

ALL THAT GLITTERS IS...GOLD FLAKE
A Case Study on Communication Strategy

There is no smoke without cigarettes

Cigarette smoking may be injurious to health but certainly not for the government. The most highly taxed consumer product in the country, this product alone accounts for over 10 per cent of the total excise collections. Despite a drop in volumes, the cigarette segment continues to be the highest contributor to the national exchequer, at 87 per cent of the total revenues collected from the tobacco industry. The total turnover of the cigarette industry in volume terms during 1998-99 is estimated at 101 bn sticks, a decline of 4% from the sales of 105 bn sticks in 1997-98. The industry is expected to generate excise revenues of Rs 5,685.84 crore in 1999-2000.

Increasing excise duties on cigarettes is an annual feature of the Budget. While the Union finance minister, Mr Yashwant Sinha, has not taxed either the premium segment or the mid-market segment, the bingo segment or the micro segment as is popularly known in the cigarette industry parlance, which faces severe competition from the bidi sector, has been burdened with another excise hike. The finance minister has raised excise duty on cigarettes not exceeding lengths of 60 mm from Rs 100 per thousand sticks to Rs 110.

This is the third year in succession that the micro segment has been subjected to an excise duty hike though, in the past couple of years, the other segments had also come in for a sharp hike.

According to Mr Y C Deveshwar, chairman of ITC Ltd, the country's largest cigarette manufacturer, the finance minister has been very positive in understanding the realities. Cigarette is the only commodity among the tobacco products which offers a meaningful revenue to the government. With volumes dipping four per cent since October any further increase would have hurt revenue collections.

Who's the biggest of them all?

Four players, more than twenty brands, an increasing number of new variants, and foreign majors eyeing the market...all this and more, characterise the cigarette market in India. The Rs. 6,000 crore ITC rules the market with the only truly national brands, Wills and Gold Flake as part of its brand portfolio, which also comprises India Kings, Classic, Berkeley, Bristol, Scissors and Capstan. The next biggest player, Godfrey Phillips, with a turnover of Rs. 980 crore has Four Square in its portfolio. VST, with

a turnover of Rs. 650 crore has Charms and Charminar, while the fourth player, GTC with a turnover of Rs. 300 crore has Panama, among other brands.

While the overall growth rate for the industry has been flat in the last two years, the premium and micro segments are doing reasonably well. There has been a proliferation of variants to satisfy the upmarket segment. And now, the action is set to hot up at the upper end, with foreign majors set to enter the market. Faced with a sluggish growth and an increasingly hostile climate in the West, major international cigarette manufacturers are looking towards the East. ITC has already launched 555 and Benson & Hedges, two worldwide BAT brands.

Refer Annexures I, 2 & 3

The Golden Egg

The Gold Flake brand family was launched in 1915 with the introduction of the Gold Flake Plain. This makes it one of the oldest brand families in the country. It is India's largest FMCG Brand Family in Value Terms. The Brand Family is the Value and Volume leader in the cigarette industry. Gold Flake contributes about 18 per cent to the total turnover of ITC. The brand sells around 100 crore sticks in a month.

Available in four variants -

Gold Flake Kings - GFK (King Size Segment) in 20s and 10s

Gold Flake Premium Filter (Regular Size Segment) in 10s (Non South Markets)

Gold Flake Filter (Regular Size Segment) in 20's and 10's (South Markets)

Gold Flake Plain (Plain Segment)

Gold Flake Kings is the largest selling Kingsize cigarette in the country accounting for more than half of the segment. And, it is the image driver for the Gold Flake Brand Family. All image inputs in terms of communication for the brand are delivered through the patriarch, Gold Flake Kings and targetted at the GFK consumers. The same

communication is also expected to reach the lower variants and have a positive rub off on them through appropriate media selection and creative renditions.

The King's choice

What is the consumer in this category like? While there cannot be a generalised answer to that one, there are some features that typically characterise the consumer in this segment. Brand loyalty, for one, is fiercely high in this category. Once a consumer settles down with a particular brand, it is very difficult to get him to switch brands. So, the Point Of Market Entry of the consumer is very critical. That is, the consumer's first interaction with the category. Every cigarette marketer would try to get the consumer at this stage. To try and get him used to the taste of a particular brand, and then cultivate the consumer for a lifetime. A recent research shows that the lifetime value of one cigarette smoker is Rs 1.10 lakh over a 10-year period. That is roughly 7,000 times the value of a single pack of cigarettes.

As for the Gold Flake consumer, while Gold Flake Kings is targetted at the male consumer in SEC A and B, and upto SEC C and D for the the other variants of Gold Flake. Communication is typically targetted at males under 30 years, as Point of Market Entry is critical in this category. Psychographically, the Gold Flake consumer is an upwardly mobile, contemporary Indian who has struck a smooth balance between the various cross activities in his busy life and lives in perfect harmony. Enjoys the comforts of a social set.

Refer Annexures 4, 5,

The Code

Advertising in this category has its own special dos and donts. The cigarette category, along with alcohol, comes under the strictest regulations as far as communication and media are concerned. Even as the US has decided to ban outdoor advertising of tobacco products and in the UK live models are barred in tobacco ads, there is no enforceable code to regulate tobacco advertising in India. There is a code, formulated by the

Tobacco Institute of India, which has been implemented. ITC, has its own code which it follows as far as advertising its products is concerned, which is more stringent than the Tobacco Institute Of India's code.

The Challenge

With the proliferation of satellite channels, and the entry of multinational brands, the standards for communication have increased manifold. There is a need to refresh the campaign for Gold Flake, to compete with the international standards while continuing to leverage the inherent strengths of Gold Flake. It should reinforce the consumer's pride in the brand and establish a durable property for the brand with which consumer's across the country can identify.

Also, with highly restrictive media options, the communication should be planned across all possible media - Press, Hoardings, Point-of-Purchase material, On-shop signages, etc. The creative must be campaignable and durable. The core properties of the brand have to come through from the communication.

The task, will include the formulation of a complete communication strategy, and related action points for Gold Flake.

ANNEXURES

Annexure 1 (All figures are only indicative)

The following table shows the size of the industry region wise:
(in million sticks per month)

	1997-98	1993-94
North	1934.6 (22%)	1505.7 (23%)
South	3607.2 (41%)	2592.4 (40%)
East	1825.2 (21%)	1344.8 (21%)
West	1472.2 (17%)	1051.7 (16%)
Total	8839.2	6494.6

Annexure 2 (All figures are only indicative)

The following table shows the size of the industry segment wise:
(in million sticks per month)

Segment	1998-99	1993-94
King size filters	519.8 (6%)	349.0 (5%)
Longs	774.1 (9%)	762.1 (12%)
Regular size filters	4002.3 (47%)	2964.4 (46%)
Plains	1587.0 (19%)	2367.5 (36%)
Micros	1630.7 (19%)	51.6 (1%)
Total	8513.9	6494.6

Annexure 3 (All figures are only indicative)

The following table shows companies hold over the market:
(market share in percentage)

Companies	1998-99	1993-94
ITC Industries	75.40	68.80
Godfrey Philips	12.30	14.60
VST Industries	8.30	13.00
GTC Industries	4.00	3.60

*Sources : ET - 8.3.99 & BL - 18.3.99, 28.3.99

Annexure 4

Distribution of Men (SEC by Age)

SEC	Total	%	15-19 yrs.	20-24 yrs.	25-34 yrs.	35-44 yrs.	45+ yrs.
	('000 s)		('000 s)	('000 s)	'000 s)	('000 s)	('000 s)
	90259	100	13631	13061	22696	18514	22357
A1/A2	10143	11.2	1219	1285	2459	2195	2985
B1/B2	16072	17.8	2188	2363	4211	3360	3950
C	18834	20.9	2911	2857	4694	3772	4599
D	20804	23.0	3258	3181	5339	4150	4876
E1/E2	24406	27.0	4053	3374	5994	5038	5948

Annexure 5

Distribution Of Men (SEC by Town Class)

SEC	Top 8 metros	Other 10 Lac+ Popn Towns	5 - 10 Lac Popn Towns	1 - 5 Lac Popn Towns	Below 1 Lac Popn Towns
	('000 s)	('000 s)	('000 s)	('000 s)	('000 s)
	23658	9769	8059	19168	29605
A1/A2	3283	1245	957	2182	2475
B1/B2	4209	1815	1533	3546	4969
C	5261	1991	1741	3965	5875
D	5215	2292	1719	4478	7100
E1/E2	5690	2426	2108	4996	9186

*Source : NRS '97