

SNUS ON THE LOOSE:

*Big Tobacco's latest attempt to make
nicotine more attractive*



U.S. Smokeless Tobacco Market

Historically the preserve of smaller, specialized companies:

- ▶ Conwood
- ▶ U.S. Smokeless Tobacco Company
- ▶ Swedish Match North America
- ▶ Swisher

Cigarette companies have recently entered the market

Smokeless Tobacco (SLT)

Chewing tobacco: loose-leaf, plug, twist
Snuff: moist, dry or packets

Most popular form is moist snuff

Smokeless tobacco sales have grown dramatically in past 10 years

Limited social acceptance: products inconvenient, usually require spitting, and carry a masculine/macho image.

Harms

- ▶ SLT products contain numerous carcinogens and also have nicotine's addictive properties

Health Risks

- ▶ Cancers of the mouth
- ▶ Oral leukoplakia, gum disease, gum recession
- ▶ Increased risks for other cancers, heart disease, diabetes, and reproductive problems

A New Entrant- Snus

- ▶ Fine, moist, pasteurized tobacco
- ▶ Popular in Sweden, Norway, and Denmark.
(banned in rest of EU)
- ▶ Available loose or in portions (pouches)
- ▶ No need to spit
- ▶ Potentially safer than cigarettes or other SLT because of low TSNA levels



Cigarette Companies Enter the Market:

Reynolds American

- ▶ April 06 - acquired Conwood for \$3.5 billion, gaining Kodiak, Grizzly, Levi Garrett brands, among others
- ▶ April 06 - announced test market sales of Camel Snus
- ▶ July 06 - announced partnership with Taboca AS to make a SLT product

Philip Morris USA

- ▶ May 06 - began test market sales of Taboca Snus
- ▶ August 07 – began test marketing of Marlboro Snus
- ▶ October 07 – Test market of Marlboro MST

Lorillard

- ▶ Oct. 06 - announced partnership with Swedish Match for a SLT product for US market

Other activity in the international market

Some are new products with familiar branding...



Camel Snus (Reynolds)

Familiar branding



Marlboro Snus (PM USA)

Familiar branding



Lucky Strike Snus (BAT)

Using attractive new packaging...



Taboka (PM USA)

Marketing: Camel Snus

Sold like candy, mints

- “Pleasure for wherever”
- Displayed on countertop
- Special refrigerated display



Marketing: Skoal Dry

Price promotions

- Deep discounts
- Coupons

Mixed messages

- Marketed as cessation tool
- Solution to smoking restrictions



Marketing: Marlboro Snus

Sold next to cigarettes

- ▶ “No Smoke, No Spit, No Hassle”
- ▶ Display case on cigarette racks
- ▶ Coupon offers / free samples with cigarette packs



Marlboro Snus



Marlboro Snus

**NOT CIGS.
NOT DIP.
NEW SNUS.**

Marlboro
SNUS RICH

Available in
RICH · MILD · MINT · SPICE

WARNING
THIS PRODUCT IS NOT A SAFE ALTERNATIVE TO CIGARETTES

The U.S. Surgeon General has determined that smokeless tobacco products are addictive and cause serious diseases. For more information visit pmusa.com or call 1-800-935-9383.

Basic
LIGHTS 100's
Basic
MENTHOL LIGHTS 100's
Basic
MILD KING SOFT
Basic
MILD KING SOFT

\$ 3.

Marlboro Snus



Marketing: Taboka

Sold next to cigarettes

- ▶ “Instead of a smoke, tuck a Taboka”
- ▶ “New way to *try* tobacco”
- ▶ Display case on cigarette racks
- ▶ Coupon offers / free samples with cigarette packs



“How to Snus” – Reynolds guide

How to Snus
The ridiculously **easy** instructions

- 1** Place a pouch between your upper lip and gum.
(Don't suck, chew or swallow it.)
- 2** Wait 5 minutes for the full pleasure of Snus.
- 3** Each pouch lasts up to 30 minutes.

Look for the **Snus refrigerator** at stores.
The low temp keeps it fresh and tasty just like it is in Sweden. You don't need a refrigerator if other you buy it.

Snus comes in 3 tasty varieties.

ALTERNATIVE TO CIGARETTES

ALL ABOUT SNUS MEET INGA ALL ABOUT SWEDEN FIND SNUS NEAR YOU TALK SNUS



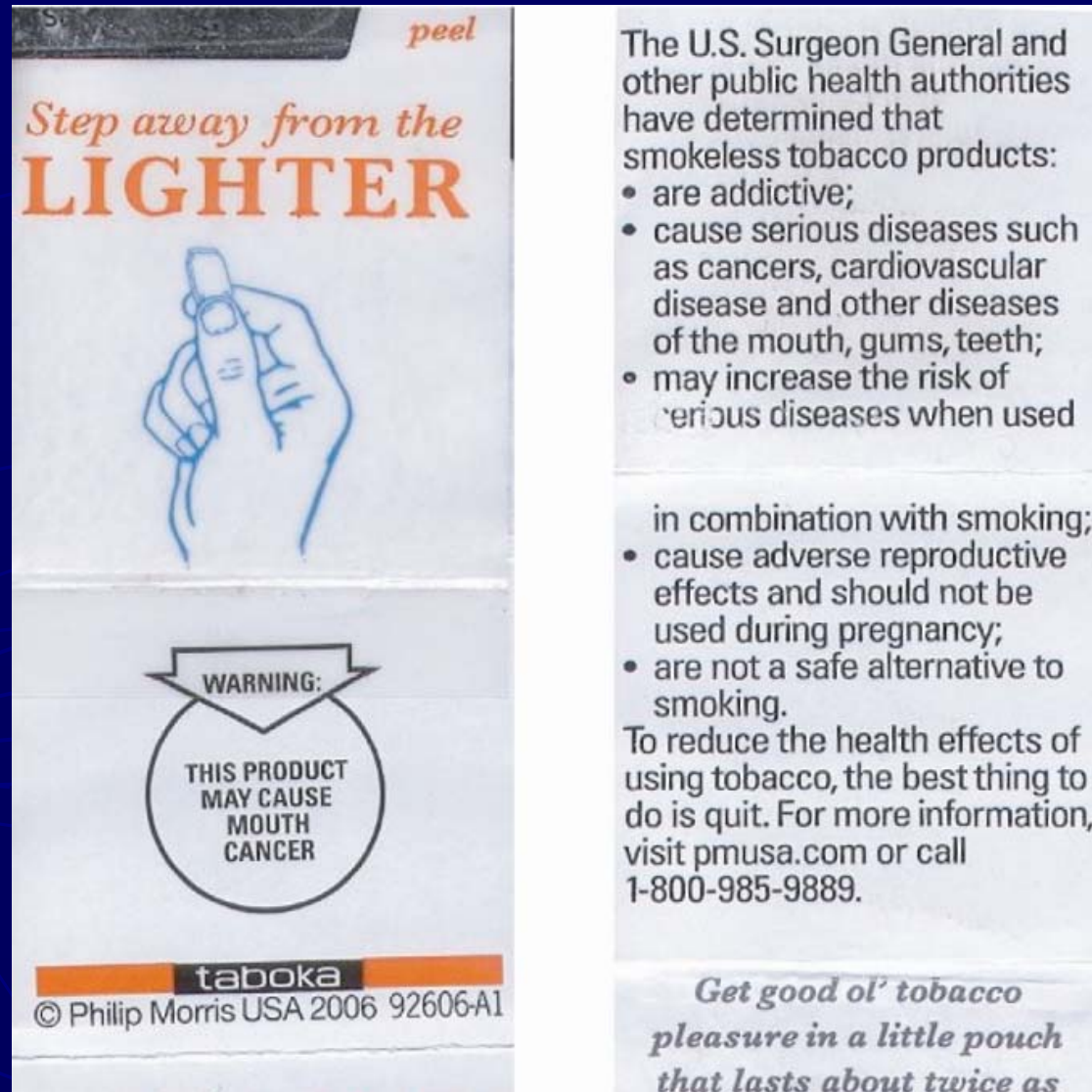
Inga's
introduction
to Snus

A different way to enjoy tobacco. Pleasure for wherever!

This is the official website for Camel Snus.
R.J. Reynolds Tobacco Company only markets its tobacco products to legal age tobacco consumers. In order to be eligible to receive mailings from us, you must certify that you are a legal age tobacco consumer and want information and promotions concerning our products. We will also verify that you are of legal age to use tobacco products.


Transferring data from www.snuscamel.com...

Taboka Insert – PM-USA



peel

Step away from the
LIGHTER



WARNING:

THIS PRODUCT
MAY CAUSE
MOUTH
CANCER

taboka

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The U.S. Surgeon General and other public health authorities have determined that smokeless tobacco products:

- are addictive;
- cause serious diseases such as cancers, cardiovascular disease and other diseases of the mouth, gums, teeth;
- may increase the risk of serious diseases when used

in combination with smoking;

- cause adverse reproductive effects and should not be used during pregnancy;
- are not a safe alternative to smoking.

To reduce the health effects of using tobacco, the best thing to do is quit. For more information, visit pmusa.com or call 1-800-985-9889.

*Get good ol' tobacco
pleasure in a little pouch
that lasts about twice as*

Marlboro Snus Advertising



PEEL
**NO SMOKE.
★ NO SPIT. ★
NO HASSLE.**

New
MARLBORO SNUS:

A SMOKELESS TOBACCO
SMOKERS LIKE. WITH A
UNIQUE FLAVOR STRIP
AND DRIED TOBACCO,
THESE TINY POUCHES ARE
FLAVORFUL, SPIT-FREE & NEAT.
SO THEY CAN GO ALMOST
ANYWHERE, ANYTIME.

**IT'S NOT CIGS.
IT'S NOT DIP.
IT'S NEW SNUS.**

A FUNNY LITTLE NAME
FOR A SERIOUSLY BIG IDEA.
Available in

★ *Visit* ★
SNUSMARLBORO.COM
TO BECOME ELIGIBLE
**FOR COUPONS
& SPECIAL OFFERS***
OR CALL 1-800-MARLBORO.

* LIMITED TO TOBACCO
CONSUMERS 21 YEARS
OF AGE OR OLDER.

The U.S. Surgeon General
has determined that
smokeless tobacco
products are addictive and
cause serious diseases.

For more information
visit pmusa.com

Motivations- Officially

- ▶ **Profit in a growing market-**

“We are excited about the growth prospects Conwood brings to Reynolds American. Conwood’s strong, well-positioned brands are gaining share in the growing moist snuff market, and its high margins will enhance our ability to continue to provide an excellent return to our shareholders.” –Susan Ivey, RAI CEO

- ▶ **Desire to switch smokers to a safer alternative-**

“We hope those adult smokers who are interested in smokeless tobacco alternatives to smoking will switch to Taboka.” –John Nelson, President of Operations and Technology, PM USA

Motivations - Really

Hedging bets:

- ▶ Many market changes are small acquisitions or trials
- ▶ Possible preparation for a change in the EU snus laws, or FDA regulation in the US

Motivations - Really

Keeping smokers as customers:

- ▶ Response to widespread clean indoor air laws:
 - ▶ Allow tobacco use indoors
 - ▶ Encourage or enhance nicotine addiction
- ▶ SLT intended as ancillary products to cigarettes

Motivations

Public Image

- PR benefit in marketing lower-risk products
- Lowering of legal exposure
- Associating a popular cigarette brand with a low-risk product could boost the image of the cigarette brand

Summary

- ▶ Nearly all major cigarette companies have made recent moves in to the SLT market, some by acquisitions, some by introducing new products
- ▶ Industry interest in snus as a spit-free SLT alternative to smoking
- ▶ Companies willing to associate valuable brands with the new products

Concerns

- ▶ Brings harm reduction debate into spotlight
- ▶ Implications for use include:
 - Retaining smokers smoking who would otherwise quit
 - Enticing youth to use smokeless products under the radar
 - Recruiting new or ex-smokers

Remember:
If you snus, you lose!

