers present in such locations plus the distribution of branded gadgets

and give-away items. Examples on sponsored activities are horseback riding tournaments sponsored by Marlboro and tennis tournaments sponsored by Merit.

As we have seen the merchandizing and promotions are carried under the direct control of the local distributor of Philip Morris. The other 2 elements of the marketing mix i.e. advertising and outdoors are planned and executed by the international advertising agency Leo-Burnett after receiving an original yearly marketing budget from Philip Morris E.E.M.A. The transformation of these budgets into media plans and schedules is done by Leo-Burnett Beirut.

At this point it is important to study the organisational structure of Leo-Burnett Beirut advertising agency.

- The advertising agency:- Marlboro's cowboy image was created by the Chicago-based Leo-Burnett International advertising agency which handles all the accounts of Philip Morris throughout the world. Its affiliate in Lebanon is H&C-Leo-Burnett which handles the Philip Morris account domestically.

- The organisational Structure of H&C-Leo Burnett:- H&C-Leo Burnett is subdivided into two main divisions. The Technical Division and The Commercial Division. A brief idea about the functions of these two divisions was given to us by Mr. Raja Trad, account director of Philip Morris Int. in Lebanon, in Leo-Burnett Beirut.^a

DIVISION

FUNCTIONS

Technical Division

As its name suggests, this division controls the technical aspects of the business. It

^a. Interview held with Mr. E. Razzouk, director of the Philip Morris Int. division, in the Kettaneh's organisation.

includes a team of artists and copy writers whose main activities are to create and produce layouts and projects for advertising messages. They create the image for the brand and then produce the advertising films for the audiovisual media (television, cinemas) and advertising panneaux and shots for newspapers commercials, magazines and outdoor billboards.

Commercial Division

This division is divided into two departments:

- i. The Media Buying Department which is responsible for buying advertising time to place commercials in T.V, cinema theaters, and radio stations. It also buys spaces in newspapers and magazines to place the commercials inside them.
- ii. The customers Account Department. In this department each major account handled by the agency has an account director responsible for it with few other assistants.

Setting of An Annual Marketing Plan For Advertising Expenditures^(a):-

At November from each year, the advertising agency Leo-Burnett prepares a full marketing recommendation for the coming year addressed to Philip Morris International

(a)A meeting was held with Mr. R.Trad in his office in Sin El-Feel area (suburbs of Beirut) in February 1985 in order to introduce us to the role of the advertising agency Leo-Burnett in the Chesterfield Launch.

(E.E.M.A.) and its local distributor regarding the Philip Morris brands present in the market, their positioning and what should be done for each one of them i.e. what type of marketing mix should be used for each, where should more weight be emphasized, where to find the target audience for each brand and where to catch the potential smokers at the lowest possible cost per thousand (C.P.M). Other questions that the recommendation^(a) attempts to answer are:-

- i. What budgets are needed to be allocated for each P.M. brand during the next year in order to have good exposure, coverage and secure reach and impact.
- ii. What is the resulting frequency per month in each medium (television, newspapers, magazines and cinemas) that provides a good campaign for each brand in order to maximize sales.

At this point Philip Morris Int. studies Leo-Burnett's recommendation and discusses its contents with its local distributor in Lebanon, Ets F.A.Kettaneh. After evaluating the forecasted sales during the next year for the various Philip Morris products in Lebanon, the Marketing Director in Philip Morris E.E.M.A. sends a telex to Leo-Burnett Beirut informing it about the budgets to be invested for the coming year for each of the various brands and asking them to prepare media schedules for implementation.

(a) Philip Morris Local Lebanon advertising media recommendation, November 1984 prepared by Leo-Burnett, Beirut.

Mr. Hobeiche, manager of the sales development department in Philip Morris E.E.M.A., informed us that Marlboro being the market leader in the Lebanese market with monthly sales around 20.000 cases i.e. 20.000 cases X 50 cartons/case X 10 packs/carton

= 1000,000 packs of Marlboro cigarettes sold per month.

This huge number, according to Mr. N. Hobeiche, of Marlboro cigarettes sales, raises the necessary funds needed to secure a good marketing campaign for the coming year for all of Philip Morris products in Lebanon.

(a)

The objective of the marketing campaign for 1986 :-

1. Is not only to defend and maintain Marlboro's leading position in Lebanon's market.
2. But also to secure the necessary ingredients for the growth of the market share of the "baby" Chesterfield through a heavy supporting advertising campaign.

- Setting Of An Annual Target Sales Figures:- Mr. E.Razzouk believes that setting an annual target sales figure is of crucial importance since this is the fuel that will generate money income to feed the heavy advertising campaigns that Philip Morris undertakes annually in Lebanon.

The setting of an annual target is a difficult task in Lebanon due to one important factor "The Smuggling Activities". The Lebanese illegal ports, as a result of the prevailing non stable political and security situation in the country, are open for smugglers who import a collection of brands from Cyprus,

(a) An interview was held with Mr. N. Hobeich during his marketing visit to Beirut in March 1985.

Hungary, Bulgaria and Greece. These merchants purchase the American imported, non-sellable stocks in these countries which include Marlboro, Winston, Kent, Cheap brands such as West, Best, Carlton... and dump it in the Lebanese market at reduced prices. They are able to do so because they do not pay customs duties to the legal Lebanese authorities.

The smugglers activities and their parallel market is largely effected by the political and security situation in the country. When the security situation tends towards stability and the legal authorities regain their control over the boarders of the country, then the smuggled goods importation to

Lebanon becomes minimal. On the other hand as the situation deteriorates and control on the ports becomes minimal, then the smuggled goods fill the Lebanese market with old, non-fresh stocks of imported brands of cigarettes sold at reduced prices. This, according to Mr. E. Razzouk renders the job of setting an annual target sales for Philip Morris brands in Lebanon a difficult one, since the expected sales are not simply the projection of actual past figures into the future. Hence, prior to forecasting the target annual sales expected for the coming year, an analysis of the future political, security and economical trends is of crucial importance. We will analyze at a following step in this research the economical factors, the limited purchasing power of the Lebanese consumer and the need to launch another full-flavour American imported cigarettes in Lebanon.

- Benefit-Cost Analysis for Philip Morris and Competitive Brands:-

In our attempt to analyze the Lebanese domestic market for the total consumption of cigarettes we met the commercial director in the monopoly of state Mr. Abraham Dogramajian. We asked Mr Dogramajian about the official sales statistics for the various brands of cigarettes available in Lebanon. He clarified the fact that the official state's sales statistics do not give *

an exact idea about the local consumption of cigarettes due to two factors:-

1. Sales of cigarettes are not restricted to the legal authorities but also include the parallel market and the smuggling activities.
2. There are lacks in the market i.e. not all cigarettes distributed in Lebanon, whether from the monopoly of state or from the parallel market are consumed locally. A good proportion of the imported cigarettes to Lebanon are re-exported to Syria where there are high obstacles facing the legal importation of foreign cigarettes.

Therefore in order to have a clear idea about the local consumption of cigarettes we have consulted another source. The local distributor (Kettaneh) has furnished us with a smokers' survey carried in the period (November-December 1985). This statistical analysis covers 5000 smokers both in East, West Beirut and their suburbs. It also includes the mountains of Aley, Shouff, Metn and Kisrouwan.

Please refer to the herewith attached table IX and Pie-Chart X concerning the results of the smokers' survey carried and the corresponding market share of each of the available brands of cigarettes in Lebanon.

Table No. V

RESULTS OF THE LEBANON'S SMOKERS ANALYSIS CARRIED ON
 BY THE MARKETING TEAM IN ETS.F.A.KETTANEH DURING 1985
 TO Jan. 86.

BRAND	AVERAGE EASTERN SECTOR	AVERAGE WESTERN SECTOR	PERCENTAGE MARKET SHARE
MARLBORO	59.3%	51.2%	55.3%
CHESTERFIELD	1.8%	1.4%	1.6%
WINSTON	13.2%	14.2%	13.7%
LUCKY STRIKE	1.0%	3.4%	2.2%
KENT	5.8%	4.8%	5.3%
LOCAL BRANDS ^(a)	1.6%	4.3%	2.9%
LIGHT "	5.1%	6.1%	5.6%
CHEAP "	1.0%	5.4%	3.2%
FRENCH "	3.0%	4.3%	3.6%
ENGLISH "	8.1%	4.3%	6.3%

(a)

LOCAL: CEDARS, BYBLOS, O.K.

LIGHT: MERIT, VANTAGE.

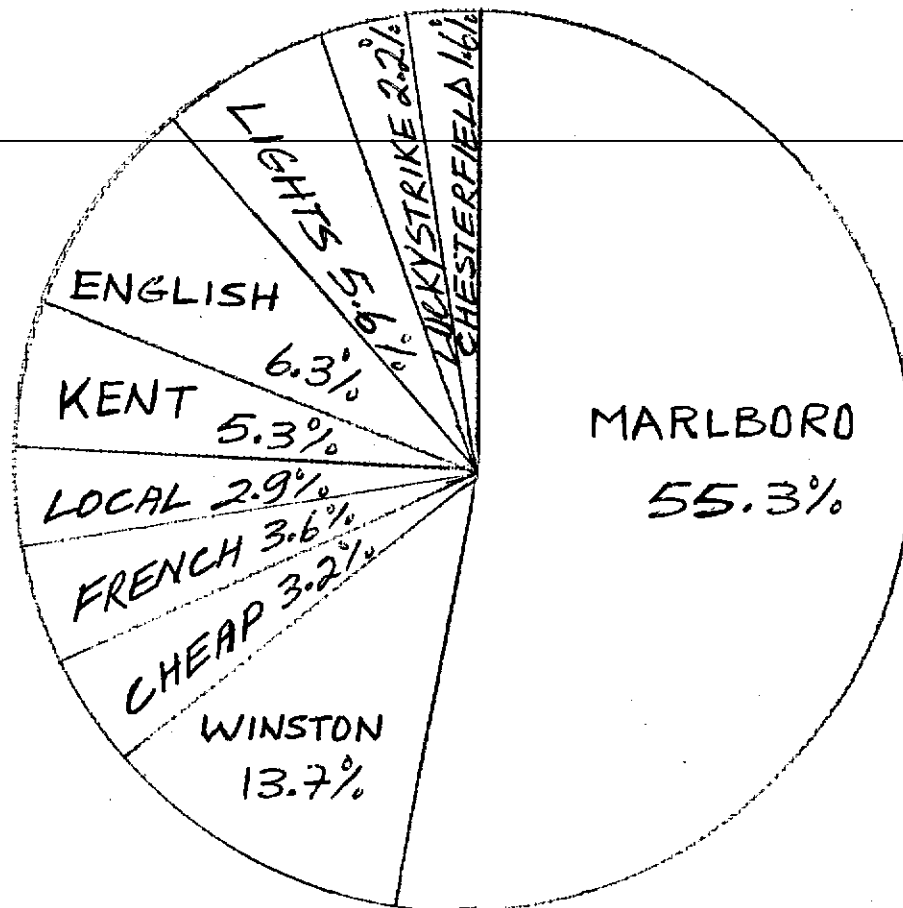
CHEAP: WEST, BEST, L & M

FRENCH: GITANES.

ENGLISH: ROTHMANS, DUNHILL.

RESULTS OF THE LEBANON'S SMOKERS ANALYSIS CARRIED ON BY THE MARKETING TEAM IN ETS F. A. KETTANEH DURING DECEMBER 1985 TO JANUARY 1986

PIE CHART: V

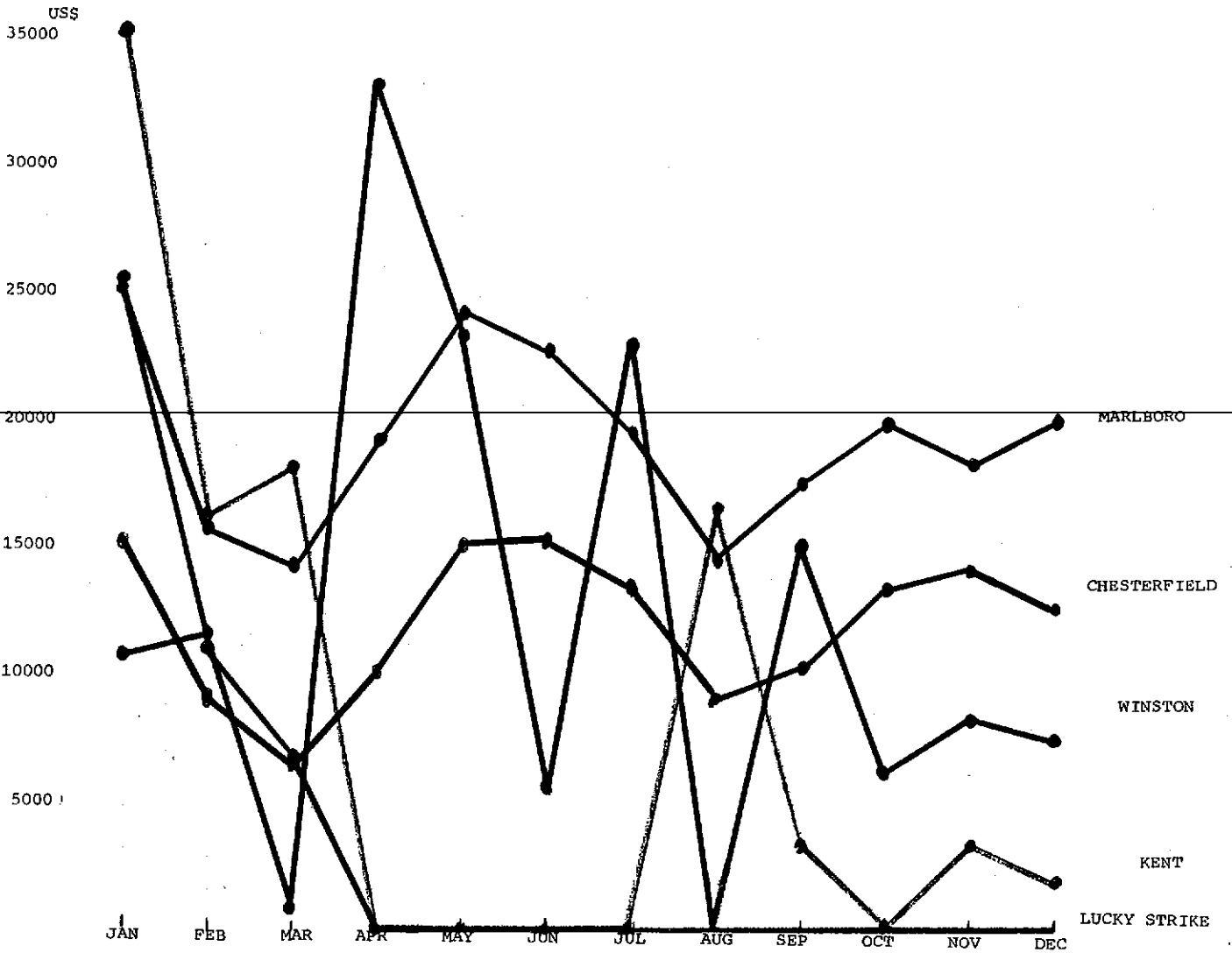


1985 ADVERTISING EXPENDITURES

REFERENCE: ABC MONITORING ON CIGARETTE
ADVERTISING EXPENDITURES

REFERENCE # XI

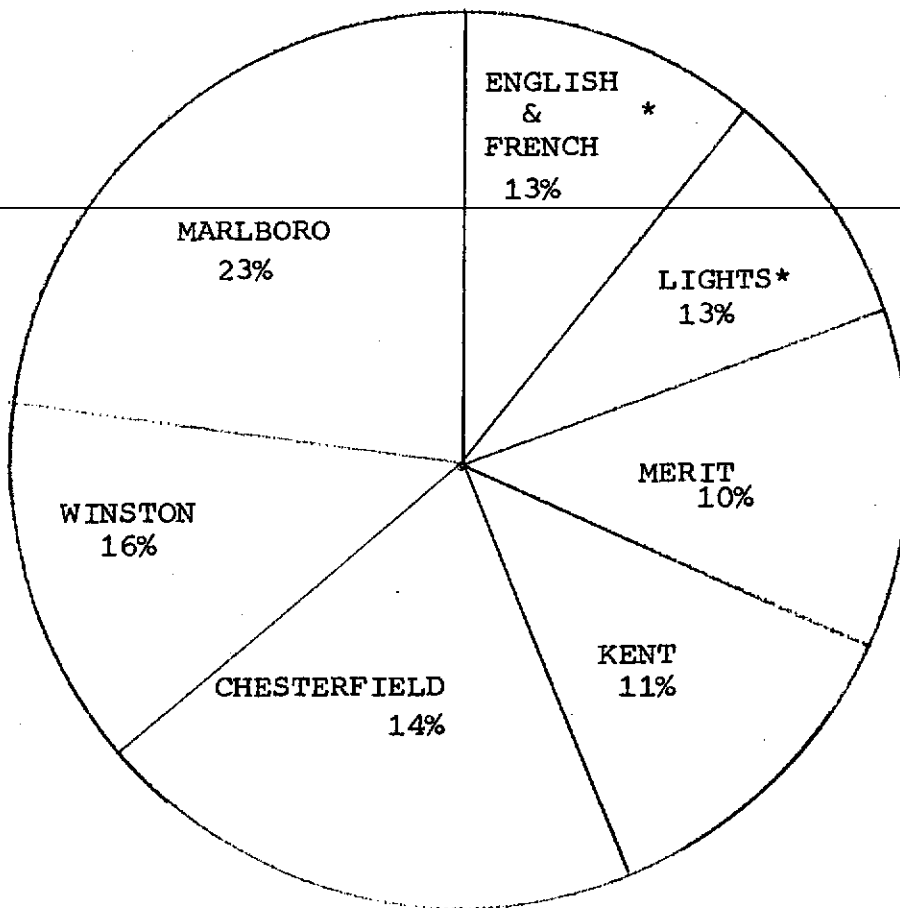
MARLBORO KENT WINSTON
CHESTERFIELD LUCKY STRIKE



1985 ADVERTISING EXPENDITURES

PIE CHART VII

REFERENCE # XII



*
LIGHTS: MARLBORO LIGHTS, VANTAGE, WINSTON LIGHTS
ENGLISH: ROTHMANS, DUNHILL
FRENCH: GITANES

REFERENCE: A.B.C. MONITORING ON CIGARETTE ADVERTISING EXPENDITURES

1985 ADVERTISING EXPENDITURES

REFERENCE # XIII

Table No.VI

BRAND	AMOUNT IN US\$	PERCENTAGE
MARLBORO	196,567	23%
WINSTON	134,527	16%
CHESTERFIELD	120,888	14%
KENT	90,864	11%
MERIT	85,796	10%
LIGHTS*	114,418	13%
ENGLISH-FRENCH*	114,418	13%

*

LIGHTS: MARLBORO LIGHTS, VAN TAGE, WINSTON LIGHTS

FRENCH: GITANES

ENGLISH: DUNHILL, ROTHMANS

REFERENCE: A.B.C. MONITORING ON CIGARETTE ADVERTISING EXPENDITURES

Benefit-Cost Analysis:- If we compare what every brand of cigarettes is spending for advertising in Lebanon (i.e. costs incurred) and the corresponding effects on sales of these brands we notice the following^(a).

Table No. VII

<u>Brand</u>	<u>Percentage Market Share</u>	<u>Percentage of the Total Advertising Expenditures</u> <u>1985</u>
MARLBORO	55.3%	23%
WINSTON	13.7%	16%
CHESTERFIELD	1.6%	14%
KENT	5.3%	11%
FRENCH & ENGLISH CIGARETTES	10%	13%
LIGHT CIGARETTES	5.6%	23%
CHEAP BRANDS	3.3%	0%

Chesterfield, as can be recognized from the above data has allocated 14% to the total advertising expenditures incurred in various media during 1985 in order to support its sales and try to gain market share. With this heavy advertising campaign for Chesterfield which has amounted to more than 120,000 U.S. dollars per year, according to the A.B.C. monitoring on cigarette advertising expenditures, this brand was able to capture 1.6% of the total cigarettes consumption market in Lebanon. This level reached is a good performance if we take into consideration the fact that the Lebanese cigarette market is already saturated with a collection of american and european imported brands.

(a) Please refer to Pie Chart (XII) 1985 Advertising Expenditures for the various brands of cigarettes-ABC monitoring on cigarette advertising expenditures

Also refer to Pie Chart (X) Results of the Lebanon's Smokers Analysis carried on by the marketing team in Ets F.A.Kettaneh during Dec. 85 to Jan. 86.

3. Philip Morris Strategy In Promoting Chesterfield:-

The objectives of the Launch of Chesterfield:- The rationale underlying the launch of Chesterfield:

- a. Maintaining Philip Morris' Market Share Irrespective of Fluctuating Market Situations: Marlboro, the thirty five years old product, could be facing the aging process in the future. Philip Morris should have another young brand in Lebanon which may substitute Marlboro, in the future. This brand is Chesterfield. Accordingly Chesterfield will assist in the attacks on Marlboro which is currently done by Kent,
(a)
Winston and Lucky Strike.
- b. Respond to the unmet needs of the young consumers:- Philip Morris created the Chesterfield advertising commercial in order to appeal to the young generation of smokers who want to smoke a new cigarette, modern, fashionable, revolutionary and not the same classical brand that is
(b)
smoked by their parents and the old generations.
- c. Reacting to the deteriorating purchasing power of the Lebanese Smokers. According to Mr. Razzouk the "Price Factor" is a major reason underlying the launch of "Chesterfield" in Lebanon. As a result of 11 years of civil war in Lebanon, the purchasing power of the Lebanese smoker decreased drastically and the cost of the imported American cigarettes increased proportionally with the increase in the dollar exchange rate with respect to the Lebanese pound.

As a result of this, the situation in the market could be summarized as follows: Two categories of products, exist in the Market:-

The class (a) imported American cigarettes which are positioned at L.L.6.00

The cheap brands which include the locally produced cigarettes: Cedars,

(a) Extracted From an Interview with Mr. N. Hobeich, manager of the sales development Department in Philip Morris E.E.M.A. division during his marketing visit to Beirut.

(b) Extracted From an Interview with Mr. R. Trad account director in Leo-Burnett, Beirut.

Byblos, O.K. and the class (b) smuggled cheap brands of European origin which include Best, West, Poker, Number 1... These brands' importers do not pay fiscalities and are therefore able to position their brands at the level of L.L.3.00. It is to be noted that these brands importers do not incur any marketing expenditures. (no advertising support campaigns). They depend on the price factor solely to market their products.

Philip Morris, in response to the recommendation of its local distributor^(a) decided to launch a cigarette that will attract those smokers who want to have a class (a) American cigarette but at a medium level price i.e. L.L. 4.00 in order to meet their limited purchasing power. Philip Morris, through Chesterfield's launch in Lebanon at L.L. 4/pack, reacted to the changing market's situation and the limited purchasing power of the consumer and provided them with a cigarette that meets their needs together with advertising support in the various media available.

Mr. N. Hobeich emphasized the point that every case of Chesterfield sold in the Lebanese market is not gaining any penny but only covering the variable and fixed costs incurred in production, packaging, shipping and the advertising audio-visual support campaign. This is Philip Morris strategy.

In the cigarette business, brand loyalty is high. If we could switch 1% of the potential smokers to Chesterfield and gain 1% of the Lebanese domestic market, then we would have achieved a good target. For Chesterfield, N. Hobeich add, "the market share is what we are allocating for Chesterfield, we aim at good distribution and 5% market share to be achieved gradually up till end 1988^(b)".

(a) Training Seminar, held at Hotel Montemar, on March 1985, Prepared by Mr. Hobeich for Kettaneh's Philip Morris Division field force.

(b) Information forwarded by Mr.E.T.Razzouk; Director of Philip Morris Division in Ets. F.A.Kettaneh during an interview held with him.

Launch Preparations For Chesterfield:-

Chesterfield is one of the oldest cigarette brands in the world. Soldiers during the world war I and war II used to smoke it along with Camel and Lucky Strike. Chesterfield disappeared from the Lebanese scene some 20 years ago superseded by Marlboro cigarettes. Philip Morris bought the brand from its original manufacturer and decided to launch it outside the United States in a filter flip top box with a modern, fashionable, informal message which is a rather unusual way of launching a cigarette in an already saturated market of cigarettes-Lebanon.

Creation of the Advertising Campaign:-

The idea came first from the director marketing at Philip Morris E.E.M.A. in Lausanne, Switzerland who after examining a report from the sales development department approved their recommendations of launching a new full flavour american cigarette in the Lebanese domestic market in order to maintain Philip Morris leading position there.

Market studies were carried in 1982 in Big Beirut to study the consumer needs. Young people of both sexes (university and college students) were interviewed. The analysis showed that young smokers would like to smoke a new cigarette with a non-classical advertising image. The "Chesterfield" product manager in Lausanne advised Leo-Burnett Lebanon to prepare various advertising proposals which will be tested in order to choose the most adequate for the Lebanese market. Accordingly, the technical department in Leo-Burnett came with layouts for 4 different ideas or subjects to be tested in order to choose the most suitable one that goes with the Lebanese mentality.

The proposals were:-

1. Patriotism style of a commercial
2. Sports events type of advertising
3. Romance type of a commercial
4. Fun, Fashion and Dance style i.e. enjoy your life, type of a commercial lay-out.

The ABC marketing company together with the marketing research department at Philip Morris carried out a consumers' survey in order to test the 4 proposals. The results of the survey showed that the advertising message that best suits the target group potential smokers should be informal, fashionable, alive and full of motion and action. Accordingly the T.V. commercial for Chesterfield was shot in studios in London. It includes spots of scenes enjoyed by the youngsters i.e. windsurfing sports, skating and dancing on the top-rating hits. It also includes a girl with her striking lipsticks grabbing a big hamburger (the teen agers most favourable meal) then having a delicious ice-cream, then flavouring her way with a Chesterfield cigarette.

According to Leo-Burnett^(a), local advertising agency, the Chesterfield Prime Prospect is the following:

- Male and Female
- 18 to 25 years old
- ABC social classes
- Urban
- Trend setters, youngsters

The source of the volume, according to Leo-Burnett, is derived from first time smokers, smokers currently buying long established full flavour filter cigarettes, namely Marlboro, Winston, Kent and finally smokers of local brands who want to up grade to International brands.

The nature of the Chesterfield's campaign leads itself to audio-visual which well illustrates and promote the brand's image within the Chesterfield target audience. Therefore Chesterfield's strategy is to exploit television

(a) Leo-Burnett, Local Lebanon Advertising Media Strategy May'85 for Philip Morris Brands.

to the maximum especially when we consider the advertising tone: "young, fun, informal, fashionable".

Television could secure:-

1. High penetration and reach
2. Low cost per thousand (C.P.M.)
3. Audio-visual impact
4. Variety of programs.

According to Leo-Burnett Lebanon, the advertising spots inserted in the Arabic News T.V. program are good for the launch and the first year of introduction since it represents an overall umbrella which secures high reach among the target audience plus a good overspill to other segments. Chesterfield advertising being purely psychological and directly addressed to youngsters who like to have their own life style, led Leo-Burnett to choose programs that directly hit the prime prospect either by participation spots, creative media buys, sponsorship of target programs.

The T.V. programs category mix used for Chesterfield advertising includes:-

1. The musical variety category which represents the major direction for a brand like Chesterfield where Leo-Burnett recommends to exploit advertising in this category of programs up to the extent of cigarette advertising monopoly. In this direction Leo-Burnett is trying to secure a unique image/personality to the brand by promoting this category to the maximum. In order to complement the mix of the variety musical category together with the action category, Leo-Burnett recommends to participate in good rating action programs that are also of prime interest to Chesterfield target audience. These programs appeal to youngsters and in other words hit directly the target audience. For better diversification and variety, another very popular programs of both the American Social Serials and the

situation comedies are included in the proposed media/program mix.

The first witnesses popularity and high reation within Chesterfield target audience with a sizeable overspill to the different segments of the television viewership and the second being of interest to youngsters and therefore appeal to the target audience.

The second medium used for Chesterfield advertising is cinema. Leo-Burnett marketing experts believe that cinema can exploit the impact of the commercials in the best way possible for the reasons mentioned below:-

1. Practically every viewer must see the advertisements. No other medium can offer such concentration of attention whatsoever.
2. The cinema screen wins greater concentration because the audience is confined to a darkened hall with no distraction.
3. The large screen exploits the advertisement and therefore is considered as dominating and impactful.
4. Sound effects, music, jingles are better received.
5. Cinema advertising does not interrupt the entertainment, since you can choose your audience according to the type of film.
6. The advertisement is seen in a pleasant atmosphere of entertainment
7. Cinema advertising enjoys a high recall value.
8. Cinema and T.V. advertising can complement one another using the same film material.
9. Cinema advertising in Lebanon is still very inexpensive thus has a low cost per thousand.

However it is to be noted that a cinema campaign is closely related to the situation prevailing at the time in the country, said Mr. R. Trad^(a). In Lebanon, the cinema campaign cannot be released on a national basis, it is released on regional basis depending on the security situation in the different regions of the country. The films in which the commercials are inserted are chosen every Monday morning depending on the newspapers critics and evaluation of the films. This enables the choice of the right films for placing the commercials in special positions i.e. paying an extra amount on the rate in order to obtain the last advertising position on the screen just before the start of the film.

Logistics Of the Chesterfield Launch Campaign:-

As the advertising agency Leo-Burnett was preparing schedules for T.V. and cinema advertising, the monopoly of state "The Regie Libanaises des Tabacs et Tombacs" placed an order for 1000 case of Chesterfield cigaretts.

The role of the monopoly of state was the following:-

- a. Receipt of Cases at Beirut Port and clearing of goods from the customs.
- b. Transporting the goods from the Port to the monopoly's central warehouse in Hadeth (Eastern Suburbs of Beirut).
- c. Distribution of Chesterfield's cigarette cases from the central warehouse to the various district warehouses of the monopoly in: Jounieh, Jbail, Bickfaya, Aschrafieh, Jisr, Zahlé, Nabatieh, Ras Beirut, Basta, Saida.
- d. Forwarding goods from the district warehouses to the licensed wholesalers in the various regions of the country.

(a) Mr. Raja Trad, account director of Philip Morris Int., in Leo-Burnett advertising agency-Beirut.

e. Direct sales to the supermarkets and retailers carried on by the wholesalers, each in his area of operation.

The local distributor; Ets F.A. Kettaneh, from its side, in order to complement the role of the wholesalers, assisted in filling the market with the Chesterfield cigarettes. Thus it recruited and trained new temporary promotional and sales forces for the launch period.

Eight sales teams were formed. Each consisting of a salesman and a girl hostess. Each team was supposed to cover a specific geographic zone and carry on direct sales of Chesterfield cigarettes on the retailers, ~~snacks~~, supermarkets in a street screening operation.

The objective, according to Mr. E.Razzouk, was to cover Big Beirut which starts in Khaldeh area and extends up till the town of Jbail in a first drive of one month period. The number of retailers that sell cigarettes in this area is approximated to be around 5,000 retailers. The number of calls to be carried by each team per day is around 30 calls per day according to the previous experience of Mr. E.Razzouk. Therefore the 8 sales teams will be able to carry 240 calls per day and hence will be able to visit the 5000 outlets in 25 working day (one month). According to this plan, Chesterfield packs and advertising materials (stickers, pack dispensers, branded ashtrays, lighters, dummy packs, flag ropes, triangular mobile, posters...) will be present at the end of the first month of the launch in supermarkets, department stores, retailers, kiosques, cafétrottoirs, restaurants and clubs where potential buyers pass by. The job of each sales team was specified as follows^(a):

(a) Les Techniques Modernes De Vente Et De Merchandizing Philip Morris E.E.M.A. Training Seminaire A L'intention Des Ets F.A. Kettaneh S.A. (Preparation Pour Le Lancement De Chesterfield) Beirut, May 1984.

The team enters to the shop. The girl hostess, dressed in the Chesterfield uniform, introduces the brand and sample Chesterfield cigarettes to the people present inside. The accompanying salesman puts the Chesterfield Stickers "On Sale Here" on the window of the shop (eye-level standard). He explains to the retailer that a heavy advertising campaign will follow in the coming weeks both on television and in cinema theatres. This, the trained salesman continues, will create demand and nearby consumer will come to the shop and ask for a pack of the new cigarette Chesterfield. He then sells the Chesterfield cartons to the shop owner and arranges the packs in an appealing manner on the shelf.

Concerning the promotional activities carried in order to promote the sales of Chesterfield, two teams were recruited and trained: Day Team
Night Team.

Each team was composed of the following manpower:

- One man-promotor
- Three girl hostesses.

The job of the day team was directed towards sampling Chesterfield cigarettes to people entering into the various supermarkets, department stores present in Big Beirut and introducing the customers to the Chesterfield offer i.e. on the purchase of each carton of cigarettes the customer gets a free ashtray, lighter or T.Shirt.

During one month, the day team went into^(a)

- 10 different supermarkets in Eastern Beirut and its suburbs.
- 8 different supermarkets in Western Beirut.

(a) Daily Visits Report, Month of June 1984
Ets F.A. Kettaneh, Division Philip Morris Int., Promotional Team Activities.

The results of the day promotional team could be summarized as follows:-

- Sampling around 10,000 persons (lighting and smoking a cigarette).
- Selling around 2500 cartons to 2500 different consumer which means that 2500 cartons of Chesterfield are available due to this activity in 2500 different houses.

The night promotional team were trained by experts from Philip Morris Int. to visit sports clubs, fast food places, cinemas and night clubs to introduce Chesterfield there to the target potential consumers present at peak times. ~~They carried on dancing competitions and distributed Chesterfield presents to the winners in these locations.~~

Analysis of the daily visits reports concerning the activity of the night promotional team show that they sampled around 5000 different potential smokers, introducing them to Chesterfield and distributing to them branded give-away gadgets. These reports show that the team went to all the night clubs present in both zones of the capital and the nearby mountains. They had an important role in direct consumer contact and promoting the young, fashionable, fun, amusement, sports and dancing image of Chesterfield.

Questions that Need Answers:- One important question that faced both Philip Morris and Leo-Burnett in this launch campaign was a timing question. When does Chesterfield advertising breaks through in the different media?

The answer to this question according to Mr. R.Trad is two-folds:-

If the advertising breaks out early, i.e. when the distribution of the product is still low, then the target consumer who sees the advertisement on either the T.V. screen or in the cinema, would like to taste the Chesterfield cigarettes but, he may not find it in the nearby retailer since distribution is still

very low. This may create a bad impact on a newly launched brand.

If the advertising campaign breaks out late, then consumer awareness of the product and its presence in the market is low and this affects the demand on Chesterfield from the shelves of the retailer. Mr. Trad^(a) adds that this will also lead to the hesitation of retailers in purchasing an unknown product since there is no advertising support to push their sales. They would prefer to invest their money in fast moving (saleswise) cigarettes than having cigarettes packs sitting idly on their shelves.

The decision was taken to start the advertising campaign in both cinemas and television two weeks after the distribution operation begins, since Chesterfield would have obtained by that time about 50% availability on the retailers' shelves.

Implementation of The Chesterfield Advertising Schedules:-

The media used for the Chesterfield advertising were television and cinema theatres screens as we have already mentioned. Newspapers and magazines were not used as part of the advertising above the line plans. The rationale underlying such a conclusion was presented by Leo-Burnett as follows:-

" The studies carried about the target young consumers, who want to enjoy their lives to the maximum, show that they do not care a lot about politics and news hence are not, in general, loyal dailies or weekly readers".

(a) An Interview was held with Mr. R.Trad, Account Director at Leo-Burnett Beirut, concerning the timing of the advertising support in the launch campaign.

(47)

The advertising budget for the launch period was split according to Leo-Burnett media schedules dated June 1984 for Lebanon-Chesterfield 3/4 for television expenditures and the remaining quarter was allocated for cinema advertising.

More than 3/4 commercials (30 seconds each) are scheduled each night for the first six months of the launch. These spots were inserted in special T.V. Programs that appeal to the target young generation of smokers. These programs include American Action Films, American Social Film, Soap operas, Comedies, Musical Serials^(a)...

In order to secure both impact and high penetration/reach Leo-Burnett did not limit its launch advertising campaign to classical skeleton plan but produced a special program "Chesterfield Video Disco Time" that was projected once a week for half an hour and it included the latest top hit songs in Europe and U.S. that attract the potential target young smokers. Between each song and the other a small cut (15 seconds) of the Chesterfield commercial is inserted^(b). Chesterfield commercials were also running in all cinema theatres in both East and West Beirut during the launch period. After the shows, hostesses from the Chesterfield night promotional team were present on the theatres doors introducing and sampling Chesterfield cigarettes to the potential consumers who had already watched the advertisement on the cinema screen.

The C.E.P.I. media expenditures (Market-Lebanon) show that during the first 5 months of the launch in 1984 the Chesterfield expenditures ranked number "1" as compared to other cigarette expenditures.

(a) Philip Morris Local Lebanon advertising schedules dated June 1, 1984.

(b) Philip Morris Local Lebanon advertising media strategy dated Dec, 1983.

According to the same source: T.V. commercials costed around U.S. 150.000

According to the same source: Cinema commercials costed around U.S.40.000.

4- Impact Of Promotional Activity on Sales of Chesterfield

It has already been mentioned how difficult it is to switch people to a new brand of cigarettes in a market which is already saturated with many established brands, given the fact that brand loyalty is very high in the cigarette market.

The words of Mr.N. Hobeich are quoted "In the cigarette business brand loyalty is high, if we could switch 1% of the potential smokers to Chesterfield and gain 1% of the Lebanese domestic market then we would have achieved our target".

In our analysis for the impact of the promotional activity which include both above the line expenditures (A.T.L.) i.e. expenses incurred in commercials in T.V. cinemas and the below the line expenditures (B.T.L.) i.e. promotions, sampling activities, sponsoring of events, direct consumer contact on the sales of Chesterfield in Lebanon we cannot depend solely on the monopoly of state sales statistics due to the reasons forwarded by Mr. A. Dogramacian^(a) concerning both the smugglers' activities importing various brands including Chesterfield to the Lebanon and in the re-exportation via other group of smugglers of both legal and illegal goods to Syria and other nearby countries.

The consultation of the local distributor of Philip Morris in Lebanon, Ets F.A.Kettaneh S.A. has furnished us with their latest smokers' survey carried in Beirut (East & West) and the suburbs together with the nearby

(a) Director of the Sales Department in the Monopoly of State.

mountains of Aley, Schouf and Metn. The study also covers major towns like Jounieh, Jbail, Saida and Tyr.

5000 smokers were met. The brands of cigarettes they smoke were identified.

The results were as follows:-

Table No.VIII

BRAND	PERCENTAGE MARKET SHARE
MARLBORO	55.3%
WINSTON	13.7%
KENT	5.3%
LUCKY STRIKE	2.2%
LIGHTS SEGMENT	5.6%
FRENCH CIGARETTES	3.6%
ENGLISH CIGARETTES	6.3%
CHEAP CIGARETTES	3.3%
LOCAL CIGARETTES	2.9%
CHESTERFIELD	1.6%

REMARKS:

LOCAL BRANDS INCLUDE: CEDARS, BYBLOS

LIGHTS INCLUDE: MERIT, VANTAGE

CHEAP INCLUDE: GITANES

ENGLISH INCLUDE: ROTHMANS, DUNHILL

Chesterfield according to results of the "Lebanon's Smokers Analysis Carried on By the Marketing Team in Ets. F.A.Kettaneh During Dec. 85 to Jan. 86" has attained a market-share of 1.6%. This means that the target set by Philip

Morris of one percent market-share during 1985 was reached safely and even 0.6% higher as a result of the heavy promotional, advertising, direct consumer contact campaign carried throughout the launch period and in 1985. In order to have an idea about the heavy expenditures incurred in Chesterfield advertising during 1985 we consult pie-chart no. 12 "TOTAL ABOVE THE LINE EXPENDITURES IN NEWSPAPERS, MAGAZINES AND TELEVISION FOR THE AMERICAN FULL FLAVOUR CIGARETTES PRESENT IN LEBANON DURING 1985"^(a) Chesterfield spent around 120.000 U.S. dollars for Above The Line advertising in 1985 i.e. more than what Kent, Lucky Strike and many other English and French. The data collected reveals the fact that Chesterfield who has only 1.6% market share has spent during 1985 14% of the total cigarettes advertising expenditures incurred in Lebanon.

Table No. IX

BRAND PERCENT OF MARKET SHARE		PERCENT OF 1985 ADVERTISING EXPENDITURE
MARLBORO	55%	23%
WINSTON	14%	16%
CHESTERFIELD	1.6%	14%
KENT	5.3%	11%
LUCKY STRIKE	2.2%	10%
LIGHTS	5.6%	13%
ENGLISH-FRENCH	10%	13%

(a) Reference: ABC Media Studies For Cigarettes Advertising Expenditures Published January 1986 (Market:Lebanon Domestic).

CHAPTER III

CONSULTATIONS, RECOMMENDATIONS AND SUMMARY

CONCLUSIONS

In this research we have examined the role of the many parties involved in the planning, preparation and implementation of the launch campaign of Chesterfield cigarettes in Lebanon. We have shown the coordination between various departments in different companies in order to secure a successful introduction of Chesterfield to the market. These companies vary from the local one, to the monopolistic one, to the international one and finally to the multinational one. These joint efforts are attributed to:-

1. The multinational company "Philip Morris International"
2. The International Advertising Agency "Leo-Burnett".
3. "Ets F.A. Kettaneh"; The Distributor of Philip Morris Int. in Lebanon.
4. The Lebanese Public Owned Monopoly for the Importation and Distribution of cigarettes.

This study attempted to answer some questions that arise, in general, in the launch campaigns of such consumers' product. Some of these questions were:-

- * What were the reasons underlying the launch of Chesterfield in Lebanon during 84?
- * What marketing mix should be used in the advertising campaign?
- * When should the advertising supporting campaign break thru?
- * What were the effects of the increasing price of the U.S. dollar with respect to the Lebanese pound on the American imported cigarette?
- * What was the effect of the decrease in the Lebanese consumers' purchasing power on the American imported Cigarette market and what was the role of Chesterfield at this point?.

Given the fact that the various Lebanese geographic areas are separated from each other, as a result of the prevailing security situation; yet

Philip Morris accommodated to these abnormal conditions and was able to carry on, with distributing the product in the various areas from the various warehouses present. It was also able to reach the optimal number of potential target consumers not only through the classical above the line media such as television and cinema but also thru below the line channels of direct consumers' contact in promotions, sponsoring of events, night clubs... in the various towns, mountains and the two sectors of the capital Beirut.

In June 1984, Philip Morris exported 2000 cases of Chesterfield into Lebanon (each case contains 50 cartons and each carton contains 10 packs). In January 1985, Philip Morris exported another Chesterfield order to Lebanon amounting to 1500 cases. Later in July '85 the monopoly of state ordered another 2000 cases of Chesterfield^(a). This means that there is demand on Chesterfield, and there are repeated orders for it from all of the consumers, retailers and wholesalers. Thus Philip Morris was able to position its Chesterfield cigarettes in the Lebanese saturated cigarette market and attain a growing market share in the domestic market taking into consideration the high brand loyalty of cigarettes smokers.

We find it necessary here to quote the words of Mr. Hamish Maxwell, Chairman and Chief Executive of Philip Morris Incorporated.

" I think the challenge is to capitalize on our opportunities. There is a very strong competitive situation in this country and internationally".

(a) The Monopoly of State "Régie Des Tabacs et Tombac Libanais" Imported cigarettes orders - year 1985.

Philip Morris has several of the best products in the world, including Marlboro, Miller Beer and 7-up. There are a lot of opportunities to build our business around our great brands. The world is going through a period when the public seems less receptive to new products than at some times in the past, so this is the time to maximize what we've got. At the same time, Philip Morris should go on developing new products - ones that meet consumers' needs - so this is another continuing challenge. Our number-one objective is to anticipate what people want. Philip Morris is strongly positioned to do this, and provided it stays lively, aggressive and ambitious then it will be very successful^(a).

RECOMMENDATIONS

In the chapters, the Chesterfield target potential smokers were indentified as: first time smokers, smokers buying long established full flavour filter cigarettes, namely Marlboro, Winston, Kent and Lucky Stricke and finally smokers of local brands or cheap brands who want to up grade to international brands.

This is why we strongly recommend to keep the price of the Chesterfield pack at L.L. 4.00 in order to meet the needs of the consumers who want to smoke a class (a) American full flavour cigarette but are unable, due to the drastic reduction in the purchasing power of the Lebanese pound, to pay L.L. 6.00 for a pack of Marlboro, Winston, or Kent. We agree with Mr. N.Hobeich when he said that not a penny is gained from the sales of

(a) Philip Morris Call News, Executive Interview May'85 with Mr. Hamish Maxwell, Chairman and Chief Executive of Philip Morris Int.

each case of Chesterfield due to its low retailer price. But this is not the important issue; what is important for Chesterfield now is to gain market share in the Lebanese market which is almost saturated with a variety of cigarettes brand. We should always keep in mind that in this business brand loyalty is high.

Therefore attaining a market share is more important in the short run for Chesterfield than is the profitability.

From the marketing point of view we highly recommend to diversify the Above Line (A.T.L.) strategy in order to include Chesterfield commercials in the FM Radio stations in Lebanon especially when we consider the advertising nature and tone of the brand's advertising.

Also we recommend for 1986 to introduce outdoors for Chesterfield's Below The Line plans (B.T.L.). The nature of the campaign can be reflected through illuminated neon signs that are very much in line with the advertising tone and image of the brand.

Chesterfield's Radio Recommendation: Despite the unofficial status of FM radio stations in Lebanon, the radio is a very good medium for young people as supported by all the available surveys. In Chesterfield case, the young are the prime target which makes radio the right medium to be exploited in parallel with T.V. and cinema.

Why Radio? Hereunder are the advantages of radio as a medium for Chesterfield.^(a)

1. Transmission is longer than T.V. Radio broadcasts occupy a greater number of hours than T.V. so that more people and more categories of people at

(a) Philip Morris 1986 Local Lebanon Advertising Media Strategy dated May 15, 1985 Leo-Burnett Beirut.

different times of the day may be reached.

2. The copy can be spoken or treated in whatever way the brand requires thus demanding little effort on the part of the listeners to absorb the message especially when it comes to the rich creative tone which can be offered for Chesterfield i.e. creative stories and unique remarkable identified music.

3. Thanks to the transistor, walkman and car radio, radio advertising can be listened to almost anywhere. This creates an extensive range of possibilities for listening, large audiences and many categories of listeners. The

radio can be listened to while doing something else. It give company and and entertainment and break the loneliness and monotony.

4. Radio space in Lebanon is inexpensive and thus of very low C.P.M. (cost per thousand listeners).

5. According to the time of the broadcast the medium can be useful for appealing to a specific type of listeners.

6. Commercial FM radio complements commercial T.V. in several ways.

a- Radio is mostly listened to outside the peak T.V. viewing hours.

b- It also attracts young people who do not wish to watch television and various late night listeners.

c- In Lebanon, the F.M. stations enjoy a high listenership among young people and even a huge overspill on adults of different age brackets whether male or female.

However, our recommendation depends on whether radio advertisements should include the health warning or not and if it does, what kind of application

is required. According to Mr.R.Trad^(a) many ways could be used to tackle this issue specially when it comes to Chesterfield where radio commercials can use the song of Chesterfield without the direct brand coverage at the end (indirect advertising).

Chesterfield Outdoor Recommendation For 1986:

A- Limited introductory outdoors campaign for 1986 that covers Big Beirut and its suburbs is recommendable. At a later stage this campaign could be developed with the increase in market share of Chesterfield.

~~1. Major Outdoor Neon Billboards.~~

2. Illuminated neon banners in entertainment centers i.e. cinemas, discos,...

1. Major Outdoor Neon Billboards:- Werecommend together with Leo-Burnett^(b) to fix two big neon billboards: one to be located in the Zouk area, the main center of recreation and amusement center of West Beirut.

2. Illuminated small neon banners in entertainment centers:- In order to back up the outdoor neon billboards, it is recommendable to go into similar small size neon signs to be fixed in cinemas, discos, amusement centers, which are the right places to attract Chesterfield target audience.

This proposed campaign is very much in line with all the advertising activities whether A.T.L. or B.T.L. It directly hits the brand target audience and promote the image in the right directions. It secures both impact and reach.

Impact Through the creative big size neon billboards.

Reach Through the good locations in cinemas and amusement centers.

(a) R.Trad Account Director at Leo-Burnett Beirut, Handling Philip Morris Account.

(b) Philip Morris 1986 local Lebanon Advertising Media Strategy Prepared By Leo-Burnett Beirut 15th May, 1985.

SUMMARY

Philip Morris, a small independent producer, introduced a new Philip Morris cigarette in 1932, at a retail price of 15 cents per pack, 3 cents over the price maintained for the dominant brands. Philip Morris kept one penny to finance an advertising campaign and used the other two cents to secure distribution and dealer interest. Within six years, Philip Morris, became the U.S. fourth largest brand with 6.1% of the market. One out of five cigarettes smoked in U.S. is a Marlboro. It is the number one selling cigarette in the world ^(a).

Philip Morris International had introduced the Marlboro cigarettes in Lebanon in early nineteen fifties. At that time, the market for imported filter cigarettes was limited. But as time passed, Marlboro became the number one selling cigarette in Lebanon with a market share exceeding 50%. In the nineteen eighties, the Lebanese cigarette market has many imported brands from U.S., England and France, but Marlboro is still maintaining its position as a market leader. At this point, Philip Morris reevaluated its strategy in Lebanon and decided to launch a new full flavour American cigarette "Chesterfield" the rationale underlying such a decision were the following:-

1. Marlboro is a thirty years old product in Lebanon and it may face what we call in marketing "the aging process".

(a) Time Magazine July 18th 1983
Economy & Business
Pulling Hard Just to Keep up.

2. Competitors are attacking Marlboro from all sides through price incentives, heavy advertising and promotional campaigns. Accordingly, Philip Morris decided to assist in the attack on Marlboro by bringing in a new product "Chesterfield" whose market share will be derived partly from that of Marlboro and partly from the other available imported brands in the market.
3. Philip Morris decided to launch Chesterfield in order to meet the young consumers' mentality who want to smoke a new American cigarette with a non-classical, fun and young image.
4. Philip Morris responded to the decline in the purchasing power of the Lebanese smoker by providing a class (A) American imported cigarette at a reduced price of L.L.4.00.

Chesterfield cigarettes were launched in Lebanon in July 1984 supported by heavy audio-visual advertising campaign in television and cinema theatres. In addition to this, direct consumer's contact was provided for Chesterfield through the below the line activities in sponsoring musical concerts, dancing competitions and sports activities. The local distributor of Philip Morris in Lebanon Ets F.A. Kettaneh recruited and trained temporary sales teams to assist the monopoly of state and its districts' wholesalers in the distribution of Chesterfield packs to the supermarkets, retailers and the various cigarette selling outlets.

The target of Chesterfield, for the first year of the launch to be reached by end 1985 was 1% of the total domestic Lebanon's cigarette consumption market. Mr. N. Hobeiche, from the sales development department in Philip Morris Int. E.E.M.A. division, said "In the cigarette business brand loyalty is high,

if we could switch 1% of the potential smokers to Chesterfield and gain 1% of the Lebanese domestic market then we would have achieved our target for the first year".

This was actually achieved since the results of the "Lebanons Smokers Analysis" carried on by the marketing team in Ets F.A. Kettaneh on Nov. - Dec'85 has shown that Chesterfield's market share has exceeded the level of 1% and did reach the level of 1.6%^(a) of the Lebanon domestic market of cigarettes due to the adequate use of the marketing mix and its 4 Ps (Product, Place, Price, Promotion).

(a) "Lebanon's Smokers Analysis carried on by the marketing team in F.A.Kettaneh, period Nov-Dec'85, from 5000 random smokers met in the different areas of the country".

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