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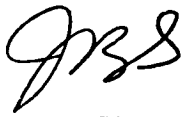
DONNELLEY CONTACT (IN-STORE INTERCEPT) COUPON PROGRAM

Attached is a cost comparison of the Contact program vs. a direct mail co-op coupon effort. Conservative estimates were made regarding direct mail results; maximum estimates were made for the Contact program. The cost differentials clearly favor a direct mail co-op program.

The basic conclusion is that solo couponing, using either direct mail or intercept distribution, does not seem able to deliver enough increased response to offset the much higher distribution cost vs. a co-op effort.

Co-op intercept programs do have sufficient promise to warrant further market testing.

DORAL is currently planning to test both a store redeemable coupon and a mail-in refund offer via street intercept this fall.



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EFFICIENCY COMPARISON

50¢ Carton Coupon

	<u>Direct Mail Co-op</u>	<u>Donnelley Contact (Intercept) Program</u>
Coupons Distributed	1,000	1,000
Estimated Redemptions	100 (10%)	300 (30%)
Estimated Competitive Redemptions	40	200
Distribution Cost	\$12	\$150 ^{/1}
Cost per redemption	<u>.12</u>	<u>.50</u>
Cost per Competitive Redeemer	<u>.30</u>	<u>.75</u>

- Misredemption is not discounted in the above estimates. Judgmentally, the Contact program would have at least as much misredemption as a direct mail co-op.
- Competitive estimates are based on a minimum competitive rate of 40% (of redemptions) for direct mail and a maximum rate of 67% (of redemptions) for the intercept program.

^{/1} Assumes Donnelley will need three man days to reach 1,000 smokers at a cost of \$50 per day.