

## MORE LIGHTS 100's SUMMARY DISCUSSION

### Authorization Requested

Introduce MORE Lights 100's nationally on July 6, 1981. Introductory marketing program to include increased introductory case discount allowance (\$12.00/case for simultaneously accepting both filter and menthol styles; \$9.00/case for accepting only one style). Estimated total marketing expenditure required for introduction is \$46,000,000 in 1981. (Expenditure for machinery acquisition has already been authorized via CA #81-2. The \$34.4 million expenditure covered capital for both this brand introduction and M-2).

### Rationale

MORE LIGHTS 100's represents an opportunity for incremental corporate and Brand family share and volume. The Brand is designed to:

1. Capitalize on the strong, projected growth of the 100mm FFLT Category (12.6 SOM in 1980 and 16.4 SOM in 1985).
2. Erode Philip Morris' dominant share of the 100mm FFLT Category (46% of this category in 1980).
3. Compete directly with Philip Morris' unchallenged, female image-oriented growth brand, Virginia Slims Lights (which achieved a .98 SOM during 1980-1981, its first full year in market). This will be accomplished by delivering a desired but unfulfilled user image of a confident, warm interactive, spontaneous woman who leads a distinctive lifestyle. Use of a beige product further reinforces the target's penchant for distinctiveness.
4. Expand the MORE Family's long term growth potential by addressing the highly targeted, somewhat limited appeal of the MORE 120's product configuration through the less extreme, more broadly acceptable design of the MORE LIGHTS 100's product itself (beige color, 100mm length, 22.5 circumference) while continuing to utilize the MORE heritage of product uniqueness.

An increased introductory case discount allowance (\$12.00/case for simultaneously accepting both MORE LIGHTS 100's Filter and Menthol; \$9.00/case for accepting only one style) to encourage simultaneous acceptance of both filter and menthol styles is advocated in the Brand's marketing program as an incentive which will:

1. Insure rapid acceptance of both filter and menthol styles by direct accounts and hence widespread distribution in key high volume outlets (i.e., chains).
2. Maintain RJR's competitive position on new brand allowance (e.g., introductory allowance for Barclay is \$18.00/case; for Merit Ultra Lights, \$9.00/case).

11328

50185 4163

#### Compatibility With Plan

Approval of this request will not have any impact on budgeted 1981 earnings. Although the 1981 Revised Plan had a lower level of funding for this project, the incremental funds will come from existing Marketing Budgets. This proposal was reflected in the Long Range Strategic Plan, and approval of this request is necessary for the accomplishment of that Plan. Machinery acquisition for manufacturing MORE Lights 100's has already been authorized via CA #81-2.

#### Alternatives

Numerous alternatives including product configuration, timing of introduction and Brand's marketing strategy and introductory positioning were considered. The proposal represents the optimum strategy for capitalizing on the perceived marketing opportunity.

#### Risks

No test market of MORE Lights 100's will be conducted prior to national introduction. However, risks have been minimized by comprehensive pre-market product and consumer research, which confirmed the viability of the project, and by the advance start-up of new machinery to identify potential manufacturing difficulties with the new product configuration. The risk of competitive imitation of the Brand and preemption of its introduction, moreover, have been minimized by circumventing early exposure through test market of MORE Lights 100's.

#### Results of Proposal

Successful national introduction of the Brand is expected to yield incremental share of .14 during 1981 (7/81-12/81), of .36 during calendar year 1982, and of .52 during calendar year 1983. MORE Lights 100's will satisfy a female imagery gap through its positioning as a brand for warm, interactive, outgoing, younger adult, female smokers and compete directly and specifically with P.M.'s unchallenged female entry, Virginia Slims. If successfully introduced, the Brand is projected to realize a 16.8% ROI and a 50.9 month payback. Net earnings will be (\$38,901M) in calendar year 1981 and (\$59M) in calendar year 1982 (reflecting the negative impact of introductory marketing expenditures and capital investment). The Brand will positively contribute to net earnings in 1983 and thereafter, reaching a contribution level of \$28,211M in 1985. Approval of this request will have no effect on 1981 Plan earnings or on future year earnings per the latest Long Range Strategic Plan.