

PROMOTION LEARNING REVIEW

● CURRENT KNOWLEDGE (76 MDD STUDIES AND PROMOTION EXPERIENCE)

- GENERAL LEARNING
 - TOTAL/COMPETITIVE RESPONSE
 - DEMOGRAPHIC RESPONSE
 - CONVERSION
- SPECIFIC PROGRAM LEARNING
 - TRIAL PROGRAMS
 - VOLUME PROGRAMS

● DESIRED FUTURE KNOWLEDGE

- TRIAL PROGRAMS
- VOLUME PROGRAMS

● ACTION PROGRAMS

CURRENT KNOWLEDGE

GENERAL LEARNING SUMMARY

- TOTAL AND COMPETITIVE SMOKER PROMOTION RESPONSE IS AFFECTED BY:

- VALUE: HIGHER VALUE YIELDS GREATER TOTAL & COMPETITIVE RESPONSE
- BRAND: SIZE/PROFILE/POSITIONING
- VEHICLE
 - TOTAL: LIKELIHOOD FIND/EASE OF PARTICIPATION
 - COMPETITIVE: TARGETABILITY

- DEMOGRAPHIC PROMOTION RESPONSE AFFECTED BY:

- PROFILE OF OFFER CARRIER (OUTLET, MEDIA, ENVIRONMENT)
- NATURE OF OFFER
 - YAS: IMMEDIACY
 - OAS: EXTENT OF SAVINGS

- CONVERSION IS AFFECTED BY:

- QUANTITY TRIED
- DEGREE OF COMMITMENT/INTEREST OF PARTICIPANTS

- CONTINUITY OF PROMOTION IMPACT IS DESIRABLE

- VOLUME YIELD
- CONVERSION

- PROMOTION DOES NOT DETRACT FROM BRAND IMAGE

- IMAGE ENHANCEMENT CAN ENHANCE PROMOTION PARTICIPATION

VOLUME PROGRAMS

● KEY OBJECTIVES

- SHORT TERM (PRIMARY)

- GENERATE MAXIMUM VOLUME, FOR RJR BRAND, PARTICULARLY COMPETITIVE SMOKER VOLUME, THROUGH USE OF CARTON PURCHASE INCENTIVES.

- LONG TERM (SECONDARY)

- GENERATE VOLUME GAINS THROUGH COMPETITIVE CONVERSION.

CURRENT KNOWLEDGE

SPECIFIC LEARNING

● PRODUCT LINE VOLUME PROGRAMS

- DIFFERENT PLV VEHICLES HAVE UNIQUE STRENGTHS

IMMEDIATE RETAIL IMPACT

ON-CARTON COUPONS

INTERCEPT COUPONS

DIRECT MARKETING

COMPETITIVE PARTICIPATION

DIRECT MARKETING

INTERCEPT COUPONS

ON-CARTON COUPONS

CURRENT KNOWLEDGE

SPECIFIC LEARNING

● PRODUCT LINE VOLUME PROGRAMS

- DIRECT MARKETING PROGRAM MOST EFFECTIVE IN GENERATING IMMEDIATE VOLUME (WINSTON/SALEM VOLUME PROGRAMS RESEARCH/GREAT REBATE RESEARCH)

	<u>VOLUME INDEX COMPARISON*</u>	
	<u>GROSS</u>	<u>NET INCREMENTAL</u>
DIRECT MARKETING (6 - \$2.00 COUPONS)		
WINSTON	144	109
SALEM	127	95
STREET INTERCEPT (\$2.50 STORE COUPON/6-\$2.00 BB)		
WINSTON	67	15
SALEM	65	13
GREAT REBATE (\$1.50 STORE COUPON/\$8.50 REBATE), MULTI-BRAND	32	7

*CARTON VOLUME/100COUPON RECIPIENTS

CURRENT KNOWLEDGE

SPECIFIC LEARNING

● PRODUCT LINE VOLUME PROGRAMS

- DIRECT MARKETING PROGRAM'S ABILITY TO TARGET DELIVERY OF 6 COUPONS TO COMPETITIVE SMOKERS RESULTS IN GREATER COMPETITIVE RESPONSE VERSUS BOUNCEBACK ON REFUND AND THUS HEIGHTENED NET EFFECTIVENESS.

	DIRECT MKTG. 6-\$2.00 COUP. <u>WINS.</u> <u>SALEM</u>		STREET INTERCEPT 6-\$2.00 COUP. BB <u>WINSTON</u> <u>SALEM</u>		GREAT REBATE \$8.50 CASH REFUND <u>MULTI-BRAND</u>
COMPETITIVE RESPONSE	23	19	1.2	.9	1.1
X CONVERSION	21	28	46	50	23
= NET EFFECTIVE- NESS	4.6	5.5	.5	.5	.3

CURRENT KNOWLEDGE

SPECIFIC LEARNING

● PLV PROGRAMS - MULTI-BRAND VS. SOLO BRAND

- WITHIN INTERCEPT COUPON PROGRAM, CURRENT EVIDENCE SUGGESTS THAT WHILE TOTAL IMMEDIATE REDEMPTION IS INCREASED, IMMEDIATE COMPETITIVE REDEMPTION IS NOT AFFECTED BY USE OF MULTI-BRAND.

	<u>REDEEMER PROFILE</u>		<u>ESTIMATE IMMEDIATE REDEMPTION RATE</u>	
	<u>WINSTON/ SALEM</u>	<u>MULTI-BRAND</u>	<u>WINSTON/ SALEM</u>	<u>MULTI-BRAND</u>
WINSTON/SALEM	58	56	24	32
OTHER RJR	6	<u>26</u>	16	31
COMPETITIVE	<u>36</u>	18	14	14
TOTAL	100	100	20	26

- WITHIN DIRECT MARKETING PROGRAM CURRENT EVIDENCE SUGGESTS THAT WHILE MULTI-BRAND APPROACH EXPANDS VOLUME YIELD (30%); IT OCCURS AT THE EXPENSE OF WINSTON (-32%) WHICH IS HURT BY CAMEL AND VANTAGE AMONG VMT SMOKERS.

CONTINUATION OF SOLO WINSTON AMONG VMT SMOKERS TOGETHER WITH MULTI-BRAND FOR OTHER SEGMENTS PRESERVES TOTAL VOLUME GAIN (+27%) AND MAINTAINS WINSTON VOLUME.

CURRENT KNOWLEDGE

SPECIFIC LEARNING

● VOLUME PROGRAMS - SAVINGS SEGMENT BRANDS

- SAVINGS SEGMENT BRAND CONSUMERS APPEAR TO BE VERY PRICE/
PROMOTION CONSCIOUS AND PROBABLY NOT BRAND LOYAL.
- COUPON REDEMPTION FOR CENTURY IS QUITE HIGH VERSUS ITS
SHARE.

	INDEX RPM COUPON REDEMPTION <u>VS. SHARE</u>
CENTURY	460
AVG. RJR STANDARD BRAND	86

- BRAND ESTIMATED THAT 40% OF CENTURY BUYERS ARE COUPON
DEPENDENT.

CURRENT KNOWLEDGE

SPECIFIC LEARNING

● BRAND VOLUME PROGRAMS

- DESPITE LOW LEVEL OF COMPETITIVE PARTICIPATION (ESTIMATED @10%), MEDIA COUPONS CAN EFFECTIVELY GENERATE INCREMENTAL SHARE.

	<u>WINSTON COUPONS</u>	
	<u>85MM CIRC.</u>	<u>35MM CIRC.</u>
	<u>\$2.00 FSI</u>	<u>75¢ FSI</u>
FOOD STORE BRAND		
SOM GAIN	.50	.30
NET RJR SOM GAIN	.39	.23

VOLUME PROGRAMS
CURRENT KNOWLEDGE

SUMMARY

- CURRENT KNOWLEDGE BASE (GENERAL AND SPECIFIC LEARNING) PROVIDES AN UNDERSTANDING OF KEY PRINCIPLES TO VOLUME PROGRAMS WHICH GUIDE CORPORATE PROMOTION STRATEGIES.
- HIGHER VALUES ARE DESIRABLE, TO THE EXTENT AFFORDABLE, TO YIELD GREATER TOTAL AND COMPETITIVE PROMOTED VOLUME.
- FOCUS ON WINSTON AND SALEM AS PRIMARY STANDARD BRANDS RECEIVING PROMOTION EMPHASIS. UTILIZE SAVINGS SEGMENT BRAND PROMOTION SUPPORT TO GENERATE VOLUME.
- VEHICLE EMPHASIS.

COMPETITIVE VOLUME

DIRECT MARKETING
INTERCEPT COUPONING
ON-CARTON
MEDIA

EFFICIENCY/FRANCHISE
STABILIZATION

ON-CARTON
MEDIA
INTERCEPT COUPONING
(DIRECT MARKETING)

VOLUME PROGRAMS

CURRENT KNOWLEDGE

SUMMARY

- FOR STANDARD BRANDS, LEARNING GAPS EXIST WITH RESPECT TO TRANSLATING GENERAL PRINCIPLES WHICH GUIDE STRATEGIES INTO SPECIFIC KNOWLEDGE TO GUIDE TACTICS.

E.G. WHAT IS THE OPTIMAL VALUE FOR A VANTAGE FSI COUPON TO GENERATE MAXIMUM COMPETITIVE REDEMPTION IN A COST EFFECTIVE MANNER?

- FOR SAVINGS BRANDS LEARNING GAPS EXIST WITH RESPECT TO:
 - DIRECT KNOWLEDGE OF HOW PROGRAMS WORK
 - SPECIFIC KNOWLEDGE ----> TACTICS
 - GENERAL PRINCIPLES ----> STRATEGIES
 - LEVEL OF DEPENDENCY/RESPONSIVENESS OF SAVINGS BRANDS TO PROMOTION SPENDING

VOLUME PROGRAMS

DESIRED KNOWLEDGE

- ENHANCED LEARNING WITH RESPECT TO KEY SAVINGS BRANDS AND STANDARD BRANDS TO BETTER ASSESS PROMOTION SOM RESPONSE/DEPENDENCY.
- ENHANCED LEARNING TO FACILITATE MORE INFORMED PLANNING OF BRAND PROMOTION CONTROLLED PROGRAMS BASED ON COMPETITIVE PARTICIPATION PROFILE.

<u>BRANDS</u>	<u>VEHICLES</u>	<u>VALUES</u>
CENTURY DORAL	ON-CARTON COUPONS	\$1.00 - \$2.50
WINSTON SALEM CAMEL CENTURY VANTAGE	FSI POP-UP COUPONS	\$1.00 - \$2.50

- CONVERSION/RETENTION IMPACT OF MEDIA/ON-CARTON COUPONS.

TRIAL PROGRAMS

● KEY OBJECTIVES

- SHORT TERM (PRIMARY)

GENERATE MAXIMUM TRIAL FOR RJR BRANDS, PARTICULARLY
COMPETITIVE SMOKER TRIAL.

- LONG TERM (SECONDARY)

ARREST RJR SHARE EROSION AMONG KEY STRATEGIC TARGET SMOKERS
(YAS)/IN KEY TARGET OUTLETS (PACK ACTION).

CURRENT KNOWLEDGE

SPECIFIC LEARNING

● RETAIL TRIAL PROGRAMS

- TOTAL RESPONSE

- CONSISTENT WITH GENERAL LEARNING, HIGHER RESPONSE DERIVED FROM:

-- BIGGER BRANDS

	<u>SELL-OUT RATE</u>
WINSTON BIG1F	3.2 DAYS
CAMEL BIG1F	6.1 DAYS
WINSTON 75¢ COUPONS	7.0 DAYS
SALEM 75¢ COUPONS	14.0 DAYS (EST.)

- GREATER VALUE/IMMEDIACY

	<u>SELL-OUT RATE</u>
WINSTON BIG1F	3.2 DAYS
WINSTON 75¢ COUPON	7.0 DAYS
WINSTON 50¢ COUPON	8.5 DAYS
WINSTON FREE GAL. GAS	8.2 DAYS
WINSTON FREE SOFT DRINK	12.0 DAYS

CURRENT KNOWLEDGE

SPECIFIC LEARNING

● RETAIL TRIAL PROGRAMS

- COMPETITIVE RESPONSE

- BARRIERS TO COMPETITIVE PARTICIPATION EXIST WITH RESPECT TO RETAIL TRIAL OFFERS

- LOW PERCEIVED (ACTUAL) ABSOLUTE VALUE
- LIMITED SUPPLY PHENOMENON (FRANCHISE BUYS FIRST/FRANCHISE MULTIPLE PURCHASE)
- SELF-SELECTION

	<u>% COMPETITIVE</u>
WINSTON - 2 PACK OFFERS	
B1G1F	14
75¢ COUPON	16
50¢ COUPON	12
FREE GAS	12
FREE SOFT DRINK	11

CURRENT KNOWLEDGE

SPECIFIC LEARNING

● RETAIL TRIAL PROGRAMS

- COMPETITIVE RESPONSE (CONTINUED)

- COMPETITIVE PARTICIPATION CAN BE ENHANCED BY OVERCOMING THESE BARRIERS.

- AMERICAN EXPRESS \$1.50/2 PACK INTERCEPT OVERCOMES SELF SELECTION, VALUE AND LIMITED SUPPLY BARRIERS.

	<u>% COMPETITIVE</u>
\$1.50 W/S/C AMEX INTERCEPT	37
75¢ WINSTON 2-PACK COUPON	16

- DESIRABLE PREMIUMS IN A SUSTAINED PROMOTION EFFORT OVERCOME PERCEIVED VALUE AND LIMITED SUPPLY BARRIERS.

<u>WINSTON OFFERS</u>	<u>% COMPETITIVE</u>
LIGHTER: SINGLE DISPLAY	11
REFILLED DISPLAY	25
75¢ COUPON: SINGLE DISPLAY	16
REFILLED DISPLAY	15

- LOW SHARE BRANDS/NEW BRAND WITH SMALL FRANCHISES OVERCOME LIMITED SUPPLY BARRIER.

	<u>% COMPETITIVE</u>
NOW B1G1F	59

CURRENT KNOWLEDGE

SPECIFIC LEARNING

● RETAIL TRIAL PROGRAMS

- PACK ACTION OUTLET STRATEGY: SUSTAINED PROMOTION EFFORT CAN RESULT IN

- SIGNIFICANT SHORT TERM SHARE GAIN

	<u>OUTLET SHARE TRENDS</u>		
	<u>PRE</u>	<u>POST</u>	<u>GAIN</u>
WINSTON KING	3.83	6.56	+2.73
TOTAL WINSTON	9.58	12.43	+2.85
TOTAL RJR	31.13	33.22	+2.09

- STRONG COVERSION AMONG COMPETITIVE PARTICIPANTS (14%).

CURRENT KNOWLEDGE

SPECIFIC LEARNING

● MEDIA TRIAL PROGRAMS

- TOTAL RESPONSE

- STRONG TOTAL RESPONSE (REDEMPTION) TO MEDIA TRIAL OFFERS MAKES THIS AN EFFECTIVE MEANS OF GENERATING TRIAL FOR NEW BRANDS DURING INTRODUCTION OR NICHE BRANDS THAT DO NOT WARRANT RETAIL PRESENCE.

CO-OP FSI PREDICTED REDEMPTION (RPM)

	<u>STERLING</u>	<u>MORE</u>	<u>NOW</u>
FREE PACK COUPON	7.7	10.7	8.7
BIG1F	2.4	5.4	3.4

CURRENT KNOWLEDGE

SPECIFIC LEARNING

● SAMPLING TRAIL PROGRAMS

- ENVIRONMENTAL SAMPLING IS AN EFFECTIVE TOOL TO REACH A BRAND'S TARGET/OVERCOMES SELF SELECTION BARRIER.

CAMEL T-SHIRT REQUESTORS (OFFER DELIVERED VIA ENVIRONMENTAL SAMPLING <u>NIGHTCLUBS/BARS</u>)			CAMEL B1G1F <u>(CONV. STORE)</u>
18-34	69	<-----	56
35+	31		43
% COMPETITIVE	48	<-----	20

TRIAL PROGRAMS
CURRENT KNOWLEDGE

SUMMARY

- GOOD UNDERSTANDING EXISTS REGARDING BOTH THE PRINCIPLES AND TACTICS OF TRIAL PROGRAMS - PARTICULARLY RETAIL TRIAL PROGRAMS.
 - DISCOUNT PROMOTIONS (B1G1F, B3G3F, 75¢ COUPONS) GENERATE GREATEST TOTAL RESPONSE (MULTIPLE FRANCHISE PARTICIPATION)
 - APPEALING PREMIUMS MAXIMIZE COMPETITIVE PARTICIPATION PARTICULARLY WITHIN A SUSTAINED EFFORT
 - MEDIA TRIAL EVENTS MOST APPROPRIATE FOR NEW BRANDS/NICHE BRANDS.
 - ENVIRONMENTAL SAMPLING EFFECTIVE IN GENERATING TARGETED TRIAL.

TRIAL PROGRAMS

CURRENT KNOWLEDGE

- LEARNING GAPS EXISTS WITH RESPECT TO

- WHAT SPECIFIC PREMIUMS BEST MEET IDENTIFIED PARAMETERS (ATTRACTIVE, FUNCTIONAL, PERCEIVED VALUE) OF COMPETITIVE APPEAL
- IMPACT OF SUSTAINED PACK PROMOTIONS ON PACK OUTLET SHARE
- COMPETITIVE PARTICIPATION IN MEDIA TRIAL EVENTS

TRIAL PROGRAMS
DESIRED KNOWLEDGE

- ENHANCED UNDERSTANDING OF IMPACT OF SUSTAINED PACK PROMOTIONS ON PACK OUTLET SHARE.

- ENHANCED UNDERSTANDING OF COMPETITIVE APPEAL OF PREMIUMS.

PRE-MARKET
IN-MARKET (COMPETITIVE PROFILE)

- LEARNING REGARDING COMPETITIVE TRIAL PROFILE OF MEDIA ,
PACK-COUPON PARTICIPANTS.

CURRENT LEVEL
HOW TO IMPROVE

- CONVERSION LEVELS ASSOCIATED WITH PACK PROMOTION PROGRAMS.

- PRIORITIES

RETAIL OFFERS
WINSTON
SALEM
CAMEL

MEDIA OFFERS
MORE

ACTION PROGRAM SUMMARY

<u>DESIRED KNOWLEDGE</u>	<u>ACTION PROGRAM</u>	<u>TIMING</u>												
● VOLUME PROGRAM LEARNING														
- SAVINGS/STANDARD BRAND SOM RESPONSE TO PROMOTION SPENDING	- TEST MARKET AUDITS	1ST QTR. '87												
- COMPETITIVE PROFILE & CONVERSION/RETENTION OF FSI/POP-UP COUPONS: KEY BRANDS & VALUES	- MEDIA COUPON PARTICIPATION AND CONVERSION STUDY	4TH QTR. '86												
	<table><tr><td><u>BRANDS</u></td><td><u>VALUES</u></td></tr><tr><td>WINSTON</td><td>\$1.00</td></tr><tr><td>SALEM</td><td>\$1.50</td></tr><tr><td>CAMEL</td><td>\$2.00</td></tr><tr><td>CENTURY</td><td>\$2.50</td></tr><tr><td>VANTAGE</td><td></td></tr></table>	<u>BRANDS</u>	<u>VALUES</u>	WINSTON	\$1.00	SALEM	\$1.50	CAMEL	\$2.00	CENTURY	\$2.50	VANTAGE		
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WINSTON	\$1.00													
SALEM	\$1.50													
CAMEL	\$2.00													
CENTURY	\$2.50													
VANTAGE														
- COMPETITIVE PROFILE & CONVERSION/RETENTION OF SAVINGS BRAND IRC'S	- ON-CARTON COUPON PARTICIPATION AND CONVERSION STUDY	3RD QTR. '86												
	<table><tr><td><u>BRANDS</u></td><td><u>VALUES</u></td></tr><tr><td>DORAL</td><td>\$1.00</td></tr><tr><td>CENTURY</td><td>\$1.50</td></tr><tr><td></td><td>\$2.00</td></tr></table>	<u>BRANDS</u>	<u>VALUES</u>	DORAL	\$1.00	CENTURY	\$1.50		\$2.00					
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DORAL	\$1.00													
CENTURY	\$1.50													
	\$2.00													

ACTION PROGRAM SUMMARY

<u>DESIRED KNOWLEDGE</u>	<u>ACTION PROGRAM</u>	<u>TIMING</u>								
● TRIAL PROGRAM LEARNING										
- OUTLET SHARE IMPACT OF SUSTAINED PACK PROMOTIONS	- PACK ACTION OUTLET EXPANSION RESEARCH	1ST QTR. '87								
- COMPETITIVE APPEAL OF RETAIL PROMOTIONS										
• PREMARKET	• PREMIUM QUANTITATIVE TESTING	2ND QTR. '86								
• IN-MARKET (COMPETITIVE PROFILE) & CONVERSION	• PACK ACTION OUTLET EXPANSION RESEARCH	1ST QTR. '87								
- COMPETITIVE PROFILE OF MEDIA COUPONS	- COUPON PARTICIPATION STUDY	4TH QTR. '86								
	<table><tr><td><u>BRANDS</u></td><td><u>VALUES</u></td></tr><tr><td></td><td>75¢</td></tr><tr><td></td><td>B1G1F</td></tr><tr><td>MORE</td><td>B2G1F</td></tr></table>	<u>BRANDS</u>	<u>VALUES</u>		75¢		B1G1F	MORE	B2G1F	
<u>BRANDS</u>	<u>VALUES</u>									
	75¢									
	B1G1F									
MORE	B2G1F									

CURRENT KNOWLEDGE

GENERAL LEARNING

● RESPONSE

BOTH TOTAL AND COMPETITIVE SMOKER PROMOTION RESPONSE IS
AFFECTED BY THREE PRIMARY FACTORS:

- VALUE
- BRAND
- VEHICLE