

Davidoff

Winston
CHURCHILL®



FREE THE BIRDS
BRAND ELEVATION

Submission title: WINSTON CHURCHILL CIGARS
Client company: OETTINGER DAVIDOFF AG
For Publication: REDACTED CONFIDENTIAL DATA
Date: 30 NOVEMBER 2018

EXECUTIVE SUMMARY

Winston Churchill Cigars, a collection created by esteemed cigar-maker Henke Kelner and Sir Winston Churchill's great-grandson Randolph Churchill, was underperforming commercially and being delisted in most accounts.

In 2014, Davidoff, which had crafted and blended the collection under license since 2007, set out to turn around its fortunes.

THE OPPORTUNITY

To leverage the iconic Churchill name

THE SOLUTION

A re-imagining involving a complete overhaul of every aspect of brand design and visual communications, with closer re-alignment to the Davidoff brand

THE CHALLENGE

To build growth in a static, highly regulated global market

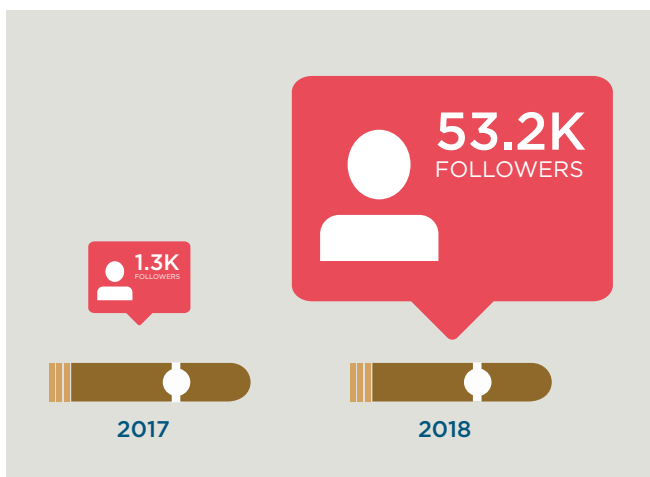
THE IMPACT

Results of re-launch in June 2015 have been phenomenal

- Winston Churchill Cigars has grown its share of Davidoff brand sales (vol) (redacted confidential data) in 2018 (redacted confidential data)
- This has helped drive overall Davidoff sales up (redacted confidential data) (vol) despite a flat market
- Between relaunch and today, Winston Churchill Cigars sales (value) has soared (redacted confidential data) ahead of expectations
- Distribution targets were also exceeded: (redacted confidential data) points of sale were secured within the first 12 months (redacted confidential data), with a further (redacted confidential data) US points of sale added in 2018
- Instagram followers soared to 53.2k in November 2018 from just 1.3k in January 2017
- ROI was achieved within just 9 months of re-launch (deducting go-to-market local investments)

The relaunch was a major success – and all the more so considering strict regulations restrict above the line communication. So, impact and engagement depended on presentation, packaging and product design.

Source for all stats: Oettinger Davidoff AG internal data.





Winston Churchill Cigars, a collection created by esteemed cigar-maker Henke Kelner and Sir Winston Churchill's great-grandson Randolph Churchill, was underperforming commercially and being delisted from most retail outlets.

PROJECT OVERVIEW

The Brief

The plan was to re-build desire for Winston Churchill Cigars in a fresh and contemporary way, meaningful to today's cigar smokers, retailers and the cigar industry – whilst leveraging Davidoff's brand strength and scale.

The pre-relaunch objectives were:

- Turn sales decline of brand into sales growth
- Grow Winston Churchill Cigars' sales volume share within the Davidoff brand portfolio from a starting point of (redacted confidential data) pre-relaunch
- Achieve distribution in (redacted confidential data) retail outlets globally with (redacted confidential data) of SKUs
- Increase social media and digital engagement with a nominal target of increasing Instagram followers by 20% within the first year of campaigning



The old Identity needed updating and making relevant to audience

Winston Churchill Cigars was underperforming due to quality issues (subsequently resolved) but it was also clear it was suffering from a staid blend line-up and format; weak brand promise; tired packaging; and a visual identity that under-utilised the potentially aspirational aspect of one of history's most iconic cigar smokers.

We set out to address:

Product	Did not justify price premium
Brand	Lacked coherent story
Identity	Needed updating and making relevant to audience
Packaging	Was out-dated and lacked strong aspirational visual identity
Distribution	Was declining after sales failed to meet expectations
Product innovation	Nothing significant in the preceding two years

In addition, our work would feed into:

Pricing	To be re-set after the re-launch at approx. 20%+ Premium vs Davidoff core range (assuming the product, packaging, visual identity and positioning supported it)
Marketing	To better leverage Sir Winston Churchill's anniversaries and commemorations; engage bloggers/influencers

Scope of work

Our involvement began with initial strategy work to better understand the brand, the untapped value of the Winston Churchill story, and potential benefits of closer alignment with the Davidoff brand, including a review of current materials, packaging, naming and range architecture.

Our primary audience was premium handmade cigar smokers – the cigar market sector which Winston Churchill Cigars occupies – in the US and UK initially, as well as Hong Kong and Greater China. We also needed to engage key influencers – cigar retailers and cigar aficionados – to overcome the fundamental challenge all tobacco companies must navigate to reach their consumers: regulatory barriers.

Our strategy had five strands:

Create A brand positioning/identity as compelling and iconic as Sir Winston Churchill by leveraging his story

Validate The worth of the current blend by conveying the complexity of the tobacco (sourced from the Dominican Republic, Ecuador, Nicaragua and Peru) as reflecting the complexity of the man

Differentiate The collection clearly from other Davidoff blends by emphasising Winston Churchill Cigars' strong character/distinctive stimulation and personality

Communicate The simplicity of the product line-up

Demonstrate Innovation via limited editions linked to Sir Winston Churchill related character traits anniversaries, associations and commemorations





THE ARISTOCRAT



THE ARTIST



THE STATESMAN



THE COMMANDER



THE RACONTEUR



THE TRAVELLER

Our Design Solution

Our inspiration was the great man himself, but we were eager to bring him to life in a more rounded and engaging way than his conventional, one-dimensional, wartime portrayal.

Sir Winston Churchill was a man of depth and complexity, with a rich story. He was also a Cuban cigar smoker – which does not feature in the Winston Churchill Cigars line-up – so the brand had to be about the man as inspiration for the cigars, not brand ambassador.

This led us to our brand positioning – Winston Churchill, Cigars of Character – and our brand story, which was all about Sir Winston Churchill's many layers and different dimensions and the powerful and compelling values he shares with the brand.

The Winston Churchill Cigars collection comprised six different cigars at the time of re-launch spanning a number of different formats. We re-named the different cigars in the collection to reflect the new product story more closely inspired by the complexities of Sir Winston Churchill: the man.

The Statesman was the new name given to the Blenheim cigar, for example. Other new names were: The Artist, The Bon Viveur, The Traveller, The Aristocrat, The Raconteur and The Maverick.

We created different visual representations for each cigar in the range, each using the new distinctive Sir Winston Churchill in profile visual motif.



Each variant came packaged in a wooden box with a band colour to represent each one, and the Winston Churchill story inside. As well as in slimmer carton packets



Before

Our new visual identity replaced the former traditional crest with a distinctive profile image of Sir Winston Churchill – smoking a cigar, of course – in gold, matching the Davidoff identity, freshly incorporated above. The colour palette was also carefully chosen to blend the two brands.



After



In 2017 we designed a new variant to the original line up, with the added distinction of tobacco aged in American Bourbon Barrels. We named this The Late Hour.



Market Overview

Health awareness campaigns, restrictions on places where smoking is allowed, and higher taxes are negatively impacting on cigar smoking worldwide. Yet increasing westernisation of lifestyles, inconsistent implementation of regulations, and product innovation are making certain emerging marketplaces especially buoyant.

While the overall market is in decline in Europe and Asia, it is still growing in the US (in low single digits) and in mainland China (in double digits). As a result, worldwide, revenue is predicted to rise from US\$11.9bn in 2017 to US\$13.4bn (+12.61%) by 2021 (Source: Statista).

The US is the largest national market. Between 2008 and 2017, the US large cigar market grew +126.1% (vol) – in line with a global trend towards larger cigar formats (Source: Coresta). However, Asia-Pacific is the fastest-growing regional market for cigars, with a CAGR of +12.6% (Source: Global Industry analysts, Inc.). And in China, cigar sales are growing rapidly – driven by their status as a luxury accessory and the diversification of products now available to fit all budgets and tastes.

Competition in the cigar market is fierce, and product innovation and new flavours are an important way for rival brands to stand out. Interest in cigars made from tobacco originating from Nicaragua has also recently increased significantly.

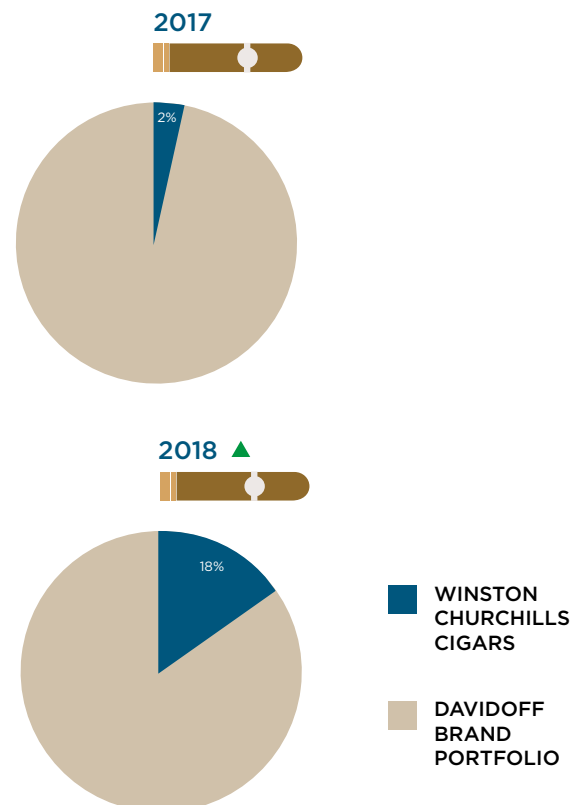
But above all, the market is characterised by the tremendous challenges its players face reaching consumers due to regulation. As with

all tobacco products, all cigar manufacturers face several challenges, including: stringent government policies; rising health consciousness; increasing popularity and availability of substitutes; and economic concerns.

Key Facts

Launch date:
June 2015 (preceded by US debut to coincide with Father's Day 2014)

Design fees:
£45,000 (recouped within 9 months)



Results

The re-launch of Winston Churchill Cigars was a phenomenal success.

Objective 1 - Turning sales decline into sales growth was achieved:

- Net sales rose +98% between 2017 and 2018, from (redacted confidential data) CHF
- Demand for Winston Churchill Cigars since re-launch has outstripped supply due to production capacity limitations

Objective 2 - Successfully growing Winston Churchill Cigars' sales volume share within the Davidoff brand portfolio:

- Winston Churchill Cigars made a significant contribution to the Davidoff cigar brand portfolio, exceeding pre-launch actual volume (redacted confidential data)
- This helped drive overall Davidoff sales up (redacted confidential data) (vol) despite a flat market, between 2015 and 2018

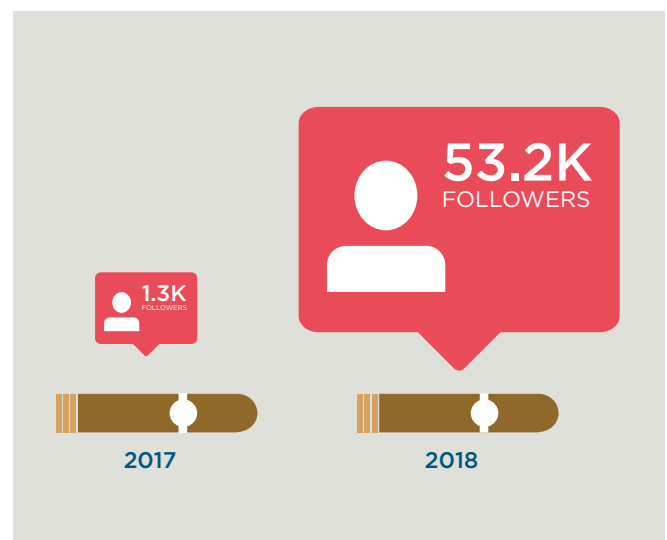
Objective 3 - Exceeded distribution targets globally:

- Distribution within (redacted confidential data) retail outlets, including independent and Davidoff franchised cigar retailers globally within 12 months was surpassed (redacted confidential data)
- 100% penetration for the full line-up of Winston Churchill Cigars long-filler cigars was achieved in all of the (redacted confidential data) retail outlets

- 2 SKUs were also distributed in new retail channels such as convenience stores, and in 2018, (redacted confidential data) new points of sale were added (redacted confidential data)

Objective 4 - Increase Instagram followers:

- The target of +20% increase goal was smashed by nearly +400%, with follower numbers soaring to 53.2k in November 2018 from just 1.3k in January 2017



Additionally:

- By more closely aligning with Sir Winston Churchill: the man, Winston Churchill Cigars outperformed in social media and digital engagement
- Winston Churchill was awarded ratings of highest achievements – 92, 93, 94 out of a 100-point system – by various blogs, publications and industry associations

Finally:

- ROI was achieved within 9 months

Source for all stats: Oettinger Davidoff AG internal data

Endorsements

“You have landed an incredible hit! My clients, mostly Cuban aficionados, are drawn towards the Winston Churchill line and I cannot keep enough on the shelf.”

Source: Portmann Tabakwaren, Kreuzlingen Switzerland

“The classic Davidoff Winston Churchill in a Churchill format had already secured itself a place in our Top 25 of 2015. The Late Hour and its relevant design have propelled the brand back on top of list of best cigars in 2018.”

Source: Cigar Journal

“Deserves a best rank among the best production cigars and creations of our industry.”

Source: Cigar Coop.com

Client Comment:

“We have changed our internal methods of sales collection data over three years, so data year on year is not comparable pre-2017. However, we know through the overall data and the trajectory of performance of the Davidoff brands, our sales targets over three years, have exceeded targets (redacted confidential data)” *Edward Simon, Chief Marketing Officer, Oettinger Davidoff, 2018*

“With regards to target market, we know that consumers in this market are loyal to brands but have an interest in, and will trial, new products. We know that consumers have responded exceedingly well to our Winston

Churchill brand, and we have managed to convert them to customers based on the trajectory of our own internal sales, anecdotal information and data – with limited cannibalisation of other Davidoff brands within the portfolio.” *Edward Simon, Chief Marketing Officer, Oettinger Davidoff, 2018*

“The brand idea and thinking which the team developed became central to the business and helped the teams - from design and packaging to communication to brand experience to product and service innovation. It became part of the fabric of the company. For a global brand, this is priceless.” *Charles Awad, Chief Marketing Officer, Oettinger Davidoff, 2015*

Other Influencing Factors

Translation of the story of a complex character into a multi-faceted blend was hugely successful. This was achieved with next to no above-the-line support due to regulation and no price discounts – ever. With limited traditional commercial promotional opportunities, the design language was activated at retail via merchandising and in-store posters, leveraging the icon. Further brand-building awareness occurred through 1:1 engagement with consumers at retail outlets, at events, and through influencer marketing.

Building on the success of the re-launch, a number of limited editions were subsequently added to the collection, at a premium price. These included The Late Hour, made from whisky barrel-aged tobacco and launched in August 2017 - for which we developed the brand story and all aspects of the associated design.

Research Resources

'Tobacco Products Report 2018 - Cigars' (Statista Consumer Market Outlook)

'A Current View of the Global and US Tobacco Industries' (Coresta, Jan 2018)

'Rising Demand from Emerging Markets to Drive the Global Cigars Market' (Global Industry Analysts Inc.)

Oettinger Davidoff AG internal data

Awards

Winston Churchill Cigars won Best Cigar of the Year 2015, 2016, 2017 and 2018, from global publication, Cigar Journal.

Winston Churchill The Late Hour received Best Cigar of the Year 2018 from global publication, Cigar Journal.

