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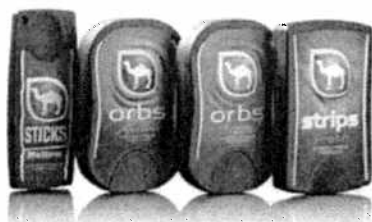
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## R.J. Reynolds Preps Dissolvable Tobacco

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- Mike Beirne



R.J. Reynolds Tobacco will dive deeper into the smokeless category next year by nationally distributing Camel Snus and introducing in test markets dissolvable alternatives to cigarettes called Camel Sticks, Camel Orbs and Camel Strips.

The new products, grouped under the Camel Dissolvables banner, are smokeless and spit-free; they are made from finely milled tobacco and held together with food grade binders. The products will launch in the first quarter in Columbus, Ohio, Portland, Ore., and Indianapolis. The Camel Dissolvables Sticks can be placed in the mouth like a toothpick or broken into a piece that is placed between the upper lip and gum, where it dissolves after 10 minutes. RJR recommends the same usage for Orbs, which is a pellet that lasts about 15 minutes, and Strips, which dissolve after about 3 minutes.

The three forms of smokeless tobacco will be packed in plastic, child-resistant packaging. Strips will come in Fresh mint flavor and Sticks in Mellow; Orbs will be available in both flavors. Camel Dissolvables deliver between 0.6 to 3.1 milligrams of nicotine, while cigarette smokers typically inhale about 1 mg per cigarette.

Advertising is still being developed, but a company rep said print ads, direct marketing, sampling (at bars and nightclubs) and POP will support. The Reynolds American unit currently has a company policy that restricts advertising cigarettes in consumer publications. That self-imposed ban does not apply to other tobacco products and trade publications. Gyro, Philadelphia, and Aquent 16, New York, are the lead agencies.

By introducing the products in select test markets, RJR hopes to find out which forms of Camel Dissolvables are the most popular, and how demographics or usage determines preferences. The product concept partly evolved from consumer feedback, following a test of Camel Snus in 2006. Camel Snus is also spitless, but some smokers said they didn't care for loose tobacco or pouched smokeless products, particularly ones they had to remove from their mouth after use.

The smokeless category has been a magnet for cigarette makers with sales averaging 5% to 7% annually, per various estimates. Although there is a growing body of literature contending that smokeless tobacco is less harmful than smoking cigarettes, a 2007 study by the American Cancer Society found that male smokers who switched to smokeless had higher death rates than men who quit or never smoked. Camel Dissolvables will not be positioned as a smoking cessation or reduced risk product, per the company.

"The consumer should be aware of the information available about the potential risks of each tobacco product. There are none that are safe and there are none that are without risks," said R-JR rep David Howard.

In addition to introducing the new dissolvable alternatives, RJR will expand distribution for Camel Snus (pronounced *snooze*) by offering retailers countertop and under the counter refrigerator units to keep the product cold.

In 2006, Reynolds American acquired Conwood, the second largest maker of smokeless products in the U.S. Philip Morris USA's smokeless products include Marlboro Snus and Marlboro Snuff. Altria, Philip Morris' parent company, expects to close by January on its purchase of UST, the holding company for U.S. Smokeless Tobacco, the largest smokeless product company and maker of Skoal and Copenhagen.



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