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SUBJECT: Marketing Information and Analysis
1989 Critical Issues

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Critical issues for the Marketing Information and Analysis department fundamentally reflect a collective statement of analytically oriented knowledge requirements made by the various Brand, Promotion and Sales departments. Needless to say, our main focus is on PM USA, but we also regularly provide Corporate and PM International with necessary information.

Because we service a broad range of users at PM, we are often in a position to be proactive in identifying critical issues which cut across many Marketing and Sales departments.

The reorganization of many departments within the Marketing group is expected to have a significant impact on the scope of critical issues addressed by Marketing Information and Analysis in 1989. With the reorganization, a commitment has been made to push direct information access out of the research area and to the end user in brand management. This change should enhance our ability to provide analytical rather than information processing support.

Outlined below are the most important analytical issues which should be addressed in 1989. Those projects with highest priority are indicated with an asterisk.

MARKETING ISSUES

* Pack Merchandising

- Design a continuous tracking and reporting system for evaluating inventory and distribution pack merchandising dynamics.
- Develop a comprehensive overview of front end merchandising from which a pack merchandising strategy may be formulated.

Regional/Local Marketing

- Develop additional research capabilities for evaluating various regional/local marketing programs.

MARKETING ISSUES (continued)

* Micro Markets

- Investigate opportunities for conducting test marketing on a smaller geographic basis than the trading area level to allow alternative strategies to be tested.

Brand Loyalty

- Existing methods of defining and monitoring brand loyalty are weakening in the face of heightened levels of couponing and the Price Value category growth. A more sophisticated model which is based on a "percent of requirements" approach requires development.

* Tax, Pricing and Smoking Restrictions

- Continue to investigate alternative research methods for evaluating and forecasting the impact of economic and governmental restrictions on smoking, as well as evaluating PM's programs for mitigating these effects.
- The evaluation of a probable increase in the California Excise Tax will require significant analysis to determine the effect on consumption and the degree to which PM programs may have had an impact.

FULL MARGIN BRANDS

Marlboro

- Evaluate regional/local market influences on brand development/performance.
- * - Develop methods for continually monitoring pack and carton inventory and distribution.
- Evaluate alternative methods for promotion in the consumer and retail environments.
- Investigate additional quantitative methods for measuring Ultra Lights' impact and performance in test markets.

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Benson & Hedges

- Evaluate the impact of PM and competitive new product launches on share, inventory and distribution by region, market and trade class.
- Investigate new micro test monitoring techniques for evaluating Kings.

Merit

- * - Analyze any impact due to the "heavy up" programs on Vantage, as well as determine Merit's ability to defend against the Price Value segment.
- More accurately determine the effectiveness of the "Blind Challenge" program to convert competitive smokers.
- Track and analyze an "Art" line extension in test markets.

Virginia Slims

- Evaluate the impact of competitive new product introductions on share, distribution and inventory.
- Conduct analysis to review impact of reintroducing the parent segment, test marketing an ultra thin product and a possible King size line extension.

Parliament

- Analyze the brand's promotion responsiveness and identify the competitive impact.
- Evaluate the performance of a possible menthol lights line extension in a micro market or trading area environment.

PRICE VALUE BRANDS

- Develop a continuous tracking system for evaluating couponing, pricing and merchandising dynamics.
- Conduct in-store testing of new category merchandising methods.
- Design a multi-cell on carton coupon test to attempt to ascertain price responsiveness.
- Evaluate category strength in the military market to maximize PM brands' distribution and share.

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Cambridge

- Evaluate various methods of distributing coupons within the retail environment.
- Utilize micro markets to evaluate direct mail promotional efforts and various in-store couponing levels.

Players

- Expand the "Players Black at generic prices test" beyond in-store test environment.

Alpine

- Evaluate a box introduction within a metropolitan test market environment.

NEW BRANDS

- Evaluate various positioning alternatives for project Art in mini-test markets.
- Analyze and track performance of Delta and Cartier in test markets.

COMPETITIVE BRAND/CATEGORY REVIEWS

- * - Track and evaluate on a monthly basis technologically new (Premier) competitive brands, or brands which have demonstrated early signs of potential (Malibu) in new market niches.
- Establish 1989 objectives to conduct in-depth reviews of specific industry category dynamics: 100 MM/Ultra Thin review to be initially addressed.
- Conduct ad hoc in-depth reviews of major competitive Brands that are determined to have an important impact on PM brands: i.e. Doral.
- Provide a more in-depth understanding of the Price/Value Category by evaluating category purchasing and coupon responsiveness dynamics through household panel analysis.

CHANNELS OF DISTRIBUTION

- Enhance and expand the Nielsen audit panel to better represent cigarette volume by trade class and allow for improved tracking of consumer purchase behavior.

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CHANNELS OF DISTRIBUTION (continued)

- Continue to monitor emerging trends in retail store formats (gas retailers/wholesale clubs) and their effect on volume shifts among trade classes.
- Ongoing monitoring of account specific buying patterns to determine industry loading and anticipatory buying activities.
- Determine varying levels of anticipatory buying that exist among the major direct trade classes.
- Develop a new market share tracking report reflecting retail sales in the military environment through Military Audits Marketing Information.

PROMOTIONAL ANALYSIS/MERCHANDISING STUDIES

- The addition of Infoscan will provide expanded causal information for the evaluation of Act Media, Act Now, carton and pack promotions.
- * - Conduct a non self-service merchandising test, evaluating high-impact versus low impact cigarette departments.
- Develop methods for evaluating the impact and value of in-store visibility.

MARKETING SYSTEMS DEVELOPMENT

- * - Continue development of the Monthly Marketing Information and Analysis Report.
- * - DataNet and Metaphor computer systems and software development will need to be greatly accelerated to meet the demands of an analytically oriented marketing group.
- Make SalesTrak accessible to other PM USA departments.

INDUSTRY TRENDS & FORECASTS

- Further educate and involve Brand Managers in the specifics of forecasting.
- Revise preliminary 1989 Brand Forecasts.
- Technical Improvements:
 - * - Develop base rates by brand to use in load/payback analyses to better understand brand loading patterns.
 - Incorporate geographic trends for selected brands.
 - Evaluate alternative forecasting techniques for future forecasting at the Region level.

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CONTINUOUS TRACKING DOCUMENTS

- The following highlights major research reports that are critical in nature and are expected to continue throughout 1989. However, wherever possible, various reports will be superseded by the Monthly Marketing Information & Analysis Report.
- Weekly
 - Daily Management Sales Report
 - Statpack
 - Top 100 Account
- Monthly
 - Cigarette Brand Share Report
 - Industry New Brand Tracking Report
 - Marketing Information and Analysis Report
 - PM New Brand Introductions
 - PM Brands in test
 - Nielsen Top-line
 - MSA Market Share Report
 - Military Audits Report
 - Preliminary Volume and Share Estimates
 - 12MM Volume Trends (graphic)
- Quarterly
 - Jack Maxwell Quarterly Report
 - Price/Value Category Review
 - Couponing Overview
 - Geographic Volume Report
 - MarkeTrak
 - State Tax Rate Changes
- Semi-Annually
 - State of the Business
 - Geographic Mapping Report
- Annually
 - Annual PM Year-by-Year Summary
 - Historical Trends in the Cigarette Industry (J. C. Maxwell Data)
 - . Companies
 - . Major Brands

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