



# History



---

Rothmans of Pall Mall Canada Limited

**PHOTO CREDITS**

GRAIG ABEL • HOWARD ANDERSON • MICHAEL BURNS • ERIC COLE • TED GRANT • V. TONY HAUSER  
JACK MARSHAL • GILBERT A. MILNE & CO. • ANTHONY MOORE  
NEIL NEWTON • OESTERWINTER • GORDON RICE • FRANK RUBIE • CARLING O'KEEFE BREWERIES OF CANADA LTD.  
NORDIQUES HOCKEY CLUB INC. • SHELL CANADA RESOURCES LTD.

1957  1982

# History



October 2nd, 1957: Fred Gardiner accepts an opening-day carton from Rothmans Patrick O'Neil-Dunne.

Rothmans of Pall Mall Canada Limited



Having personally been associated with the Company for 23 years, I am pleased to write a forward to this historic document. As I look back on those 23 years, they were extremely exciting and challenging years and I assure you, never dull!

All successful corporations in their early years have successes and failures and, in the case of Rothmans, all of this history is recorded elsewhere, so I won't repeat it. But rather, I would like to deal with the present which, after all, is the true reflection of how well we planned in the past.

It is a pleasure to report that 1982 was another good year for our Company. As you are well aware, industry generally in Canada has been going through a prolonged period of economic downturn, which some refer to as a "recession" and others as a "depression." Whichever is correct, even the largest companies in our country have been suffering.

The fact that Rothmans can out-perform the general Canadian industry in such a poor economic climate attests to the solid base on which the Company was built and to the sound planning during the last 25 years.

Our subsidiary, Carling O'Keefe, also had a good year in 1982, reaching their targets in all areas of the corporation with the exception of Star Oil & Gas, the oil and gas subsidiary which has been negatively impacted by the National Energy

Program and subsequent regulations introduced by the Federal and Provincial Governments.

Despite the current progress throughout our companies, your Management and Board of Directors continue to be concerned about the precarious position of the total Canadian economy. All indications point to continued high inflation and reduced (or more selective) consumer spending in Canada throughout 1982. Correct strategies for the future are vital to the long-term health of our companies. Considerable time and effort is being spent by Management to ensure that our products are properly positioned in the marketplace.

Our ability to continue to progress in the face of a difficult economic environment will depend on the dedication, loyalty and enthusiasm of the 5,600 employees of Rothmans and Carling O'Keefe.

A handwritten signature in dark ink, reading "John H. Devlin". The signature is written in a cursive, flowing style.

J.H. Devlin  
*Chairman of the Board*

ROTHMANS OF PALL MALL  
CANADA LIMITED

## The First Quarter Century



### Thinking About Canada

Rothmans first acquaintance with the Canadian market began shortly after the Second World War, some ten years before the Company came to this country. Canada's tobacco was one of the attractions. The parent company in England knew and liked our leaf, notably that grown in southern Ontario. When Rothmans made its move to Canada, this country was supplying about 40% of the requirements of the cigarette plant in England. Ontario's Virginia type tobacco was, and is, considered to be among the best grown anywhere in the world.

In 1955 and 1956 interest in Canada heated up. A procession of technical investigations was undertaken, perhaps the most intense of which was a detailed market survey. Rothmans had gained considerable experience in the years since the war in opening new markets, and by the beginning of 1957 had at hand the talents and the momentum (and certainly the enthusiasm) to try its hand in Canada.

At that time, Rothmans King Size Filter cigarettes had already been launched successfully in South Africa, Australia, New Zealand, Great Britain, and many export markets around the world. Both the length and the filter tip of this new cigarette were still far from common. Rothmans had invented its "king size" in 1951. Now the company was aggressively taking its cigarette to the world.

Rothmans had been started in London in 1890 by a young Russian immigrant, Louis Rothman. It remained a family business through the great tobacco mergers around the turn of the century, and in the following years built up a thriving export business, selling cigarettes in 70 countries around the world.

The long look at Canada had revealed to Rothmans a tightly organized and well entrenched

tobacco industry. Three large manufacturers (Imperial, Macdonald and Rock City) had the market pretty well to themselves. The position of each was solid. Three individual market research documents were resoundingly against Rothmans entry, concluding it would fail. The incumbents were so dominant that they probably spent less promoting their brands than any large cigarette manufacturer in the world. There had been twenty years of tranquility in the Canadian cigarette marketplace before February of 1957.

### Testing The Waters

In that month a Rothmans King Size Filter cigarette was made in England to Canadian specifications (for tobacco type, taste, tightness,

AN ANNOUNCEMENT OF MAJOR IMPORTANCE TO  
**CANADIAN  
TOBACCONISTS**  
*from Rothmans of Pall Mall*  
LONDON, ENGLAND

As you may have heard, we have designed Canada's—and the world's—most modern cigarette factory, to be built in the Toronto area. In the meantime, in order to acquaint your customers with Canada's quality cigarette of the near future, we have arranged with our London factory to supply Rothmans King Size Filter Cigarettes—in the crash-proof Flip Top box.

Imported Rothmans King Size Filter Cigarettes, made of finest quality Canadian tobacco, blended to satisfy Canadian tastes, are priced to be sold at 25¢ for 20, but we reserve the right to limit quantities.

We are happy to be in Canada... and we are sure that you—and your customers—will enjoy the quality and good taste of Rothmans King Size Filter Cigarettes in the Flip Top box!

*Rothmans of Pall Mall*  
Blenders of Fine Cigarettes Through Six Reigns

GREAT BRITAIN • AUSTRALIA • HOLLAND • SOUTH AFRICA • NEW ZEALAND  
and now CANADA



cut and the like), and flown to Canada to test the market here for such a cigarette. It was an instant, almost unnerving success.

Within a month, demand became impossible to meet with imports, even by doubling the frequency of the "airlift." The original plan was to stay within Ontario for the first several months, airlifting cigarettes from England and testing the waters here, to see whether there was sufficient acceptance to justify building a domestic manufacturing facility. This leisurely approach was not allowed by events, and another kind of airlift was on.

Space for a cigarette manufacturing plant was acquired in Toronto, but equipment was a problem. At this period there was one of the most widespread machinery shortages ever prevalent outside of wartime conditions. Rothmans, however, with its recent spate of entries into a number of Commonwealth countries, had developed an almost commando-type approach to such problems.

By paying premium prices, and rebuilding older equipment, the company was able to provide Canada with a stop-gap while entirely new machinery was being designed and built. Five men and four women were flown in from England and other Commonwealth Rothmans plants to form the nucleus of a start-up staff of 45. This task force of volunteer "old hands" served to get initial production under way, and to train Canadians in the skills and knowledge necessary to produce fine quality cigarettes.

### World's Most Modern Plant

The Toronto plant which put Rothmans into permanent production in Canada was officially opened on the 2nd of October, 1957. A newly-erected building had been leased, and there

were some 300 employees in what was then the most modern cigarette factory in the world.

Even this facility was soon strained by the success of Rothmans King Size Filter cigarettes. Four months after the start of advertising, Canada's first king size filter tip had become the best selling filter cigarette in Ontario, having gained 12% of overall cigarette sales in the province. This startling rise was in the face of stiffening competition from the established manufacturers, who soon recognized that Rothmans challenge had to be taken seriously.

By the time Rothmans King Size Filter cigarettes had become Ontario's best-selling filter cigarette, the other Canadian manufacturers had launched no fewer than 16 competing brands including direct king size competitors for the upstart new brand. These last did not become household names in Canada—Mayfair, Skyways and Gaylord.

Bracing for this kind of offensive, and to supply the skyrocketing demand, the Rothmans plant began round-the-clock shifts. Quickly the brand was opened up in four other provinces, as the fight began in earnest. And still the demand kept growing and growing as Canadians tried this new cigarette, liked it, and accepted it as their own. By the end of 1958 Rothmans King Size Filter cigarettes were available across Canada.

But at the end of 1957 more packing capacity was needed on an emergency basis. There were only three makers in the world of the special machinery required, and these were committed for months ahead. Around-the-world telephone calls brought more commando action. A machine was taken off the English plant's production line, loaded uncrated onto a chartered Super Constellation, flown in 19 hours to Toronto's Malton Airport, lugged to the Rothmans plant and installed. The whole opera-

tion took this massive piece of equipment out of operation in England and had it up and running in Canada in less than 72 hours.

By March of 1958 filter cigarettes had climbed to 40% of the market. At this point there were 11 new filter brands being offered to Canadian smokers, and few loyalties had been established. By now, Rothmans had captured 2.5% of the total Canadian market, and sales continued to climb.

Like all "instant successes," this one was based on good homework, commitment, follow-through, and strong nerves. The product's excellence ensured that it would remain once it

had been given a trial by Canadian smokers. But the fact that this completely new and unknown (except by international travellers) cigarette *did* get tried is the real dimension of Rothmans initial success in this country.

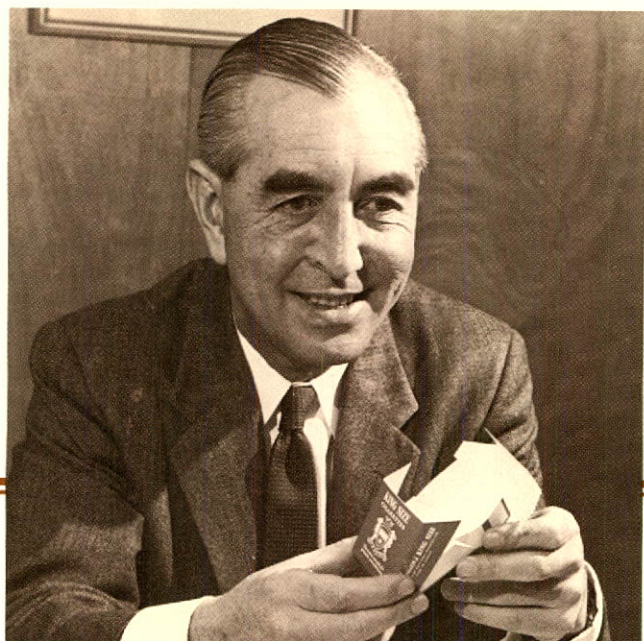
The first problem, once product was available here, was to get distribution. This required that the brand be known by the customer and that a demand exist—nobody will carry your product because he likes your face. The only way Rothmans could break into the smallish, mature, and long-partitioned Canadian market, was through advertising. And advertise they did!



Rothmans first Canadian plant opened here –



– and took the pressure off the "airlift".



Patrick O'Neil-Dunne

## Jolting The Competition

Before Rothmans arrival, Canadian cigarettes received promotional support in the order of 4 to 6 cents per thousand cigarettes sold. In more competitive countries this cost was up around 30¢/thousand. Rothmans came in willing to invest up to 50¢/thousand, about ten times the national level until then. In August of 1957, before the first plant opened, cigarette advertising lineage in the three Toronto daily newspapers was 24,000 lines. In October it was 95,000 lines. By the end of the year Rothmans, which had been advertising only since August, was 1957's largest newspaper advertiser of cigarettes in Canada. As a senior international executive later told an interviewer, "the rate and weight of Rothmans advertising could be best summed up in the fact that right from the start they were based on anticipated sales *at the end of the first three years.*"

This was strong, informative advertising, telling customers that stocks were being flown in, that new equipment was arriving, that grocers and retailers would be supplied with product no matter what it took, that shortages due to huge popularity of the new brand were being met through equally huge efforts by Rothmans people.

The driving force in this start-up period was the Rothmans World Technical Director at that time, a legend in the tobacco world named Patrick O'Neil-Dunne. This vastly knowledgeable and experienced man had opened the market for Rothmans in Australia and the East, and O'Neil-Dunne stamped the fledgling Canadian company with his own gusto and drive. Talking to *Time* magazine in 1958, when that publication did



The Rothmans Gold Leaf Trophy

a story on the phenomenal impact Rothmans had made, "... he beamed that 'We just rocked the guts out of everyone in the Canadian cigarette field.'"

Accompanying the advertising activity during this time was intense sampling of Rothmans King Size Filter cigarettes. Direct mail coupons, women's groups, businessmen's luncheons—wherever smokers could be assisted to try this new cigarette for themselves, Rothmans was there. Jobbers were wooed, and growers, and local transport people, along with retailers, large and small. Rothmans even offered to pay the cost of altering vending machines to accept their 80 millimeter product.

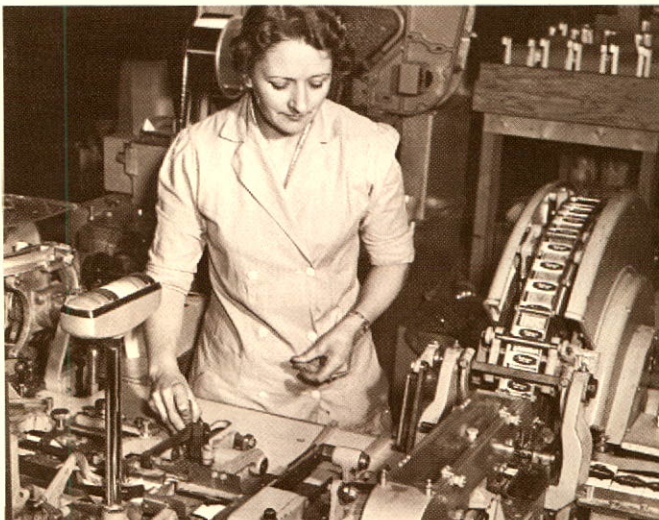
## A New Style In The Business

The Canadian tobacco industry itself felt this new presence strongly. In the first year of operation, Rothmans created a new and prestigious trophy for Ontario tobacco growers to recognize and encourage outstanding quality. And the company, believing that full competition between buyers would benefit both the tobacco farmer and manufacturing industry, lent its weight to the movement for a new method of auctioning the tobacco crop.

Under this new system, warehouses were built where tobacco could be graded and recorded in numbered lots by government inspectors. Purchases would be made by "Dutch clock" auction, of catalogued and anonymous lots of leaf. As a result, today grades of tobacco are scouted and bid for, rather than whole crops. Now quality commands the premium it deserves, as Rothmans helped to ensure.

Quality has been a preoccupation, virtually an obsession, with Rothmans since day one. Quality of tobacco it could control through expert buying, the most modern equipment and techniques, research, and involvement right back to the grower and even seed producer. Packaging quality, from design to materials, has received similar relentless attention. Salesmen were given station wagons rather than delivery vans. Point-of-sale materials, signs, decals, even shipping cartons must be the best. Plants are spotless, gleaming. Offices, even warehouses, must be up to the Rothmans standard.

This is more than fastidiousness. The Company is very aware that every customer carries the Rothmans logo, on the package, with him or her all the time. That package comes out many times a day, and every time it is seen it makes a personal comment about the person who carries and shows it. Trust in its quality must never be compromised through any lapse of attention to the smallest detail. To understand this is to have a large insight into the whole Rothmans philosophy of business. Success and growth allow you to keep improving your quality. Improved quality is the one sure basis for success and growth.



"Quality has been a preoccupation . . . since day one."





## The Rock City Connection

In November of 1958 Rothmans London purchased slightly more than 76% of the ordinary shares of Carreras Limited of England, a tobacco company which in turn held some 70% of the outstanding voting shares of Rock City Tobacco Company Limited. Rock City was an old established cigarette manufacturer located in Québec City.

To jump ahead for the moment, in 1960 Rothmans of Pall Mall Canada Limited bought some Rock City assets from the London Group. That same year Rock City Tobacco Company (1960) Limited was incorporated and, as a member of the Group, bought the remaining assets of the old Rock City company, including its trademarks. In 1963 all the outstanding capital stock of Rock City (1960) was acquired by Rothmans of Pall Mall Canada Limited. Rock City's brands included Craven "A", Sportsman and Black Cat.

This new connection was, at the end of 1958, rather a plan-changer for Rothmans in Canada, who had projected building more plant capacity in Oakville, near Toronto. Now instead the company commenced a \$2 million re-equipment and modernization program at the Québec plant.

By 1959 the start-up phase was past and it was time to get onto a long-term footing. Patrick O'Neil-Dunne had served with an RCAF fighter squadron during the war, the same squadron as one John H. Devlin whom he still knew and whose abilities he trusted. Devlin was named executive vice president of Rock City Sales Limited in August. In November he was elected president of Rothmans of Pall Mall Canada Limited. He accepted on the assurance that this would be his show.

Essentially, his challenge was to bring two very different horses together to pull one cart. Rock

City was long-established, had a wealth of good and potentially good brands, and was on a slow but definite downward sales trend. Rothmans was spanking new, a one-brand company, and still on a spectacular climb as Rothmans King Size Filter cigarette sales continued to spurt ahead.

Rock City's plant and equipment were old. Rothmans was new and state-of-the-art. Rock City's roots were in Québec, where it had been a family corporation since the beginning of the century. Rothmans, although the reins had now been passed to Canadian hands, was a recent arrival with an international background and associations. These were different horses indeed.

The decision was made to integrate sales and marketing of all brands of both Rock City and Rothmans. The presidents of the two companies worked closely during this period, in seeking and implementing the best solutions to this tricky but potentially excellent combination of opposites.

## Making It Work

Perhaps the most immediate problem was how to reverse Rock City's sales trend. The choice came down to either introducing new brands or bolstering old and established ones. Each approach might generate the needed new sales. Or it might do nothing at all, and drain the companies' limited resources to the point where it would become a struggle for mere survival.

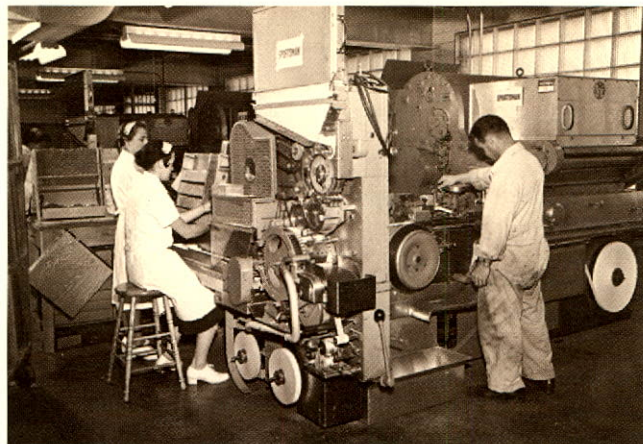
As reconnaissance, a long hard look was taken at the list of new brands that had been introduced in Canada, by all manufacturers, between 1957 and 1961. There had been some 29 new entries altogether, launched at a total cost of around \$10 million. Except for Rothmans King Size Filter cigarettes, all of these had failed.

During the same period, five other Canadian brands had been modernized by their makers—dusted off, spruced up, promoted, and hopefully given a new or at least better "image" for the smoking public. At the time of the survey, four of these were still being test marketed with unknown results. The fifth had made the grade, although its sales were less than a third of those now being enjoyed by Rothmans King Size Filter cigarettes.

In the event, the decision was taken to modernize old brands in an effort to win new customers, and to introduce new brands as and when circumstances seemed to warrant. The approach was closely defined: "We wanted to improve the quality without drastically changing the image of the package. We decided to modernize them, but we didn't want something brand new."

Black Cat was kept, both plain and cork-tipped, and Black Cat Number 7 King Size Filter was introduced. More brands were to follow this beginning, but the first step proved not to be a false one. Sales for the year ended 30 June 1963 were 54.7% higher than for the same period ended 30 June 1960.

After losses the two previous years, Rock City showed a profit of \$715,000 in 1963. The corner had been turned, but only after a lot of tough slugging. More than \$13 million was ploughed into advertising, selling and promotional activities between January 1, 1961 and June 30, 1963.



The Rock City Plant in Québec City.



1960



1959



## The Parts All Fit

With Rock City's sales turned around, the move was made to complete financial integration of the two companies. As noted, in October of 1963 the remaining outstanding capital stock of Rock City was acquired. At the time of the acquisition, the combined companies, on a sales basis, held about 20% of the total Canadian cigarette market.

A footnote to this corporate drama, which now seems smooth and obvious, but which at the time had highly mixed reviews and reactions, was supplied some fourteen years later by the Royal Commission on Corporate Concentration (Study No. 11). In an assessment of the consequences of Rothmans purchase of Rock City, the study judged that "It was Rothmans financial resources (plus eventually those of the Canadian public) that allowed Rock City to expand and generate new employment. No negative effects . . . have been voiced by the employees, and the labour relations record has been favourable."

## A Winner For the Public

On its arrival in Canada, Rothmans had given a strong indication that it intended to "go public." O'Neil-Dunne had not felt that the start-up period was the right time to act on this undertaking. "Until the company has established itself on a profit-making basis, any outside financing would involve risk capital, more likely to come from Americans than Canadians. This we fear. We want Canadians to participate in ownership of the company."

Now the company had survived its infancy, and was beginning to look like its long term chances were good. Rothmans showed its first Canadian profit in 1961 of \$500,000. The dollar figure was of course relatively small, but the fact that

it was a black figure, at the end of only three years, told an extremely meaningful tale.

John Devlin summarized the outcome in his president's message the following year: "In early 1961, and in keeping with the Group's philosophy of 'partnership in industry,' 50% of the capital stock of 1,300,000 common shares was offered to the Canadian Public. The issue, which was the first made in a number of years by a Canadian tobacco company, was heavily over-subscribed, and as a result the Company has in excess of 2,500 shareholders in Canada."

## Getting There First

These new owners got a good dollop of excitement along with their shares. Rothmans, when it came to Canada and introduced the 80 mm king size cigarette, had fixed on this length because of an excise regulation which increased the taxation cost of longer cigarettes prohibitively. The Company had from the start pressed for a change in this regulation, and finally such a change was announced, to become effective on the first of April, 1962.

Rothmans jumped the gun by almost two months and launched its flagship brand as Canada's first international king size cigarette, at 85 mm, on February 9th. All the cost of changing production to the new size, together with the additional excise duty imposed between February 9th and April 1st, more than offset the profits earned during the first seven months of the 1961/62 financial year. But the Company had another Canadian "first," an extremely successful one.

When Imperial Tobacco later came out, finally, with its competing international king size brand, Rothmans responded in what was becoming its own high style. *Marketing Magazine* reported in this item: "Devlin approved an ad that no U.S.

AN OPEN LETTER TO THE IMPERIAL TOBACCO COMPANY OF CANADA LIMITED

# WE WELCOME YET ANOTHER KING SIZE

AS MANUFACTURERS OF THE WORLD'S FIRST AND LARGEST SELLING VIRGINIA KING SIZE CIGARETTE, ROTHMANS KING SIZE FILTER, WE WELCOME THE APPEARANCE OF YET ANOTHER KING SIZE CIGARETTE... THE 37<sup>th</sup> TO BE INTRODUCED TO THE CANADIAN MARKET SINCE 1957

It once again proves our prediction that this is the modern trend to better smoking. We are experienced in the production of king size filter cigarettes and, as well as Rothmans King Size, we manufacture such other well-known king size products as Peter Stuyvesant, Black Cat No. 7 and Sportsman Filter.

While we welcome your entry into the king size market, we regret that you have chosen the name "Gold Leaf" in Canada for the following reasons.

In 1967 Rothmans of Pall Mall Canada Limited presented to Canadian tobacco farmers a trophy for excellence in the production of tobacco leaf—The Rothmans Gold Leaf Trophy. This trophy has now been awarded for six consecutive years and is regarded by Canadian tobacco farmers as a mark of distinction. We have spent many thousands of dollars in the promotion of our "Gold Leaf" cup to encourage improved agricultural practices and the export of Canadian tobacco leaf.

In July 1958 (by Letters Patent granted by the Secretary of State of Canada dated July 16, 1958) Rothmans of Pall Mall Canada Limited incorporated a company known as ROTHMANS GOLD LEAF TOBACCO COMPANY LIMITED.

WHILE WE DO NOT MIND YOUR FOLLOWING OUR KING SIZE IDEA  
WE TAKE EXCEPTION TO YOUR USING THE NAME  
ASSOCIATED WITH OUR CANADIAN TOBACCO TROPHY

ROTHMANS • THE GREATEST NAME IN CIGARETTES

This ad has been placed to protect Rothmans interests in the numerous use of the word "Gold Leaf" in connection with cigarettes and tobacco in Canada.

cigarette company would ever be likely to run, one mentioning a competitor. 'We Welcome Yet Another King Size' said the headline, but the copy let everyone know just who was first."

## The Brands Step Out

In June of 1961 an article in *Reader's Digest* reported Craven "A" as having the lowest tar and nicotine rating of any Canadian cigarette. This was in the midst of that magazine's "health scare" efforts, and had an extraordinary impact on the sales of Craven "A", which soared spectacularly. The brand has been one of Canada's strongest sellers ever since.

Early in 1961, Number 7 was launched in steps across Canada in a highly unusual manner. This is described by one of the advertising pros involved:

"Number 7 is a very strange brand. It is a brand that was introduced by probably the best teaser campaign ever done for a cigarette in Canada, maybe for any product. What it was was simply big red squares (the brand's logo is a red square with a white Number 7 imposed). How big? Well, they were about seven inches square. They were plastered, I remember, everywhere. In apartment buildings they would be on every mailbox. They were on doors and windows, fences, you name it—they were everywhere. And really that's all there was, because there was extremely little advertising for the product.

"For some strange reason people reacted—being Canadians we do that sort of thing—they reacted to this brand and it's been very successful ever since on really no advertising at all."

In September of 1963 Sportsman King Size Filter was introduced, and Craven Menthol appeared in April of the following year. Peter Stuyvesant was now on the market in the new international king size length, and Craven "A" Fine Cut had been launched. From a one-brand company, Rothmans was growing rapidly into a major competitor in every segment of the Canadian cigarette market, with well-supported brands fighting for share in each category.

## Advertising Heyday

Advertising was changing. From its initial blunt purpose to introduce Rothmans and make it familiar to Canadians, it was becoming a means of "positioning" different brands. That is, each brand, along with its individual characteristics of length, filter, blend, et cetera, has a definite "personality" that suits the personal style of an individual smoker. Advertising in this period





Joel Aldred

took on the task of matching brand and customer, by highlighting the character of the different cigarette brands being offered.

This might be called "image advertising," although it had at the same time the responsibility to inform the public about new developments (filtration systems, paper, size, and soon promotions) as these were incorporated in different brands. Thus in terms of "image" Number 7 might be seen as the cigarette for people who dislike advertising (or at least normal advertising).

The new approach to advertising could be very, very effective. A series of television commercials for Craven Menthol, and subsequently radio commercials using the music from their sound tracks, took the brand from zero base to a strong second in the menthol market within six months. The campaign, using animation and live actors together, and lively, somewhat "kooky" humour, had a specific target audience—young women—for whom the brand was felt to be right. Along with impressive sales, this campaign won Rothmans the award for the best TV commercial of 1965.

Around this time Rothmans was becoming dominant in radio. The company's budget for

radio advertising for July 1, 1966 through June 30, 1967 came in at \$2 million, making Rothmans the country's largest radio advertiser. "Buys" were the result of close and personal investigation of stations across Canada, their style, quality, and the nature of the audiences each could deliver. The most important position was the 8:00 a.m. news, where a brand provided a clear service to the public by acting as sponsor.

One of the company's directors, Joel Aldred, had for many years been among the most highly-regarded radio and television announcers in North America. During the Sixties and early Seventies Aldred recorded literally hundreds of radio "spots," mostly for Rothmans King Size. For a generation his was the voice of Rothmans in Canada, selling "quality in every last detail," and "the best tobacco money can buy."

As one would expect, the Company developed outstanding expertise in the creation and use of radio commercials, and in fact advertising in all media. There was no hesitation to innovate, to try something new on nerve, just because it seemed like a good thing to do.

In 1966, two new and high-quality luxury length brands were presented to Canadians—Dunhill and St. Moritz. Both were given a white-glove, limited-outlet introduction, with costly presentation cases, extremely high quality display material, and a great deal of crown jewel treatment in print advertising. But there the reverence stopped.

St. Moritz went on radio with a very up-beat, contemporary piece of music which featured two vocalists singing alternate lines, one in English and the other in French. Another first—a bilingual jingle. This was passed over for awards in the English selections, as a point of interest, and won a Coq d'Or at the French commercials festival that year.



Dunhill, unlikely as it seemed at the time, was given a series of TV commercials. More unlikely yet, the commercials had some quiet Canadian fun with the majestic Dunhill image, fussing that "just anybody" could now enjoy this patrician cigarette—"shocking!" As was the use of humour for such a brand.

In sponsoring a prestigious and very costly television series, "Winston Churchill—The Valiant Years," Rothmans instructed that the programs be shown with no "commercial breaks." Messages were prepared specifically to bracket the shows, one before and another at the conclusion. This consideration for the viewer has

been copied since then, by a regrettably short list of television advertisers.

For New Year's Day, 1967—Canada's Centennial year—Rothmans prepared virtually a non-ad, an essay entitled "I Am A Canadian." This piece, recorded for broadcast and subsequently published through the year in many of the outside back covers normally reserved for Rothmans prestige brands, had the Rothmans name appearing in only one place, at the bottom, in type less than an eighth of an inch high. Requests for reprints were still coming in fifteen years later.

## I AM A CANADIAN



I am the primitive hunter who first crossed the Bering Isthmus from Asia. I came seeking game, and never knew what I had really found. I am the lonely explorer who ventured the edges of a new world. I am the people of coast and plain whose history was forgotten before the invention of History.



I am the Norsemen who sailed beyond Iceland at the time of the Crusades. The men who returned home, not with Saracen plunder, but with stories of a land past the sea.



I am the Renaissance navigators who came in search of gold and empire, and who discovered a deeper, more difficult wealth. I am the priests and peasants uprooted from the old world and replanted in the new as a pledge and a hope.



I am the strip farmers, the trappers, the traders who pushed back the curtain on this green and untried continent. I am the men who roamed and mapped and settled, the men who left their sons to the future, and the men who left only their graves.



I am the steady men who sowed and reaped, who built lasting foundations. I am the impatient men who fought with guns and pens and politics for self-determination. I am the indomitable men who wouldn't be stopped as they hammered together a nation.



I have walked this land, ridden, driven, flown and paddled across her millions and more millions of miles. I have blasted her rocks, channeled her waterways, survived her snows. I have run my hands over her face, searching out the strengths and beauties and moods of my country. She is rich, wild, potent.



I came from all the world, and come yet. I came for freedom, and brought freedom with me. I came in hope, and brought fulfilment. I came to exploit, and stayed to develop. I gave myself in barter for what I sought. In measure as I have made Canada what she is, she has formed me to her own needs. Her breadth and openness have infused me, have given me a firmer step and a farther look in the eye.



I am not the Average Canadian. There are no average Canadians, and this is my country's glory. It is the surest measure of her freedom to be a nation of individuals, people who are Canadian by nature rather than by decree.



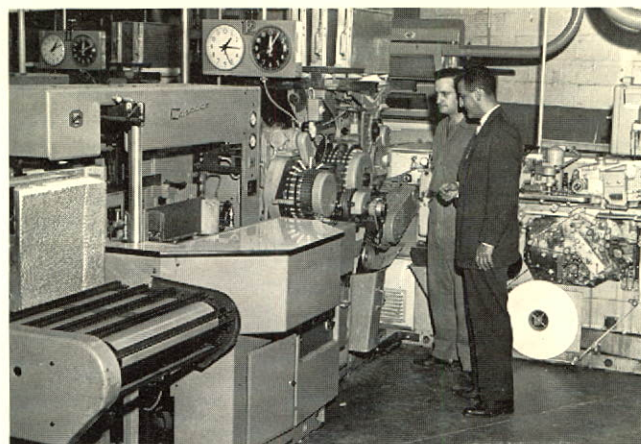
I am a Canadian, and I am deeply myself. For this privilege I give thanks to my country. May she never falter, and may she never swagger. May she realize her potential without losing her character. May she have peace, and may she give it. May it always be a proud thing to say:

I am a Canadian.



## After A Decade, The Long Race Well Begun

In May of 1966 the Right Honourable Louis St-Laurent, Chairman of Rothmans Board of Directors, cut the ribbon to officially open a brand new cigarette production plant in Toronto. Again among the world's most modern, this automated plant of 100,000 square feet showed how solidly the Company had advanced since its first Canadian cigarette less than ten years earlier. Rothmans now had production capacity to supply a third of the total Canadian demand.



A Toronto Stock Exchange review of the company in 1963 had observed that "Rothmans has staked its future on the continuing swing in the market to filter smoking, and the Rothmans Group now has 30% of the total filter market." By the time of the new plant opening, 35% of the Canadian cigarette market was king size, and fully 68% was filter tipped. By November the figure was 72%. By the following August it was 76%, and 44% king size. One lonely brand introduced nine years earlier, Rothmans King Size Filter, had certainly led the way.

As in any free marketplace, Canadian competitors were not backward in recognizing and following a good lead. The intensity of advertising, promotions, new brand launches—of all-round tough, hard-selling competition—increased along with Rothmans year-by-year growth. By now the Company was on the verge of becoming Canada's second-largest cigarette manufacturer, but there was no complacency. The Company was more aggressive than ever. The head of the Group expressed this spirit succinctly: "Any man who puts down the money to buy your product is your boss. We live in the marketplace. We're trying to give the customers what they want. If they want square cigarettes we'll make them."

### Company And Community: A Two Way Street

Before moving into the hard sell of the late Sixties and early Seventies however, we should look at another kind of relationship with the public which Rothmans was now developing. Good salesmen, without too much thought on the matter, generally find themselves becoming actively involved in the interests and activities of their customers. And because they are in a position to help, whether with time, advice, connections, the loan of equipment or vehicles, or the donation of product, sales staff often act as a company's unofficial public relations arm.

This was the situation with Rothmans as the Company was becoming a presence on the Canadian scene. Requests of a bewildering variety were coming in by the early 1960s, some of which could be handled, many of which weren't possible. This was taken as a challenge, and one of the responses was commissioned and built in 1964—the Special Events Caravan.

The Caravan was designed to be useful at outdoor events, everything from picnics and fairs to boat races and horse shows. Useful in as many ways as possible. It is an operations centre with lounge and galley. It is a mobile stage, with its own power, lighting and sound systems. It is a communications and broadcast centre, equipped with tape recorders, record and microphone systems, and a full cable network together with a selection of external speakers. Its PA system can be operated on the move, making the Caravan a sound truck when such is required. This flexible, mobile facility, together with a trained operating staff, is made available to any non-profit organization requesting the kind of help it can give, at no charge.

The Special Events Caravan was one of Rothmans first answers to the question, how can a large company best interact with the public in a useful, practical and informal way. It was an immediate hit, soon booked months in advance. Today there are nine such vehicles in operation across the country, helping Canadians to get the most out of their own entertainments.

The solution of the Caravans was very much in keeping with Rothmans evolving philosophy of giving a hand rather than an impersonal donation. Of acting as a partner rather than a patron. Stratford's art gallery illustrates this distinction.

Briefly, the Company was approached for financial help to restore two solid old buildings (built in

1883 and used until recently as pumphouses by the local public utilities commission) and turn them into a civic art gallery. This was to be the town of Stratford's centennial project.

Rothmans looked over the proposal, and then made a proposal of its own. The Company would take over the whole project, restore the buildings, and provide modern amenities, heating, furnishings, and temperature and humidity control equipment. In short, it offered to bring the gallery up to the highest standards set by Canada's National Gallery for the exhibition of works of international importance.

Further, the Company would supply ongoing advice and assistance at the board level, and would provide the new gallery with a high-calibre professional staff.

And so the Rothmans Art Gallery of Stratford was opened in Centennial year, and became the launching point of most of the international art exhibitions which Rothmans has brought on tours of Canada over the years. The relationship was truly one of assistance rather than acquisition. Ten years later, when the gallery was thriving and help was obviously no longer needed, it was turned over to the Stratford Art Association which now runs it as the Gallery/Stratford.



The original Special Events Caravan.



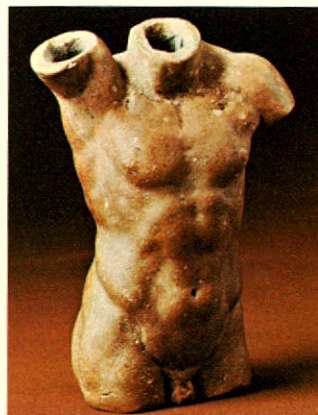
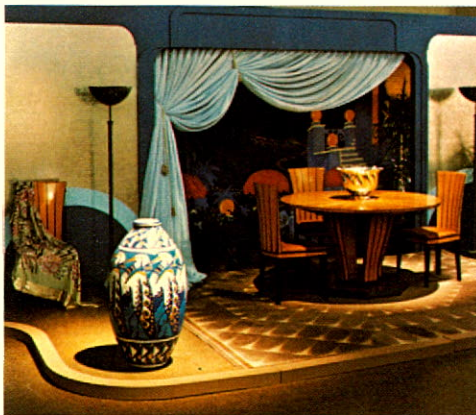
The latest model.

Rothmans has throughout had a strong interest in the Visual Arts, a specialization if you like in sculpture and paintings. The Company has acted as impresario in bringing many superb collections to this country, and arranging "tours" of showings at galleries across Canada. Rothmans feels it can be more effective by concentrating most of its financial "muscle" in this area of the Arts, rather than by trying to be all things to all people.

Little theatre groups, festivals, orchestras, ballet companies, and almost every variety of performing arts organization solicited Rothmans to advertise in their programs. Here again the solution was one of both substance and high style.



Stratford's beautiful art gallery.



"... a strong interest in the Visual Arts."



Instead of giving you a few dollars in the form of an ad, said the Company, we'll have our staff professionals prepare your whole program, and let you concentrate your efforts on your production. This happened. The Rothmans Art Department completely designed, and the Company had printed, literally dozens of programs for groups in the performing arts. These were collectors' items of the highest quality. Each contained only one advertisement, by Rothmans. There was no charge—all proceeds from their sale went to the organizations concerned.

The competitive equestrian sports are not, in Canada, the preserve of the rich. On the contrary, Canada's equestrians for a long time bore the irony of a snobbish and monied image that hid its very real need for support. Rothmans once again looked for a way it could give more than just chequebook help, and was soon involved in a total national program to help Canadian equestrians bring themselves up to international excellence.

Organizational skills were loaned, and competitions and events across the country were sponsored. In addition to prize monies, Rothmans backed these events with specially trained personnel, and the most up-to-date timing equipment available. Today Rothmans equestrian connection is maintained through two full-time staff members, and about \$250,000 a year.

Recently the Company took up sponsorship of a different aspect of the equestrian sports—horseracing. In 1981 Rothmans signed a multi-year agreement with the Ontario Jockey Club to support the Canadian International Championship (now the Rothmans International). In the Maritimes, Rothmans has undertaken a three-year sponsorship of the Sires Stakes harness racing program, in which pacing colts, pacing fillies and trotters foaled beginning in 1982 will

start racing in 1984. A Rothmans Ontario Week Of Racing in June of 1981 saw ten top races for purses totalling \$600,000. This is an ongoing relationship.

The sport of sailing was in need of somewhat the same kind of participatory assistance in the early 1970's, when Rothmans set up its Service To Sailing program. Continued over four years, the program provided equipment, organization and people, with the avowed purpose to help this sport toward healthy self-sufficiency.

Rothmans began its association with tennis in Canada in 1970, when that sport was just beginning its growth. Tennis was seen by many Canadians as being a little aloof and remote. The Company's efforts were in good part responsible for the broad, grass-roots popularity of the sport today. Rothmans involved itself deeply and steadily over a number of years, providing both financial support and professional assistance through 1978. At that time, after having spent some \$5 million to help build tennis in Canada, Rothmans felt it had achieved its objective of "support to the self-sustaining stage," and ended the program.

In 1972 the Craven Foundation was created with the stated objective "to retain and preserve items of historical and cultural interest to Canada." Since then the Foundation has acquired a collection of some 86 antique, classic, and vintage automobiles dating between 1901 and 1961. These are maintained and displayed at the Foundation's headquarters in Toronto, and groups of cars from the collection are shown continuously across Canada.

This partial review of "other activities" should be kept in mind by the reader, as background music behind the furious ongoing competition in the Canadian marketplace which Rothmans was a part of throughout.





## Acquisitions And Contests: Keep Moving!

Competition grew tougher and more effective through 1967 and 1968. Brands were introduced to "fit" ever more closely-defined categories of smokers. Total cigarette consumption was growing only slowly, so company expansion had to be sought in good part through increasing share of the established market.

In October of 1968, Rothmans became associated with Larus & Brother Company of Richmond, Virginia. Pipe tobacco was a logical interest, and this small, highly respected company made some fine brands, including the popular Edgeworth. Arrangements had been made earlier, on a royalty basis, to bring a number of eminent European brands of pipe tobacco under the Rothmans wing in Canada.

Dunhill cigarettes had been launched a little earlier. Now the full range of Dunhill luxury products was assumed for Canada, under a licensing arrangement. Two years later, in the 1971 fiscal year, Rothmans acquired all the outstanding shares of Alfred Dunhill of London, Limited.

But these were lateral moves. The main action centred around an increasingly sharp dogfight for share of the Canadian cigarette market. This now took an interesting turn. Coupons with cigarette packs were a long-established and successful sales promotion in other countries. Canadian manufacturers began to develop their own variations of this promotion, and quickly the era of prize contests was here. Within months there were save-up-the-coupon contests, match-the-halves contests, collect-the-winning-poker-hand contests, find-an-instant-prize-coupon-in-your-pack contests, and most of the permutations and combinations between.



The draw of these games and contests was very strong, and brand sales jumped or sagged abruptly, depending on how popular the different prizes and contests proved with the public. The advertising that went along with all this was exuberant, noisy, and increasingly distasteful to many both outside the industry and within. Soon the craze developed a kind of terrible inner momentum. To drop a prize promotion was to invite disaster for the brand, since significant levels of loyalty had become attached to the contest rather than the cigarette.

## The Industry Regulates Itself

This situation spiralled in upon itself until finally, in the interests of both the consumer and the industry, the Canadian manufacturers disbanded their giveaway promotions in the summer of 1970.

Along with its competitors, Rothmans introduced a spate of new brands during the period immediately following. By now, however, a new brand had to demonstrate that it had winning ways before it was launched nationally. Packages, product and advertising were prepared and tested for such new cigarettes as Richelieu, Carroll's Extra Size, Gunston and Golden Virginia. None of these was square, but there was a strong effort to be there if the public wanted or was ready for something new. These Rothmans brands had many, many counterparts from the competing manufacturers. There were few winners among them, and the rush to bring new brands onto the marketplace soon slowed down.

Now the pendulum swung back, and established brands once again got the marketers' full attention. Advertising weight throughout the industry was heavy indeed by the time 1972 arrived. There was a strong sense that the public was going to make its selection from among the brands it was already familiar with, and so these had better be supported to the hilt.



## More Self-Regulation

In early 1972 the level of cigarette advertising was extremely high in all media. Ten years earlier this would have been seen as only appropriate for a highly competitive consumer product in a bouncy, wide-open economy. But society changes its point of view steadily, and not often predictably. By 1972 there was developing a certain concern about the power and morality of advertising. Obviously the cigarette industry, like Caesar's wife, must be super-sensitive to this kind of public perception. Firm action was taken to get back onside.

That year the entire industry voluntarily adopted a Cigarette Advertising Code which contained these key points:

- **Cigarettes will not be advertised on television (and subsequently radio).**
- **Advertising and promotional expenses in other media will be held to 1971 levels (with partial adjustment for inflation).**
- **Tar and nicotine content limits will be set up.**
- **Health warnings similar to the American Surgeon General's warning will be printed on packages and print advertising.**

No one knew what to expect from this Spartan self-discipline. In fact it was two or three years before a clear assessment could be taken, and the industry's seers could feel at all comfortable in making market predictions. The overall marketplace changes wrought by the introduction of the Cigarette Advertising Code were minimal. There was a sharp reduction in new brand introductions, but this decline had its roots elsewhere. The introductory period of heavier "sell-in" advertising was extended from the previous 3-6 months to often 2-3 years. Total demand was not reduced in the least. There was a measurable decline in switching—right out of the advertising textbook.

## Moving With The Market

Since then there has developed one obvious trend among Canadian smokers—toward "light" cigarettes. There is of course no objective definition of "light," but all manufacturers have responded to this demand by offering some of their established brands in a "lighter" form. Generally these have reduced tar and nicotine ratings, either through a change of tobacco or a more efficient filter.

Like the movement to longer cigarettes, and to filters, which was at the heart of Rothmans earlier success, the current shift toward lightness in cigarettes is having, and will continue to have, a deep influence on the fortunes of Canada's competing manufacturers.

Rothmans in one way had a long jump in this category with its Craven "A" brand. In hindsight two earlier Rothmans brands as well were far ahead of their time. One had an activated charcoal filter, the other a technical breakthrough called the Strickman Filter, which didn't take out the taste along with the tar. Both found little public interest at the time of their appearance.

Currently (1982) the Company has several of its popular brands available in light form. One, Rothmans Special Mild, has gained just under 3% of the total Canadian market in 2-1/2 years, but the overall picture is still developing.

At the end of its first twenty-five years, Rothmans of Pall Mall Canada Limited is an outstanding success, with one quarter of the Canadian cigarette market and annual sales of nearly half a billion dollars. In getting to this position however, Rothmans has by its own activities taught the whole Canadian cigarette industry how to be very tough competitors. This is, perhaps wryly, accepted by the Company as a healthy fact of business life. In one way it is welcomed: you run your very best race only against the very strongest competition.



## The Carling O'Keefe Story

To round out this sketch of Rothmans life and times in Canada, the Company's brewing side should be given at least a brief review. It is a fascinating story in itself, but far too complex for full telling in this context.

On the 6th of June 1968, Rothmans bought 2.4 million common shares of Canadian Breweries Limited from the Argus Corporation. This represented 11% of the outstanding shares of CBL, and was generally accepted as a diversifying outside investment by Rothmans, who then placed a standing buy order for shares offered below 9-3/4. By April of 1969 about 11-1/2% of CBL's stock was in Rothmans possession. In May the Company went for control.

Between May 23 and June 6, 1969, the Toronto Stock Exchange alone saw 8.2 million CBL shares change hands. A total of 8,373,200 common shares of CBL stock was bought by the time the buy orders stopped. A count of the new acquisitions, plus the shares already held, showed that Rothmans now possessed 49.5% of CBL stock. A

further 134,000 shares were purchased later in the year and the total stood at 50.1%. Rothmans had become the major shareholder in Canadian Breweries Limited. It had spent \$145 million.

Much like the Rock City acquisition, CBL (subsequently renamed Carling O'Keefe Limited) was seen by some critics as a questionable venture for Rothmans. The Company, like all good salesmen, instead saw difficulties as opportunities. Rothmans had the management and marketing skills which were all that Carling O'Keefe needed. Add these and the brewery would soon be flourishing.

The turnaround has been slower and more painful than was anticipated. More than good salesmanship was needed. Assets turned out to be liabilities. Economies of scale turned out to be idle capacity. Elements were shed. Others were bought. Premium beers were backed. The American part of the business proved very stubborn. But year by year Carling O'Keefe has come around, and in the 1982 fiscal period it showed a profit approximately equal to that of Rothmans tobacco operations.

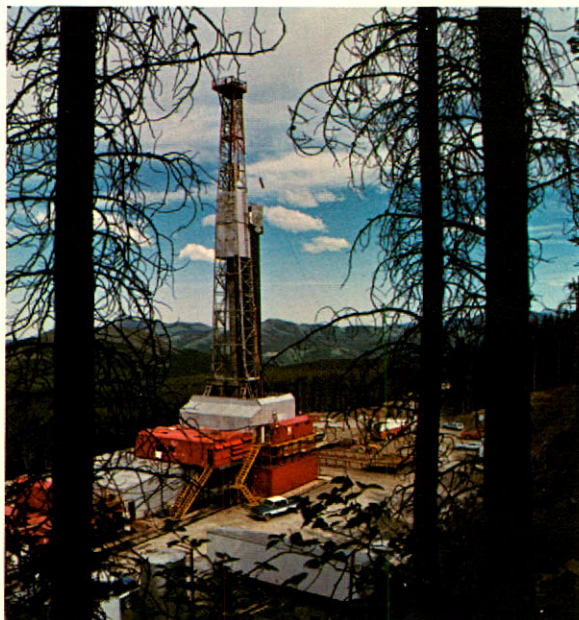


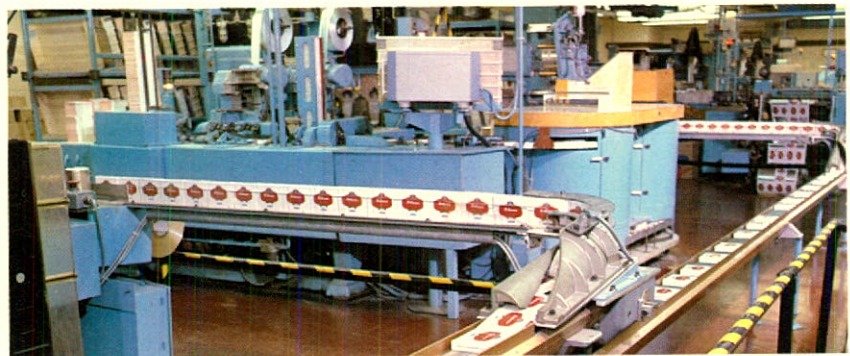
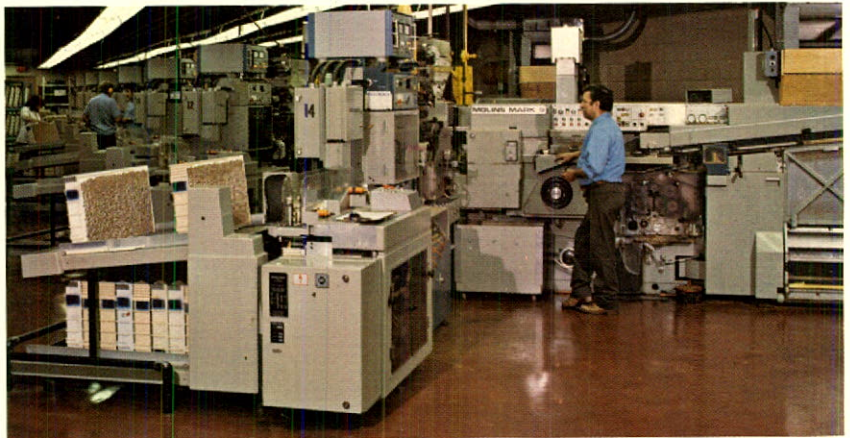
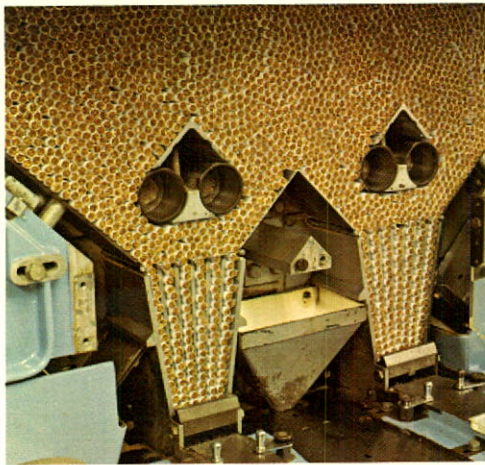
## Rothmans in 1982

This year sees Rothmans 25th anniversary as a Canadian company. It is ranked 107th by sales amongst this country's corporations (*Financial Post* 500/June 1981), and currently 29% of its stock is owned by the public. Beside its tobacco and brewing operations, the Company has Jordan Valley Wines, Star Oil & Gas Limited, and a brewery in Ireland. As well, it owns the Argonaut Football Club in Toronto and Le Club de Hockey Les Nordiques in Québec City.

Starting from zero in 1957, the Company and its subsidiaries today employ 5,600 Canadians, is

Canada's second largest manufacturer of cigarettes and tobacco products, and the third largest producer of brewing products. Last year it contributed \$462,364,000 in Excise and Sales Taxes, and put another \$599,506,000 into the economy in wages and salaries, purchases and operating expenditures. In total, Rothmans and Carling O'Keefe paid dividends totalling \$18.4 million and manufactured one cigarette in every four enjoyed by Canadian smokers. In sum, Canada has a winner.







Rothmans of Pall Mall Canada Limited