

DNA Money

Godfrey Phillips pitches Marlboro man against ITC

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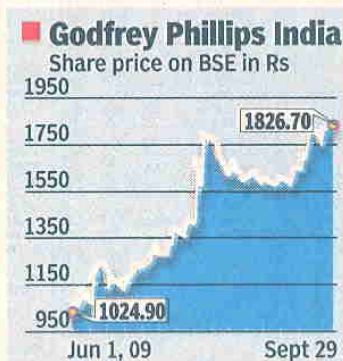
Godfrey Phillips India Ltd will compete head-on with ITC Ltd in the premium cigarette market by positioning Marlboro competitively against State Express 555 and Benson & Hedges, promoter K K Modi said.

Godfrey Phillips is the India franchisee for Philip Morris International Inc's Marlboro, while ITC has the rights for British American Tobacco plc's Benson & Hedges and State Express 555, which are priced at Rs 100 per 20-stick pack.

"We are also targeting ITC's Classic range, which is priced at a little more than Rs 90 (Rs 94 per 20 sticks). The Rs 5 price point is crucial, as there's a war going on in that space,"

Modi said.

Godfrey Phillips is a price taker in the mid- and mass-consumption cigarette market, where it follows ITC's price moves. Modi said the company has deliberately



priced Marlboro cigarettes at Rs 90 per 20 sticks to take on ITC's Benson & Hedges, and State Express 555.

"It's war. We are eyeing ITC's market share in premium cigarettes and we are targeting at least 10-15% market share in premium cigarettes segment for Marlboro. I don't think our partners will be happy with less than that," said Modi.

Godfrey Phillips also has the rights for other Philip Morris cigarette brands, whenever the US company decides to launch them in India. Godfrey Phillips has launched Marlboro in south India and West Bengal so far,

and plans to take the brand national, said Modi, without giving any time frame. The company will spend Rs 100-150 crore on the brand's marketing for the national launch, he said.

While Modi is aware of the brand equity enjoyed by Marlboro, he is also aware that domestic users have to accept the cigarette's 'Made in India' tag.

He said the company was willing to take Marlboro prices to Rs 6 too, if ITC hiked its premium cigarette prices to retain their 'premiumness'.

"They (ITC) set the price in the market. We follow it," Modi said.

Even as it prepares for battle in the premium cigarette space, Godfrey Phillips is finalising its strategy to diversify into other tobacco products such as branded bidis and paan masala.

"We have two priorities—the first is tobacco, and the second is the paan shop—which is where our customers get tobacco. NW18