

Cigarette brand variant portfolio strategy and the use of colour in a darkening market

Steven J Greenland

Faculty of Business and Enterprise, Swinburne University of Technology, Hawthorn, Victoria, Australia

Correspondence to
Dr Steven J Greenland, Faculty of Business and Enterprise, Swinburne University of Technology, PO Box 218, Hawthorn, VIC 3122, Australia; sgreenland@swin.edu.au

Received 14 March 2013
Accepted 3 August 2013
Published Online First 29 August 2013

ABSTRACT

Objectives To evaluate cigarette branding strategies used to segment a market with some of the toughest tobacco controls. To document brand variant and packaging portfolios and assess the role played by colour before plain packaging, as well as consider the threat that recently implemented legislation poses for tobacco manufacturers.

Data sources Brand variant and packaging details were extracted from manufacturer ingredient reports, as well as a retail audit of Australian supermarkets. Details were also collected for other product categories to provide perspective on cigarette portfolios.

Methods Secondary and primary data sources were analysed to evaluate variant and packaging portfolio strategy.

Results In Australia, 12 leading cigarette brands supported 120 brand variants. Of these 61 had names with a specific colour and a further 26 had names with colour connotation. There were 338 corresponding packaging configurations, with most variants available in the primary cigarette distribution channel in four pack size options.

Conclusions Tobacco companies microsegment Australian consumers with highly differentiated product offerings and a family branding strategy that helps ameliorate the effects of marketing restrictions. To date, tobacco controls have had little negative impact upon variant and packaging portfolios, which have continued to expand. Colour has become a key visual signifier differentiating one variant from the next, and colour names are used to extend brand lines. However, the role of colour, as a heuristic to simplify consumer decision-making processes, becomes largely redundant with plain packaging. Plain packaging's impact upon manufacturers' branding strategies is therefore likely to be significant.

With growing choice in a highly competitive market, the brand plays a progressively more influential role in consumer decision making. Accordingly, tobacco companies have invested heavily developing substantial brand portfolios. British American Tobacco (BAT), for example, has a global portfolio exceeding 200 brands based on distinct strategic market segments.¹ These brands support numerous subbrands, known in the industry as variants, and globally the number of distinct variants runs into the thousands. Huge dollar values are associated with the popular brands; in 2012, the Marlboro brand alone was valued at US\$73.6 billion.² Effective brand management and protecting these assets are critical to the tobacco industry. Controls, with the potential to damage

brand equity, therefore pose serious risks for manufacturers.

This article analyses cigarette brand and packaging portfolios that segment the Australian market. The portfolio strategy rationale is examined, and the potential role played by packaging, and in particular colour, is highlighted. Risks posed by Australia's recent plain packaging legislation for the tobacco industry are discussed and related to the wider global context.

The data presented describe Australia's cigarette market at the end of July 2012, the month before the High Court of Australia rejected the tobacco industry's legal challenge against proposed plain packaging laws.³ The study therefore provides a benchmark by which the future impact of plain packaging upon brand portfolios can be assessed.

AUSTRALIAN TOBACCO CONTEXT

Asia-Pacific trends

With smoking prevalence declining in mature, high-value markets, tobacco companies are focusing on developing countries with lenient tobacco legislation, as well as rapidly rising populations with increasing spending power. The Asia-Pacific (APAC) region comprises predominantly developing countries and plays a pivotal role in the industry's expansion plans. As illustration, BAT recorded a 24% increase in APAC profits from 2008 to 2009⁴ and refers to Indonesia, the world's fourth most populous country, as a 'growth engine market'.⁵

Australia is one of the few APAC countries where smoking has declined. While Australia's contribution to total APAC tobacco sales is small, its location and interdependence with other economies mean it plays an important role in the region, with the potential to influence the policies of other governments.

Control and regulation

Across the region, a broad spectrum of tobacco controls exists. At the extremes are countries like Indonesia, with little effective regulation, and Australia, which is viewed by the tobacco industry as one of the 'darkest' markets,⁶ where marketing is severely restricted. The implementation of the Tobacco Plain Packaging Act in December 2012, outlawing the use of colours, company logos and brand images, other than the brand name in a standard font, saw the situation in Australia become darker still.

Brand share and distribution

Three tobacco companies account for 99% of Australia's cigarette sales: British American Tobacco Australia Limited (BATA)—47%, Philip Morris



► <http://dx.doi.org/10.1136/tobaccocontrol-2014-051884>



CrossMark

To cite: Greenland SJ. *Tob Control* 2015;**24**:e65–e71.

Limited (PM)—36% and Imperial Tobacco Australia Limited (ITA)—16%.⁷ These companies own the 12 leading brands that contribute 89.5% of cigarette sales volumes. All 12 have market shares greater than 0.05% (see table 1).

Supermarkets provide the main distribution channel, making up 54% of cigarette sales (see table 1). Coles and Woolworths account for 57.9% of grocery retail value sales⁸ and are Australia's largest cigarette retailers.

METHODS

Establishing variant portfolios as reported by tobacco companies

Since the Voluntary Agreement for the Disclosure of the Ingredients of Cigarettes, December 2000, the three leading tobacco companies have disclosed ingredient data to the Australian Government Department of Health and Ageing in May each year. These data provide details of each variant 'manufactured by the Manufacturer or a related company and sold by the Manufacturer in Australia during that reporting period' (ref. 9, p. 6). Manufacturer ingredient reports^{10–12} were analysed to establish cigarette brands and variants sold by the three leading tobacco companies between 1 March 2011 and 1 March 2012.

Ingredient reports became available only relatively recently. Previously, some researchers¹³ relied upon *The Australian Retail Tobacconist's* recommended retail price lists to evaluate brand and packaging options. However, examination of this resource revealed incomplete variant details.

Tobacco company websites also provide ingredient data for products sold in different countries. However, these may not show all brands or be up to date. Furthermore, such details were not available for BATA at the time of the study.

Assessing variant and stock-keeping unit availability in the main distribution channel

A retail audit was conducted between 25 July 2012 and 30 July 2012 for Coles' and Woolworths' shopping websites. The retail

audit is an observational technique used extensively in commercial market research. Nielsen, for example, routinely audits tobacco stock-keeping units (SKUs).¹⁴ The SKU relates to an item that is unique in terms of product, brand, variant or packaging—such as distinct variant packaging options of 20, 22 or 40 sticks. Retail audits assist manufacturers by monitoring the performance, price and availability of different brands across the various retail channels.

Auditing two leading grocery retailers is a methodology used by other researchers investigating fast-moving consumer goods' brand strategies,¹⁵ and is particularly appropriate given the Coles–Woolworths duopoly. The audit involved manual counting and recording of the different variants and SKUs offered on the retailers' shopping websites. All cigarette brands were audited, and not just those from the top three manufacturers.

The audit provided an indicator of the variants and SKUs available in the main cigarette distribution channel, and facilitated validation of the industry self-reported variants, listed in the ingredient data, as well as identification of any new variants introduced since the March 2011–March 2012 manufacturer reports were compiled. To provide perspective on the cigarette portfolios, SKU counts were also collected for other product categories.

RESULTS

Brands and numbers of variants

Table 2 presents numbers of cigarette brands and variants for Australia's three main tobacco companies identified in the manufacturer ingredient reports and in the retail audit. While not presented in table 2, the audit also captured an additional six brands and 17 variants for three other tobacco companies—Richland Express Pty Ltd, Von Eiken and R J Reynolds Tobacco Company.

Ingredient report data in table 2 show that, overall, brands of the big three tobacco companies each supported an average of 6.1 variants. BATA brands supported an average of 6.0 variants, PM brands an average of 7.1 variants and ITA brands an average of 5.1 variants.

Comparison with the supermarket data shows that most but not all of the main brands and variants reported by the top three manufacturers were available from Coles and Woolworths. For these retailers, the main brands of the big three tobacco companies overall supported an average of 5.3 variants each.

The July 2012 retail audit revealed that since 1 March 2012, the end of the ingredient reporting period, BATA launched the Just Smokes brand. This brand was cheaper than the mainstream brands and competed with other low-cost entrants to the market. While Superkings was reported in the previous year's ingredient report and was identified in the retail audit, it was not listed as a distinct brand in ITA's March 2011–March 2012 ingredient report. ITA indicated to the Department of Health and Ageing that the Superkings had been discontinued.

For John Player Special (JPS) and Holiday, the retail audit identified greater numbers of variants compared with those listed in the ingredient reports. For example, the audit identified 12 JPS variants compared with 11 listed in the ITA ingredient report.

Variant portfolios of the 12 leading brands

Table 4 presents the variant portfolios of the leading brands identified in the manufacturer ingredient reports compared with those from the retail audit. For the 12 main brands, the manufacturers listed 115 variants, which equated to an average of 9.6 variants per brand. The audit provided an indicator of brands

Table 1 Australian 2011 cigarette retail sales volumes by brand and distribution channel

Brand sales	Per cent	Distribution channel sales	Per cent
Winfield (BATA)	23.6	Supermarkets	54.1
Longbeach (PM)	16.9	Tobacco specialists	17.4
Peter Jackson (PM)	12.5	Convenience stores	16.8
Horizon (ITA)	11.7	Independent small grocers	6.2
Benson & Hedges (BATA)	10.0	Forecourt retailers	1.4
Holiday (BATA)	4.3	Newsagent-tobacconists/kiosks	1.3
Marlboro (PM)	3.8	Food/drink specialists	0.9
Dunhill (BATA)	3.7	Other	1.9
Peter Stuyvesant (ITA)	1.1		
Pall Mall (BATA)	0.8		
Choice (PM)	0.6		
John Player Special JPS (ITA)	0.6		
Other brands	10.5		

Source: Euromonitor International. *Country Report: Cigarettes in Australia*. August 2012. <http://www.euromonitor.com/tobacco> (accessed 1 Mar 2013).⁷ Table 15: Cigarette brand shares, 2011 (p. 12) and table 16: Sales of cigarettes by distribution format, 2011 (p. 13).
BATA, British American Tobacco Australia Limited; JPS, John Player Special; PM, Philip Morris Limited; ITA, Imperial Tobacco Australia Limited.

Table 2 Cigarette brands and numbers of variants listed in manufacturer ingredient reports (March 2011–March 2012) and on Coles' and Woolworths' shopping websites (July 2012)

Company	Manufacturer ingredient report			Coles and/or Woolworths		
	Brand (# of variants)	Brand total	Variant total	Brand (# of variants)	Brand total	Variant total
BATA	Benson & Hedges (6) Cambridge (2) Craven A (2) Dunhill (10) Holiday (9) Kent (6) Kool (1) Pall Mall (12) Rothmans (1) Stradbroke (8) Vogue (2) Wills (2) Winfield (17)	13	78	Benson & Hedges (6) Dunhill (9) Holiday (10) <i>Just Smokes</i> (3) Kent (2) Kool (1) Pall Mall (9) Rothmans (1) Stradbroke (2) Vogue (1) Wills (2) Winfield (10)	12	56
PM	Alpine (8) Bond Street (6) Choice (5) GT (3) L&M (1) Longbeach (11) Marlboro (10) Peter Jackson (13)	8	57	Alpine (8) Bond Street (3) Choice (4) Longbeach (8) Marlboro (6) Peter Jackson (9)	6	38
ITA	Brandon (5) Classic (1) Davidoff (5) Escort (7) Horizon (8) JPS (11) Peter Stuyvesant (3) Red Fortune (1)	8	41	Brandon (5) Horizon (8) JPS (12) Peter Stuyvesant (3) Red Fortune (1) <i>Superkings</i> (3)	6	32
Total	—	29	176	—	24	126

Italics indicates brands not reported in the 2011–2012 ingredient reports.

Source: Manufacturer ingredient reports for brand variants sold in Australia 1 March 2011–1 March 2012.^{10–12} Coles and Woolworths retail audit 25–30 July 2012.

BATA, British American Tobacco Australia Limited; JPS, John Player Special; PM, Philip Morris Limited; ITA, Imperial Tobacco Australia Limited.

available in the main cigarette distribution channel and showed that while not all variants were present, an extensive range was nonetheless available. Overall, Coles and Woolworths stocked a total of 94 variants and in most cases they used the same names as those listed by the manufacturers.

Ingredient report data indicated an average of 10.8 variants per leading BATA brand, 9.75 variants for leading PM brands and 7.3 variants for leading ITA brands. Corresponding retail audit data showed an average of 8.8 variants for BATA brands, 6.8 variants for PM brands and 7.7 variants for ITA brands.

Between the end of the ingredient reporting period, 1 March 2012, and the July retail audit, BATA and ITA launched new variants under their main brands (table 3).

Overall, including these five new variants, the study identified a total of 120 variants for the 12 leading brands.

Brand variant names and the use of colour

In table 4, colours in the brand variant names are presented in bold text. Of the 12 leading brands, nine had variant ranges

that used specific colour names. Variants for Horizon, Pall Mall and JPS relied almost exclusively upon colour names.

Overall, out of the 120 variants identified for the 12 leading brands, 61 had names using specific colours (56 out of 115 variants from the ingredient reports and 48 out of 94 from the retailer websites). Another 15 variants had names with colour connotations, such as Sky, Night, Dawn, Sun, Storm, Sea, Clear, Krystal, Ice, Frost, Cool, Chill and Warm. Menthol, commonly associated with green, appears in a further 10% of variant names (11 out of 115 variants from the ingredient reports and 11 out of 94 from the retailer websites). Colour was therefore the most widely used name theme with over 70% of variant names having colour connotation.

Of the leading 12 brands, only three—Benson & Hedges, Choice and Peter Stuyvesant—did not include any colour name variants. These brands had significantly fewer variants compared with those using colour names. Non-colour name themes related to quality (Premier, Optimum, Select, Supreme, Ultimate, Fine, Infinite, Top), sophistication (Refined, Finesse, Distinct), modernity (Nano, Advance, Hybrid, Classic, Original), size (Superkings, Kings, Slims, Nano) and flavour (Rich, Full, Smooth, Fresh, Subtle).

Packaging portfolios

Table 5 presents SKU and variant details for the 12 leading cigarette brands available via Coles' and Woolworths' shopping websites. Variants of these main brands were offered in a total

Table 3 New brand variants

Manufacturer	New brand variants
BATA	Dunhill Switch Black Holiday Slims Silver
ITA	JPS Nano—Blue, Gold and Red

Table 4 Variants for the 12 leading Australian cigarette brands listed in manufacturer ingredient reports (March 2011—March 2012) and on Coles' and Woolworths' shopping websites (July 2012)

Company	Brand	Manufacturer ingredient report variants		Coles and Woolworths variants*				
		Names	Number	Names	Number			
BATA	Winfield	Blue	Optimum Crush Night	17	Blue	Optimum Sky	10	
		Cool Menthol	Optimum Crush Sky		Gold	Red		
		Easy Flow Silver	Optimum Night		Grey	Silver		
		Easy Flow Sky Blue	Optimum Sky		Menthol	Sky Blue		
		Easy Flow Ultimate	Red		Optimum Night	Ultimate		
		Gold	Silver					
		Menthol	Sky Blue					
		Optimum Charged	Ultimate					
		Optimum Clear						
		Benson & Hedges	Classic	Classic	Smooth	6	Classic	Smooth
Fine	Subtle				Fine	Subtle		
Rich	Ultimate				Rich	Ultimate		
Holiday	Bright Blue	Cool Blast	Rich Red	9	Bright Blue /Kings Blue	Kings Gold	10	
		Cool Chill	Sea Green		Cool (Menthol) Blast	Kings Green		
		Cool Frost	Sun Gold		Cool (Menthol) Chill (W)	Kings Purple		
		Cool Frost	Warm Purple		Cool Frost (C)	Kings Red		
		Dawn Grey			Kings Grey	<i>Slims Silver (C)</i>		
Dunhill	Blonde	Chilled	Fine Cut White	10	Chilled (W)	Infinite	9	
		Distinct	Frosted		Distinct	Premier		
		Fine Cut Burgundy	Infinite		Fine Cut Navy (W)	Refined		
		Fine Cut Navy	Premier		Fine Cut White (W)	<i>Switch Black (C)</i>		
			Refined		Frosted (W)			
Pall Mall	Amber	Slims Amber	Slims Amber	12	Amber	Slims Blue	9	
		Blue	Slims Blue		Blue	Slims Green		
		Green	Slims Green		Green	Slims Purple		
		Krystal Blast	Slims Purple		Red	Slims Silver (C)		
		Krystal Storm	Slims Red		Slims Amber			
		Red	Slims Silver					
PM	Longbeach	Deep Blue	Menthol	11	Filter	Menthol	8	
		Filter	Original Flavour		Fine	Original		
		Fine Flavour	Rich Flavour		Finesse (W)	Rich		
		Fine Silver	Select		Fresh Menthol	Select		
		Finesse	Smooth Flavour					
	Fresh Menthol							
	Peter Jackson	Blue	Original	Original	13	Fine	Smooth Blue (W)	9
			Rich	Rich		Finesse (W)	Supreme	
			Finesse	Select Blend Full Flavour		Hybrid (W)	Virginia	
			Gold	Silver		Menthol		
Hybrid Rich Dual Flavour			Smooth Blue		Original			
Menthol	Supreme		Rich					
Marlboro	Blue pack	Ice Chill	Ice Chill	10	Gold	Menthol	6	
		Fresh Chill	Menthol		Gold Advance (W)	Red		
		Gold Advance	Red pack		Ice Blast (W)	Silver (W)		
		Gold Original	Silver pack					
		Ice Blast	Silver Fine Scent					
Choice	Fine Flavour	Rich Flavour	Rich Flavour	5	Fine Flavour	Rich Flavour	4	
		Full Flavour	Menthol		Full Flavour			
		Original Flavour			Original Flavour			
ITA	Horizon	Blue	Purple	8	Blue	Purple	8	
		Menthol Blue	Red		Menthol Blue	Red		
		Menthol Yellow	White		Menthol Yellow	White		
		Orange	Yellow		Orange	Yellow		
Peter Stuyvesant	Classic	Fine	Fine	3	Classic	Fine (W)	3	
		Filter			Filter			
JPS	Blue	Superkings Gold	Superkings Gold	11	Blue	Red	12	
		Superkings Menthol	Superkings Menthol		Gold	Silver		
		Superkings Silver	Superkings Silver		Menthol (W)	Superkings Blue		
		Superkings Red	Superkings Red		<i>Nano Blue (C)</i>	Superkings Menthol (W)		
		Superkings Sky Blue	Superkings Sky Blue		<i>Nano Gold (C)</i>	Superkings Red (W)		
					<i>Nano Red (C)</i>	Superkings Sky Blue		
Total				115			94	

*(C) or (W) indicates sold by this retailer only. **Bold** indicates colour in the variant name.

Italics indicates retailer variants not listed in ingredient reports.

Source: Manufacturer ingredient reports for brand variants sold in Australia 1 March 2011–1 March 2012.^{10–12} Coles and Woolworths retail audit 25–30 July 2012.

BATA, British American Tobacco Australia Limited; JPS, John Player Special; PM, Philip Morris Limited; ITA, Imperial Tobacco Australia Limited.

Table 5 Number of SKUs or pack options available in July 2012 from Coles' and Woolworths' shopping websites for the 12 leading Australian cigarette brands

Company	Brand	Total variants	Total SKUs	Mean SKUs per variant	SKU range	SKU options	Coles variants	Coles SKUs	Woolworths variants	Woolworths SKUs
BATA	Winfield	10	41	4.1	20pk 25pk 2×25 10×20 8×25	5	10	41	10	38
	Benson & Hedges	6	26	4.3	20pk 25pk 2×25 10×20 8×25	5	6	26	6	19
	Holiday	10	40	4	22pk 30pk 40pk 50pk 8×22 6×30 5×40 4×50	8	9	31	8	37
	Dunhill	9	24	2.7	20pk 25pk 2×25 10×20 8×25	5	5	16	8	22
	Pall Mall	9	39	4.3	20pk 25pk 30pk 40pk 6×20 6×30 10×20 8×25	8	9	39	8	20
PM	Longbeach	8	32	4	25pk 30pk 40pk 4×40 6×30 8×25	6	7	22	8	32
	Peter Jackson	9	32	3.6	20pk 25pk 30pk 2X30 5×20 6×30 8×25	6	6	20	9	32
	Marlboro	6	18	3	20pk 25pk 2X25 5×20 10×20 8×25	6	3	8	6	18
	Choice	4	18	4.5	20pk 25pk 40pk 2X25 5×20 10×20 8×25	7	4	16	4	18
ITA	Horizon	8	28	3.5	30pk 40pk 50pk 6×30 4×50	8	8	28	8	25
	Peter Stuyvesant	3	16	5.3	20pk 25pk 50pk 10×20 8×25	5	2	14	3	14
	JPS	12	24	2	20pk 25pk 10×20 8×25	4	9	18	9	16
	Total	94	338	3.6	—	—	78	279	87	291

Source: Coles and Woolworths retail audit 25–30 July 2012.

BATA, British American Tobacco Australia Limited; JPS, John Player Special; SKUs, stock-keeping units; PM, Philip Morris Limited; ITA, Imperial Tobacco Australia Limited.

of 338 unique packaging options, which equated to an average of 3.6 SKUs per variant.

The largest number of SKUs was eight, identified for Holiday, Pall Mall and Horizon, while JPS had only four. The single pack was the most frequently occurring option, coming in sizes of 20, 22, 25, 30, 40 and 50 sticks. The larger 40s and 50s packs were evident for many leading brands, but unavailable for Dunhill, Benson & Hedges, Marlboro, Peter Jackson and Winfield. However, twin pack options were offered for these brands. Cartons or multipacks came in sizes of 50, 60, 100, 120, 160, 176, 180 and 200 sticks. Some variants like Peter Stuyvesant also came in soft and hard pack options.

To provide perspective on the cigarette SKU portfolios, SKU ranges for other product categories sold by Woolworths and Coles were also examined. For this purpose, the total number of SKUs was counted for all cigarette brands and not just the leading 12, and compared against the total number of SKUs in other product categories. Woolworths had a total of 343 distinct SKUs for cigarettes compared with 327 for Coles. Comparison with other product categories revealed that cigarette SKU numbers were similar to some, notably beer, wines and spirits. The Woolworths' website, for example, presented 345 SKUs for beer. Several categories such as frozen foods, canned and packet foods, as well as confectionery contained much larger SKU ranges compared with cigarettes, whereas jams, spreads and soft drinks had far fewer.

Comparison with *The Australian Retail Tobacconist*

Variant numbers in manufacturer ingredient reports were greater than those presented in *The Australian Retail Tobacconist*. As illustration, the May–July 2012 recommended retail price list¹⁶ detailed some of the main brands' product options only in relation to pack size, rather than specifically by

variant. For example, just two options were reported for Marlboro, two for Choice, two for Longbeach and three for Peter Jackson. All these brands supported greater numbers of variants.

In terms of SKUs *The Australian Retail Tobacconist*¹⁶ listed 20s packs for Holiday, Horizon and Longbeach, which were not found on the retailer websites. Therefore, the actual number of SKUs available for the 12 leading brands will be greater than the 338 identified in the retail audit.

DISCUSSION

Australia's brand and packaging portfolios

Before the introduction of plain packaging, 12 leading cigarette brands supported 120 variants; an average of 10 variants per brand. More than 80% of these were available from two super-market retailers that dominated the main cigarette distribution channel. Variants of the 12 leading brands were most commonly offered by these retailers in four or more packaging options. The total number of cigarette SKUs was similar to that of beer, but higher than several other product categories. Given the strict regulation of tobacco marketing, the scale of cigarette brand variant and SKU proliferation compared with other products was particularly significant.

The variant and SKU analyses showed that tobacco controls had not impeded manufacturers' ability to introduce new brands and variants. Comparison of the manufacturer ingredient reports, for variants sold 1 March 2011–1 March 2012, and the 25–30 July 2012 retail audit revealed a new brand—Just Smokes—was introduced, as well as five new variants among the 12 leading brands in the intervening 5 months. This finding supported the observations of others⁶ that extending brand lines has been used as a strategy for overcoming restrictive marketing practices. When new products were introduced, the key initial

challenges would have been building awareness, knowledge and stimulating trial. How tobacco companies achieved these marketing goals in such a highly regulated market warrants further investigation.

Market segmentation strategy and portfolio rationale

Analyses revealed that up to the introduction of plain packaging, tobacco regulation had also had little negative impact upon manufacturers' ability to segment the Australian market. Such extensive variant and SKU portfolios have enabled tobacco companies to tailor their offerings to closely match the desires of many distinct consumer segments. These go well beyond simple, broad, value-based segments and, as illustrated by archives of tobacco industry market research reports, are defined by manufacturers in terms of consumer demographics (age, gender, race, income, social status), location (country, region, city, urban vs rural), psychographics (motivation, values, personality, self-concept) and behaviour (smoker vs non-smoker, brand preference, product preference, price, point of purchase, media consumed).¹⁷ The logic behind this highly targeted microsegmentation approach is simple: 'Differentiated marketing typically creates more total sales than undifferentiated marketing' (ref. 18, p. 244). Sales increase since brand managers champion the brand variants by maximising appeal and marketing effectiveness to each carefully targeted segment.

In Australia, the big three tobacco companies adopted a consistent brand strategy, whereby a collection of strong family brands promoted extensive variant ranges. A sizeable literature exists concerning family or umbrella branding, which is widely used in other product categories. Several reasons, in addition to facilitating differentiation and segmentation, explain why this approach is well suited to cigarettes:

- ▶ Family branding works best when products are sufficiently similar to one another to be placed under one brand name.¹⁹ In blind taste tests, consumers were frequently unable to discriminate between cigarette brands.²⁰ Indeed, ingredient reports revealed no physical differences between some variants.
- ▶ Stretching brand lines enhances effectiveness of other marketing activities²¹ and is a 'below-the-line' technique for overcoming marketing restrictions.⁶
- ▶ Having brand names distinct from the company name means that negative corporate publicity is dissociated from the product. Similarly, if one brand receives bad press, then the company can concentrate on alternative brands.¹⁵
- ▶ A key benefit of family branding relates to new product development:
 - Economies of scale in production and marketing are achieved for new variants.
 - The family brand creates immediate awareness and recognition for new variants and imparts established brand associations.¹⁵ This reduces uncertainty among consumers, who are more likely to try something familiar.²¹
 - Brand extensions limit sales cannibalisation effects, with incremental sales from new variants being greater than any cannibalisation.²²
- ▶ Brand and subbrand names can be used to evoke different types of information processing.²³ When the individual brand component contains suggestive positioning information, the subbrand name improves evaluation. This helps appreciate the dominance of variant colour names. When the use of terms such as 'light' and 'mild' was banned, tobacco companies began using colours to convey product strength: lighter colours, particularly blue, are synonymous with

'light', while darker colours like red denote stronger, 'less healthy' variants.²⁴

Colour—brand communication and pack design

For homogeneous products where physical differences between brands are small, the name and packaging provide the key tangible signifiers that consumers use to distinguish one brand from the next. The role played by the pack in cigarette marketing is even more significant in 'darker' markets where other elements of the marketing mix are restricted. Pack designs use far more than simple text to communicate the product. Design configurations rely upon colours, textures, materials, logos, as well as contrast between these variables to transfer both brand name and personality. In terms of tobacco control, the potential for plain packaging to reduce brand appeal is therefore unique.²⁵

Analyses highlighted the extensive use of colour names in cigarette branding. In Australia, more than half (61) of the 120 variants of the 12 leading brands had names that included specific colours. Many others (26) had names with colour connotations. In cigarette pack design, colour hues correspond with the brand and variant name and, as mentioned previously, brand colour is perceived by consumers to be an indicator of cigarette strength.²⁴ Pack colour therefore provided a simple yet familiar cue for consumers to visually differentiate between the enormous range of cigarette brands and variants on offer. Colour became the primary visual differentiator that consumers used to navigate the myriad product options, especially so for brands with the more extensive variant ranges. In this regard, colour was a key visual heuristic guiding the consumer decision-making process: all five of the new variant brand line extensions introduced between March and July 2012 had colour-based names.

Cigarettes are not unique in their use of colour, and colour names have proliferated in numerous other product categories.²⁶ Labrecque *et al*²⁷ reviewed the use of colour in marketing. They discussed the impact of colour upon consumer perceptions, emotions, cognition and buying behaviour, and how colour has been used in marketing to position and visually differentiate brands. The role of colour is significant in terms of its ability to influence awareness, recall, image perception, product choice and purchase intent.²⁸ Miller and Kahn²⁶ found that the colour name characteristics affected cognitive processing and its impact. When a consumer was exposed to a colour prior to exposure to the name, and where the name was an unexpected descriptive, then the associated level of satisfaction attributed to the brand increased. This may explain the appearance of unexpected descriptive cigarette variant colour names such as Holiday Sea Green and Marlboro Silver Fine Scent.

Plain packaging and the removal of colour, which had served as a key visual heuristic, will alter the way that consumers process decision-making information. Plain packaging is therefore likely to impact upon future cigarette brand variant portfolio strategy. However, given the inherent complexities associated with understanding colour psychology 'scarce marketing research addresses this topic' (ref. 27, p. 187). More investigation into the effects of colour on cigarette buying behaviour is therefore warranted.

A weakness of previous research supporting plain packaging has been its inability to provide anything other than experimental evidence, since packaging had yet to be implemented in any country.²⁵ This research, conducted immediately prior to the introduction of plain packaging in Australia, can serve as a useful benchmark for gauging its subsequent impact on cigarette brand strategies. Such effects might be anticipated in terms of the variant and SKU portfolios, as well as changes in the

incidence and nature of colour names. Any detrimental impact observed may then champion the cause for removing branding elements such as colour from cigarette packaging in other markets, including APAC countries that drive global tobacco industry growth. Such post-implementation research on plain packaging may therefore present a serious threat to big tobacco's global brand portfolios.

This research illustrates the value of ingredient reports for studying tobacco branding strategy. Policies similar to Australia's Voluntary Agreement for the Disclosure of the Ingredients of Cigarettes⁹ should therefore be encouraged in other markets. Future research must, however, remain wary of the challenges associated with using the various sources of cigarette brand portfolio information, which can result in underestimating both brand and variant numbers. Supplementing industry, self-reported data sources with up-to-date retail audit data seems an appropriate approach.

What this paper adds

- ▶ Cigarette brand ranges and the role of colour names have been examined by previous researchers. However, most have focused on one or other of these dimensions, which limits brand portfolio strategy assessment.
- ▶ This research investigates the full extent of brand variant ranges, packaging options and variant names in Australia.
- ▶ The study shows that up to the introduction of plain packaging, tobacco regulation had not impeded the industry's ability to segment the market and target consumers with highly differentiated product offerings that help to maximise sales.
- ▶ The article highlights the dominance of colour variant names in cigarette branding and its importance in consumer decision making. The impact of removing colours from packaging is therefore likely to be significant.
- ▶ This research reveals the value of using tobacco ingredient reports in conjunction with retail audits for investigating tobacco brand portfolios and provides a benchmark by which the impact of plain packaging on branding can be assessed.

Competing interests None.

Provenance and peer review Not commissioned; externally peer reviewed.

REFERENCES

- 1 British American Tobacco. *Tobacco and Products—Our Brands*. http://www.bat.com/group/sites/uk__3mnfen.nsf/vwPagesWebLive/DO52ADK2 (accessed 1 Mar 2013).
- 2 Roberts J. The top 100 most valuable global brands: young brands sparkle as the strong grow stronger. *Mark Week* 2012;35:16–22.
- 3 Australian Government. *World leading plain packaging laws given a clean bill of health*. Media release, 15 August 2012. <http://www.health.gov.au/internet/ministers/publishing.nsf/Content/mr-yr12-tp-tp070.htm> (accessed 1 Mar 2013).
- 4 British American Tobacco. *British American Tobacco Investor Update*. 22 June 2010. [http://www.bat.com/group/sites/uk__78ff37.nsf/vwPagesWebLive/DO78FFSC/\\$FILE/medMD86NDCC.pdf?openelement](http://www.bat.com/group/sites/uk__78ff37.nsf/vwPagesWebLive/DO78FFSC/$FILE/medMD86NDCC.pdf?openelement) (accessed 25 Feb 2013).
- 5 Fell D. *British American Tobacco Presentation Report: Managing the Challenges in Asia Pacific*. 2010. [http://www.bat.com/group/sites/UK__8GLKJF.nsf/vwPagesWebLive/DFD562D28D6F1518C12578880058DFD6/\\$FILE/18_David%20Fell%20-%20Managing%20the%20Challenges%20in%20Asia%20Pacific.pdf?openelement](http://www.bat.com/group/sites/UK__8GLKJF.nsf/vwPagesWebLive/DFD562D28D6F1518C12578880058DFD6/$FILE/18_David%20Fell%20-%20Managing%20the%20Challenges%20in%20Asia%20Pacific.pdf?openelement) (accessed 25 Feb 2013).
- 6 Scollo MM, Winstanley MH. *Tobacco in Australia: Facts and issues*. 4th edn. Melbourne: Cancer Council Victoria, 2012. <http://www.TobaccoInAustralia.org.au> (accessed 1 Mar 2013).
- 7 Euromonitor International. *Country Report: Cigarettes in Australia*. August 2012. <http://www.euromonitor.com/tobacco> (accessed 1 Mar 2013).
- 8 Euromonitor International. *Country Report: Grocery Retailers in Australia*. March 2012. <http://www.euromonitor.com/tobacco> (accessed 1 Mar 2013).
- 9 Australian Government. *Voluntary Agreement for the Disclosure of the Ingredients of Cigarettes*. December 2000. [http://www.health.gov.au/internet/main/publishing.nsf/Content/417E95914EBD1E5DCA25774D000FF086/\\$File/agreement.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/417E95914EBD1E5DCA25774D000FF086/$File/agreement.pdf) (accessed 1 Mar 2013).
- 10 British American Tobacco Australia Limited. *Australia Ingredients Report, 1 March 2011–1 March 2012*. [http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/\\$File/pmorris12.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/$File/pmorris12.pdf) (accessed 30 May 2013).
- 11 Philip Morris Limited. *Australia Ingredients Report, by Brand Variant Ingredients List, For Reporting Period (March 1, 2011 to March 1, 2012)*. [http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/\\$File/pmorris12.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/$File/pmorris12.pdf) (accessed 30 May 2013).
- 12 Imperial Tobacco Australia Limited. *Australia Ingredients Report, By Brand Variant Ingredients List, For Reporting Period 2nd March 2011 to 1st March 2012*. [http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/\\$File/Imperial12.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/643F3FB35E9EFBE7CA256F190004A474/$File/Imperial12.pdf) (accessed 30 May 2013).
- 13 Scollo M, Younie S, Wakefield M, et al. Impact of tobacco tax reforms on tobacco prices and tobacco use in Australia. *Tob Control* 2003;12:59–66.
- 14 Loomis B, Busey A, Mann N. *Trends in Cigarette Prices, Promotions, and Sales in Florida: Retail Scanner Data*. Report prepared for Florida Department of Health, 2009. http://doh.state.fl.us/tobacco/PDF_Files/Trends_CigarettePrices_Promotions_SalesFL_RetailScannerData.pdf (accessed 1 Mar 2013).
- 15 Laforet S, Saunders J. Managing brand portfolios: how strategies have changed. *J Advertising Res* 2005;45:314–27.
- 16 NSW Retail Tobacco Traders' Association. Cigarette prices. *Aust Retail Tobacconist* 2012;85:1–2.
- 17 Greenland SJ. Plainly powerful packaging—marketing objectives of cigarette pack design. *Proceedings of the 2011 Australia and New Zealand Marketing Academy (ANZMAC) Conference*. Perth, Australia. <http://anzmac.org/conference/2011/Papers%20by%20Presenting%20Author/Greenland,%20Steven%20Paper%20603.pdf> (accessed 1 Mar 2013).
- 18 Kotler P, Keller KL, Burton S. *Marketing management*. Sydney: Pearson Australia, 2009.
- 19 Hakenes H, Peitz M. Umbrella branding and the provision of quality. *Int J Ind Organ* 2008;26:546–56.
- 20 Freeman B, Chapman S, Rimmer M. The case for the plain packaging of tobacco products. *Addiction* 2008;103:580–90.
- 21 Erdem T. An empirical analysis of umbrella branding. *J Mark Res* 1998;35:339–51.
- 22 Reddy SK, Holak SL, Bhat S. To extend or not to extend: success determinants of line extensions. *J Mark Res* 1994;31:243–62.
- 23 Sood S, Keller K. The effects of brand name structure on brand extension evaluations and parent brand dilution. *J Mark Res* 2012;49:373–82.
- 24 Bansal-Travers M, Hammond D, Smith P, et al. The impact of cigarette pack design, descriptors, and warning labels on risk perception in the U.S. *Am J Prev Med* 2011;40:674–82.
- 25 Wakefield M, Germain D, Durkin S, et al. Do larger pictorial health warnings diminish the need for plain packaging of cigarettes? *Addiction* 2012;107:1159–67.
- 26 Miller E, Kahn B. Shades of meaning: the effect of color and flavor names on consumer choice. *J Consum Res* 2005;32:86–92.
- 27 Labrecque L, Patrick VM, Milne G. The marketers' prismatic palette: a review of color research and future directions. *Psychol Mark* 2013;30:187–202.
- 28 Aslam M. Are you selling the right colour? A cross-cultural review of colour as a marketing cue. *J Mark Commun* 2006;12:15–30.