

## AGENDA

*Ces  
Deck*

### I. PRE CAMEL CASH OVERVIEW

### II. CAMEL CASH I OVERVIEW & LEARNING

### III. POST-CASH I

- Program Assessment
- Program Development
- Program Support
- Budget

## CAMEL CASH

### I. CAMEL CASH I

#### A. Situation

- Marketplace ground rules changing
  - Savings segment growing in SOM (37%) and convenience store presence (50%).
- Pressure on Full Price brands to add value/justify higher cost
  - Quarterly price increases
- CAMEL gaining among younger adults (21+), but needed to do more to accelerate growth

#### Focus:

- Increase distance between CAMEL and other brands (FP and Savings)
- Provide immediate incentive to purchase and ultimately switch.
- Provide "new news" into market

## CAMEL CASH

### I. CAMEL CASH I

#### B. Continuity Program

- Extremely successful for image enhancement, equity building and increasing brand loyalty, especially when reinforced through POS, direct marketing and advertising.
- Presents Brand with an excellent opportunity for solidifying the Brand's personality (Joe) by offering smokers items that reinforce the Brand's image and have a long-term impact on overall Brand perception.
- Benefit Brand through slippage as many "participants" save but never redeem.

## CAMEL CASH

### I. CAMEL CASH I

#### C. Objective

- Generate incremental volume through value-added purchase incentives.

#### Strategy

- Competitive Non-Users: Induce trial and brand switching
- Competitive Occasional Users: Increase percent requirement satisfied
- Franchise: Insulate from price pressure.

Program to be accomplished in an environment where CAMEL not primary RJR focus.

CAMEL CASHI. CAMEL CASH ID. Program

<ul style="list-style-type: none"> <li>• Broad Participation</li> <li>• Broad Scope</li> </ul>	<ul style="list-style-type: none"> <li>• 21-34 males target</li> <li>• Dual appeal</li> <li>• National program (24MM; 8-page catalogs)</li> <li>• Inserts on all filtered CAMEL styles               <ul style="list-style-type: none"> <li>- Uniquely CAMEL</li> <li>- Value-added versus discounting</li> <li>- Easy to save</li> </ul> </li> <li>• Massive <del>media plan</del> <i>Awareness plan</i> <ul style="list-style-type: none"> <li>- OOH</li> <li>- Print</li> <li>- Direct marketing</li> <li>- Retail</li> </ul> </li> <li>• Broad <del>retail</del> distribution               <ul style="list-style-type: none"> <li>- Retail take-ones</li> <li>- Retail premiums</li> <li>- Magazine pop-ups</li> <li>- Field marketing</li> <li>- Direct mail</li> <li>- Bouncebacks</li> </ul> </li> </ul>
--	--

## CAMEL CASH

### I. CAMEL CASH I

#### D. Program

- Program greatly exceeded expectations.

	Cash I (52 Items)	Estimated	Actual
• Original Plan	Shipments (Items)	2MM	5.6MM
	Spending	\$19MM	\$55MM
	C-Notes	80MM	128MM

## CAMEL CASH

### I. CAMEL CASH I

#### E. Overview

- SOM up for seven consecutive months
  - Marlboro share flat
- Growth in 18-24 Full-Price
  - Claimed conversion rate 29%
- Unique opportunity to further business momentum twice as efficiently
  - Acknowledgment of limited window
- Success of Cash I led Brand to adopt ongoing continuity effort

CAMEL CASH*Cash 1  
& all  
programs*I. CAMEL CASH I*I**P**S (*F. Lessons*Level*

Issues	Implications
<ul style="list-style-type: none"> <li>• Difficult to accurately predict participation</li> <li>• Continuation of program with same proofs increase liability tremendously</li> <li>• Long lead times make inventory management more difficult</li> <li>• Lengthy fulfillment process creates consumer dissatisfaction</li> <li>• Continuity programs/catalogs tend to lose their excitement around month six</li> </ul>	<ul style="list-style-type: none"> <li>• Must utilize better forecasting procedures</li> <li>• Need to better understand programs liability and associated implications</li> <li>• Minimize overseas-sourced items</li> <li>• Shorter fulfillment turn-time so that process becomes turnkey</li> <li>• Limit program duration to 6 months</li> </ul>



# POST CASH I

Cash II  
→ catalog time  
→ price 35-14  
→ retail 1 ~~ref-off~~

Cash III  
→ long hand too  
→ pressure

Cash IV  
→ Lotto  
1800  
5m

Cash  
- limit -34  
- auto

**CAMEL CASH****II. DEVELOPMENT OBJECTIVES**

- Maintain effectiveness at increased efficiencies
- Increase emphasis on low-end items
- Decrease average premium cost
- Sustain marketing support levels
- Better forecasting of item inventory
- Maintain balance of premiums
  - Female versus male
  - Smoking related
  - 21-35 versus 35+

CAMEL CASH

III. IV

PROGRAM ASSESSMENT

## B. Marketing Factors

- Marketing support never achieved Cash I level
- Support increased in Cash III to regain competitive participation
- Lotto added as Cash IV overlay

	CAMEL Cash				
	I	II	III	IV	V
<u>Media</u>					
• OOH (\$MM)	\$9.5	\$7	\$2.9	\$4.6	--
• Print (\$MM)	\$1.6	\$7	\$1.2	\$7.0	--
POS Support (\$MM)	\$1.5	\$1.2	\$2.3	\$4.1	--
Catalogs Distributed	34MM	31MM	45MM	60MM	--
% seen catalog Month 1					
• Franchise	--	20%	41%	57%	--
• Competitive	--	21%	53%	53%	--
% Low End Items (<35)	78%	33%	47%	47%	35%
Average C-Note Requirement (Proof)	53	110	140	87	142

? DW

? JC

? JC

This  
on  
separate  
sheet

CAMEL CASHIII. <sup>IV</sup>PROGRAM ASSESSMENTD. C-Note Value Factors

- Increase Efficiencies: Decrease C-Note cost (RJRT)
- Maintain Effectiveness: Maintain C-Note value (consumer)
- Relationship between perceived value and cost (PV/C) ratio determines our ability to simultaneously accomplish both objectives.

	CAMEL Cash				
	I	II	III	IV	V
Average Perceived Value	\$14.75	\$13.62	\$16.46	\$11.97	\$16.91
Average Cost	\$7.89	\$8.47	\$7.13	\$5.90	\$5.51
PV/C Index	213	251	256	286	242
Average C-Note Value	\$.42	\$.21	\$.23	\$.24	\$.20
Average C-Note Cost	\$.33	\$.15	\$.14	\$.11	\$.08

①  
Leave  
in  
only  
AWH1.AUG

CAMEL CASH

0 IV  
III.

PROGRAM ASSESSMENTE Summary

- Cash success due to previously established equity in CAMEL and Joe icon.

Joe's personality helped to form image for Brand

- Irreverent
  - Contemporary
  - Smooth, reliable
  - Confident
- Cash continuity program perpetuated brand equity
- Cutting edge
  - Unique items
  - First of its kind
  - Focus on Joe's World

# **CAMEL CASH PROGRAM DEVELOPMENT**

CAMEL CASHgV PROGRAM DEVELOPMENTA/B. Kickoff

- Meet offsite with all involved in CASH.
- Discuss objective and strategy
- Brainstorm
- Next steps and timing
- Discuss issues, problems, efficiencies, cost savings
  - Fulfillment
  - Consumer relations
  - Purchasing
  - Creative development
  - Production
- AGENCY PROCEEDS TO DEVELOP CATALOG THEME THAT MEETS OBJECTIVES AND STRATEGY.

## CAMEL CASH

### IV. PROGRAM DEVELOPMENT

#### C. Premium Item Development

- Agency/Brand agree on catalog theme
- Brand/Agency brainstorms on premium items
- Agency illustrates premiums for research

• *suppl suggest ideas*



CAMEL CASH

*Quantitative (forecast)  
- exact  
- exact layout*

IV PROGRAM DEVELOPMENTD. Research

## 1. Quantitative (items)

- Research group screens smokers
  - 100 → 40
- Items tested among 100 competitive non-menthol smokers who are neutral or positively disposed to CAMEL
  - Cash-savers
  - Non-savers
  - Male/female
  - 21-34 versus 35+
- Items tested to determine
  - Perceived value (Important: Used to determine C-Note requirements)
- Final results used to find best items for catalog

## CAMEL CASH

### IV PROGRAM DEVELOPMENT

#### D. Research

##### 2. Qualitative

- Usually simultaneous with quantitative
  - Research group screens smokers
  - Items tested among same as for quantitative
  - Test for appeal of catalog cover and section illustrations
  - 2-3 options
  - Results used to determine most appealing catalog cover and illustrations

## CAMEL CASH

### IV. PROGRAM DEVELOPMENT

#### E. Item Selection

- Several criteria considered when selecting items
  - Overall appeal (male/female, older/younger adult)
  - Perceived value versus actual cost (PV/C ratio) .
  - Leadtime (goal to have leadtimes less than 13 weeks)

## Camel Cash IV - Cost &amp; C-note Analysis

Item #	Item	Prem Cost	Fulfill Cost	Total Cost	C-note Req'd	C-note Cost	C-note Value	Perc'd Value	PV/C Index
1	Special Flip Top Lighter	\$1.89	\$0.53	\$2.42	10	0.24	1.50	\$15.00	620
2	Joe Camel Key Chain	\$1.50	\$0.55	\$2.05	15	0.14	0.14	\$2.05	100
3	Colossal Foot of Matches	\$0.44	\$0.50	\$0.94	15	0.06	0.21	\$3.10	330
4	Matchbook Calculator	\$1.29	\$0.50	\$1.79	15	0.12	0.61	\$9.10	508
5	Permanent Match	\$1.00	\$0.50	\$1.50	25	0.06	0.23	\$5.80	387
6	Shotglass	\$2.98	\$0.50	\$3.48	25	0.14	0.16	\$4.00	115
7	Eddie Sunglasses	\$1.75	\$0.75	\$2.50	25	0.10	0.56	\$14.00	560
8	Pool Player "Elbow" Mug	\$0.80	\$0.75	\$1.55	35	0.04	0.16	\$5.70	368
9	Diamond Ashtray	\$5.13	\$3.67	\$8.80	45	0.20	0.13	\$5.90	67
10	Quantum Windproof Lighter	\$6.40	\$0.54	\$6.94	60	0.12	0.18	\$10.80	156
11	Sleep Set	\$13.00	\$0.60	\$13.60	80	0.17	0.31	\$25.00	184
12	Camel Necklace	\$4.75	\$1.25	\$6.00	100	0.06	0.18	\$18.00	300
13	Tire Cover	\$16.50	\$2.00	\$18.50	200	0.09	0.05	\$9.90	54
14	Silk Jacket	\$16.85	\$1.00	\$17.85	250	0.07	0.15	\$38.70	217
16	Men's Denim Jacket	\$27.00	\$2.75	\$29.75	350	0.09	0.16	\$55.50	187
	AVERAGES	\$4.99	\$0.87	\$5.85	60	\$0.09	\$0.21	\$10.45	187

\*

$$\# \ 15.00/10 = \$1.50$$

$$240/10 = .24 - \text{c note}$$

## CAMEL CASH

### IV. PROGRAM DEVELOPMENT

#### F. Forecasting

- Correct information essential to developing accurate forecast
  - Catalog distribution quantities/timing
  - Program duration
  - Other programs in market during Cash program
  - Sift results
  - C-Note requirements
  - Perceived values
- Accurate forecasting imperative to program success
  - Consumer satisfaction
  - Excess inventory

## CAMEL CASH

### IV. PROGRAM DEVELOPMENT

#### G. Premium Sourcing *less*

- Agency ~~illustrates~~ premium for art mechanicals
- Purchasing/Brand develop art/mechanical schedule based on lead times
- Purchasing send color copies of premiums to suppliers
- Suppliers investigate production feasibility, issues, problems, printing, capacity limitations =
- Suppliers provide purchasing with *not* palette sheets including lead-times, prices with corresponding quantities
- ~~Issues~~
  - ~~Overseas items (longer leadtimes)~~

Pallete sheet

ITEM	QTY	PRICE	LEADTIME (WKS)	INITIAL ORDER DATE	OTHER COSTS	DESCRIPTION
<u>Chambray</u>	5M	\$12.96	16	8-Mar		One color embroidery. 100% cotton. 5 oz. blue. Long sleeves, button-down collar. Domestic . A/M 2/15
	25M	\$12.96	16			
	50M	\$12.96	16			
<u>Permanent Match</u>	25M	\$1.00	16	8-Mar		Striking area on back side of lighter. 35mm in length. Plastic & Metal
	50M	\$1.00	16			
	100M	\$1.00	17			
	250M	\$1.00	20			
<u>Elbow Mug</u>	10M	\$0.87	14	8-Mar	Mold	Six flat colors (hand painted) 3 3/4" x 3 1/4" dia. Holds 14OZ.
	50M	\$0.84	16		\$5,400	

Price  
Varies

CAMEL CASHVI. PREMIUM FULFILLMENTA. Fulfillment House

- Selection Criteria/Considerations
  - Financial stability
  - Warehouse space and security
  - Receiving areas (size and staffing)
  - Shipping capacity
  - Postal regulations expertise
  - Computer systems/flexibility to determine shipping, labeling and tracking
  - Customer Service personnel and systems to handle non-receipts, complaints, etc.
  - Ability to track/communicate receivings, inventory, etc.

— short for find



## CAMEL CASH

### VII. PREMIUM FULFILLMENT

#### B. Premium Delivery

- Must have inventory on shelf by program DTS.
- Need at least 15 days prior to DTS for fulfillment house to unpack and stock items.
- Standard to allow 5 days to open and process orders, and 5 days to pack, label and ship.
- Require 90% service level (90% orders shipped within 10 days).

**CAMEL 80th Anniversary**

- Program developed as a result from CAMEL non-filter smoker feedback.

**Program Dynamics (Duration: March through October 1993)**

- 13 items
- Fully self-liquidating (no proofs accepted)
- Delivered in cartons of non-filters only
  - 3MM in-carton offers
  - .250 available for call-in requests
- Outside supplier fully responsible for fulfillment of items

**Results**

- Ideal situation as Brand assumed no liability for premiums
- Orders received <sup>42,000</sup> versus 35,000 expected

## CAMEL CASH

### Marlboro Adventure Team

- Marlboro share flat during Cash I -- MAT launched as a defense mechanism

### Objective:

- Stabilize and grow market share via franchise retention

### Program Duration: January - August 1993 (Same as Cash III)

- Offered high-quality items
- Program difficult to understand: required consumers to convert proofs to 5 miles each
- Concurrent programs executed as tag-ons to first program

## CAMEL CASH

### VII. Premium Fulfillment

- Service level improves with each program
- Must maintain balance between out-of-stocks and excess inventory

	CAMEL Cash				
	I	II	III	IV	V
• Service Level	40%	96%	96%	90%	90%
• Excess Inventory	\$.7	\$3.4	\$5.8	\$3.6	1.8
• % Excess	1%	8%	13%	8%	6%

## CAMEL CASH

### VI. PROGRAM SUPPORT

- POS: To generate excitement, increase competitive participation

- Banners
- Pasters
- Laminated catalogs
- Change mat
- 24" PMC
- 19" transparency

- Bouncebacks: Improve relationship with Cash participants

- Catalog
- 5-Spot
- Order form

- Media

- OOH
- Print

CAMEL CASH

?

IV. PROGRAM DEVELOPMENTH. Catalog/POS Development

- Art delivery via electronic tape
  - More time and cost effective than art mechanical
- Catalog and POS developed and shipped to various locations
  - Laminated catalogs
- Catalogs delivery critical to program performance
  - Retailer mailings
  - Bouncebacks
  - Sales force
  - Retail premiums

## CAMEL CASH

### IV. PROGRAM DEVELOPMENT

#### A. Timing

- Operating on 6-month timing cycle
  - Should expand to 10-12 months
- Kickoff meeting (4-5 weeks)
  - Includes persons from all functional areas
  - Discuss direction with Agency and all players
  - Determine target number of items and pages for catalog
- Research (8-12 weeks)
  - Qualitative: Catalog concept and section spreads
  - Quantitative: Item selection and optimization, forecasting
- Item selection (based on research findings)
- Catalog development
  - Catalog layout/item positioning (8-12 weeks)
  - Premium illustration (8-12 weeks)
- Production
  - Catalog (10-12 weeks)
  - Premiums (10-30 weeks)

## CAMEL CASH

### IV. PROGRAM DEVELOPMENT

#### A. Timing

- Catalog and premium delivery
- Catalog placement
- Premium fulfillment



CAMEL CASHIV  
III.PROGRAM ASSESSMENTE. Summary

- Cash II did not maintain momentum initiated in Cash I

Factors:

- Overall program less inviting
- Slow catalog distribution ✓
- Lengthy Cash I fulfillment reputation
- Unprecedented Marlboro promotion

- Programs III & IV expected to resume momentum

Factors:

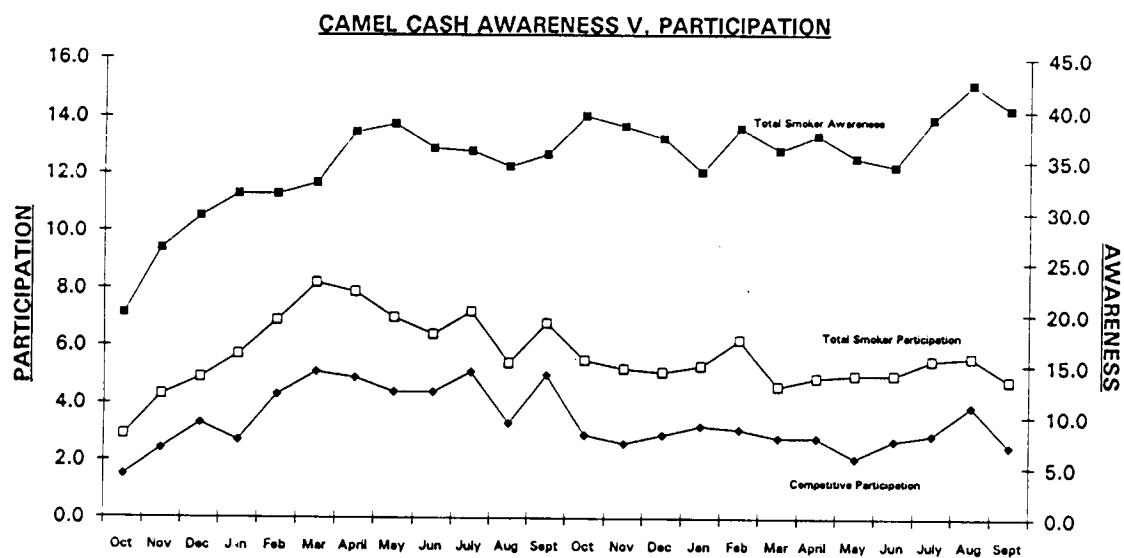
- Overall appeal (42% competitive non-savers judged as better value)
- More low-end items ✓
- Stronger marketing support
- Better catalog distribution

CAMEL CASH

III.

PROGRAM ASSESSMENTA. Program Dynamics

- Awareness/participation
  - Awareness relatively stable
  - Participation peaked in Cash I



### **III. Program Enhancements**

- Service level improves with each program
  - Allowed consistent availability
  - Enabled field sales to focus on other efforts
  
- Began issuing various C-Note denominations

<b>C-Note Denomination</b>	<b>Distribution Vehicle</b>	<b>Program</b>
1-Spot	On-pack	--
2-Spot	Bouncebacks Vending Program Packs of Special Lights	CC 1 CC 3 CC 4
3-Spot	Cincinnati Test Market Retail	CC 3 CC 3
4-Spot	Retail	CC 3
5-Spot	Direct Mail Bouncebacks	CC 3 - CC 4 CC 3 - CC 4
10-Spot	Direct Mail Retailer Incentive Program	CC 3 CC 3

BUCAMEL CASHMarlboro Adventure Team

- Marlboro share flat during Cash I -- MAT launched as a defense mechanism

Objective:

- Stabilize and grow market share via franchise retention

Program Duration: January - August 1993 (Same as Cash III)

- Offered high-quality items
- Program difficult to understand: required consumers to convert proofs to 5 miles each
- Concurrent programs executed as tag-ons to first program

CAMEL CASH**VI. PROGRAM SUPPORT**

- POS: To generate excitement, increase competitive participation

- Banners
- Pasters
- Laminated catalogs
- Change mat
- 24" PMC
- 19" transparency

- Bouncebacks: Improve relationship with Cash participants

- Catalog
- 5-Spot
- Order form

- Media

- OOH
- Print

CAMEL CASHIV. PROGRAM DEVELOPMENTH. Catalog/POS Development

- Art delivery via electronic tape
  - More time and cost effective than art mechanical
- Catalog and POS developed and shipped to various locations
  - Laminated catalogs
- Catalogs delivery critical to program performance
  - Retailer mailings
  - Bouncebacks
  - Sales force
  - Retail premiums

## CAMEL CASH

### IV. PROGRAM DEVELOPMENT

#### A. Timing

- Operating on 6-month timing cycle
  - Should expand to 10-12 months
- Kickoff meeting (4-5 weeks)
  - Includes persons from all functional areas
  - Discuss direction with Agency and all players
  - Determine target number of items and pages for catalog
- Research (8-12 weeks)
  - Qualitative: Catalog concept and section spreads
  - Quantitative: Item selection and optimization, forecasting
- Item selection (based on research findings)
- Catalog development
  - Catalog layout/item positioning (8-12 weeks)
  - Premium illustration (8-12 weeks)
- Production
  - Catalog (10-12 weeks)
  - Premiums (10-30 weeks)

## CAMEL CASH

### IV. PROGRAM DEVELOPMENT

#### A. Timing

- Catalog and premium delivery
- Catalog placement
- Premium fulfillment