

SALEM Rollout Display Plan

August 7, 1998

SALEM Rollout Display Plan

52035 6534

Background

Field Sales currently merchandises FPDs as follows:

- | | | | | |
|-----------|------------------|--------------------------|---|--|
| • 1 FPD: | WINSTON
CAMEL | - Primary
- Secondary | > | Based on brand
priority by Division |
| • 2 FPDs: | CAMEL
WINSTON | - Primary
- Secondary | | |

SALEM is only placed on FPDs in extreme menthol opportunity calls (Field determined).

For SALEM to be successfully repositioned, the Brand must be displayed in rollout states:

- Primary or secondary position on FPDs
- Tertiary and/or supplemental display

Objective

Develop a display plan that:

- Provides the display presence SALEM needs to grow.
- Creates no negative share performance for CAMEL or WINSTON.



Strategy

- Use AIM data in rollout states to identify where SALEM should be displayed on FPDs:
 - Primary
 - Secondary
 - Tertiary if available (two FPDs or more)
 - Supplemental
- Utilize AIM data to suggest priority of WINSTON/CAMEL based on size of brand.
- Establish supplemental display strategy to better support all priority brands at retail.



Critical Plan Elements

In order to agree with this display plan, you must “buy into” the following:

- AIM data is an acceptable way to evaluate brand opportunity in a zip code geography.
 - 12 months used for this plan.
- Brand opportunity for RJR is established based on:
 - Marlboro SOM (ex. Menthol)
 - Full price menthol (FPM) SOM
- SALEM display opportunity should be driven by size of full price menthol SOM compared to Marlboro SOM.
 - Example:

FPM SOM = 90%+ of Marlboro SOM
FPM SOM = 27% Marlboro SOM = 30%



Critical Plan Elements (continued)

- CAMEL/WINSTON display priority determined based on size of brand in all FPM scenarios.
- Tertiary position in FPDs only applies when two or more FPDs exist with adequate number of trays.
- Permanent FPDs and supplemental displays must be viewed as display resources for all RJR full price brands.

Example: Stores with only one FPD and SALEM is considered third priority. SALEM should be placed in supplemental display versus RED KAMEL or WINSTON UL Box (in rollout area).

- In stores not identified as FPM opportunity, SALEM should be considered tertiary and supplemental in rollout states.



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Target

- Two separate sets of stores are included in this display plan recommendation.
- All Pack Partners in the targeted rollout states, divided as follows:

75%+ FPM

10,000

Full Price Menthol
opportunity exists

FPM CIV
57%

Less than 75% FPM SOM

16,000

All other
Pack Partners

FPM CIV
43%

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Proposed Tactics

	75%+ FPM	Less than 75% FPM	
	<u>FPM SOM = 90%+ vs. Marl. SOM</u>	<u>FPM = 75 - 89% Marl.</u>	<u>Less than 75% FPM SOM</u>
Objective:	Leverage menthol opportunity Minimal impact to WINSTON/CAMEL	Leverage largest RJR brand	Minimize impact to WINSTON/CAMEL.
1 FPD	SALEM in Primary Suggested in Secondary (W or C) • Other w/Supplemental (W or C)	Suggested in Primary (S, W, or C) Suggested in Secondary (S, W, or C) • Other w/Supplemental (S, W, or C)	WINSTON or CAMEL Division priority WINSTON or CAMEL • SALEM supplemental
2 FPDs	SALEM in Primary Suggested in Secondary • Other in Tertiary and Supplemental	Suggested in Primary Suggested in Secondary • Other in Tertiary and Supplemental	CAMEL - primary WINSTON - secondary • SALEM - tertiary and supplemental
3 FPDs	SALEM in Primary Suggested in Secondary Suggested in Tertiary • Supplemental- any brand/styles	Suggested in Primary Suggested in Secondary Suggested in Tertiary • Supplemental- any brand/styles	CAMEL - primary WINSTON - secondary SALEM - tertiary • Supplemental - any brand/styles
# Stores	5,864 100%+ Marlboro <u>1,279</u> 90 - 100% of Marlboro 7,143 total	2,870	16,000



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Pack Partners in Rollout States

	FPM Opportunity		All Other
	<u>90%+</u>	<u>75 - 89%</u>	<u>Less than 75%</u>
Primary			
SALEM	7,143	2,106	-
WINSTON	-	576	2,000
CAMEL	-	188	14,000
Secondary			
SALEM	-	468	-
WINSTON	6,134	1,844	14,000
CAMEL	1,009	558	2,000
Tertiary			
SALEM	-	296	16,000
WINSTON	1,009	450	-
CAMEL	6,134	2,124	-
Brand BDI:			
SALEM	148	129	
WINSTON	91	93	
CAMEL	55	73	
Marlboro	75	101	
Newport	362	188	

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Store Summary/Impact

	<u>FPM Opportunity</u>	<u>Less than 75% FPM Opportunity</u>	<u>Current</u>	<u>Diff +/-</u>
Pack Partners	10,000	16,000	26,000	N/A
Primary				
SALEM	9,249	-	2,000	+7,249
WINSTON	576	2,000	4,000	-1,424
CAMEL	188	14,000	20,000	-5,812
Secondary				
SALEM	468	-	2,000	-1,532
WINSTON	7,978	14,000	20,000	+1,978
CAMEL	1,567	2,000	4,000	-433
Tertiary				
SALEM	296	16,000	4,500	+11,796
WINSTON	1,459	-	2,000	-541
CAMEL	8,258	-	2,000	+6,258

Note: Currently only three rollout states are determined to by partial CAMEL priority states:

NJ - 50% CAMEL, 50% WINSTON

NY - 50% CAMEL, 50% WINSTON

PA - 75% CAMEL, 25% WINSTON

Field projects approximately 12,000 Partners calls can place a supplemental display.



Summary

- Display plan approach properly balances calls where SALEM should receive priority/secondary focus versus WINSTON/CAMEL.
- Tertiary/supplemental display recommendation minimizes risk for WINSTON/CAMEL while providing SALEM with a "fighting chance" in calls where not on permanent display.

Next Steps

- Achieve commitment from Brand/Field Sales should SALEM rollout occur.
- Determine execution issues/plan for Field Sales.

