

The New York Times

Analysts Mixed on Philip Morris's Smoking System

By Glenn Collins

Oct. 24, 1997

See the article in its original context from
October 24, 1997, Section D, Page 4 Buy Reprints

New York Times subscribers* enjoy full access to
TimesMachine—view over 150 years of New
York Times journalism, as it originally appeared.

SUBSCRIBE

*Does not include Crossword-only or
Cooking-only subscribers.

Wall Street analysts had mixed reactions yesterday to a new battery-powered smoking system that the Philip Morris Companies plans to test soon in the United States and Japan.

The company invited eight analysts to its headquarters in Manhattan yesterday morning for an hour-long demonstration session of its microelectronic cigarette holder, called Accord, which eliminates the smoke and ashes from the end of a cigarette and reduces the likelihood of fires.

"I'm glad Philip Morris is introducing new products, but I think it's a gadget with very limited appeal," said Gary D. Black, an analyst with Sanford C. Bernstein & Company.

But Martin Feldman of Smith Barney said that "having used it, I came away from the meeting with a more positive view of the product than I expected to have."

The Philip Morris device is a pager-sized four-ounce box that accepts specially designed cigarettes. Smokers must lift the device to their lips for each puff. An electronic heater ignites the cigarette and burns it only when puffed. The battery must be recharged after each pack of cigarettes that is smoked.

Shares of Philip Morris were down 68.75 cents, closing at \$41.0625 on the New York Stock Exchange during a day when the market fell 186 points.

RAI Strategic Holdings, Inc.
Exhibit 2025
Philip Morris Products, S.A. v. RAI Strategic Holdings, Inc.
IPR2020-00919

To protect trade secrets, company employees collected all product samples -- among the first to be seen by anyone outside the company -- at the end of the session, even scooping up all the burned Accord cigarettes.

"I don't think this is going to be the product that fundamentally changes the nature of the cigarette industry," said David J. Adelman, a tobacco analyst with Morgan Stanley, Dean Witter. "But Philip Morris deserves a lot of credit for making the effort."

But Mr. Black said: "I wanted to know, where is the pleasure, and where's the sex appeal? I think that smokers use cigarettes for reasons other than nicotine. Smokers appreciate the pleasure of the experience, and the rituals they engage in, such as tapping the cigarette, lighting it, holding it in midair. They don't have this with Accord."

Analysts who tested the Accord device, smoking the cigarettes, had conflicting reactions. "If you close your eyes while smoking Accord, it approaches being a cigarette, though not a full-flavored cigarette," Mr. Adelman said.

Others said that they found it difficult to draw down on, though they said the taste was reasonably good.

Philip Morris said that an advantage of the product was that it eliminated the smoke from the burning end of the cigarette, which accounts for about 90 percent of secondhand smoke, not including the smoke that is exhaled.

But Mr. Black said that the notion that smokers would use Accord to protect family members "is bunk," adding: "The public perception is that exhaled smoke is the problem. So a spouse, or a boss, is not going to say to the smoker, 'Go ahead and smoke because it stays in the box,' when they see a smoker exhaling."

Mr. Adelman said: "The 35-year-old sitting in a bar is not going to use this product because he's an image-conscious consumer. And the 26-year-old smoker doesn't really care about the ash and the smell from cigarettes."

Analysts said that during the demonstration a Philip Morris executive implied that technological advances in the Accord system could make it less bulky and more convenient. If the Accord lighter box "was smaller -- say a small overlay on the cigarette -- I think there would be more chance for success," Mr. Adelman said.

Some analysts compared the Accord to the Eclipse, a smokeless cigarette that heats, rather than burns, tobacco, introduced in 1996 by the R.J. Reynolds Tobacco Company. "Accord has more taste," Mr. Black said, "but Eclipse has virtually no exhaled smoke. With Accord, you're still exhaling smoke into the air."

Mr. Feldman added, "The draw with the Accord would appeal to consumers more than the draw of the Eclipse."

Most analysts interviewed predicted that Philip Morris would make the Accord commercially available in a market test a year from now, after controlled testing. And while the company may focus on Accord's advantages for consumers, one analyst said it might have benefits for the company.

If the company is sued over secondhand smoke in the future, Mr. Black said, "they can say that they tried to develop a commercially viable product" that reduces such smoke. Several cigarette companies, including Philip Morris, recently settled a case involving flight attendants who said they had been exposed to secondhand smoke.

A version of this article appears in print on Oct. 24, 1997, Section D, Page 4 of the National edition with the headline: Analysts Mixed on Philip Morris's Smoking System