

WINSTON June Performance Review

I. Overview

WINSTON's total Nielsen share in Food and Drug Outlets for the twelve months ending April, 1986, is relatively stable versus a year ago as a result of continued implementation of the Brand's volume maximization strategy. Although performance during the second half of 1985 moderated due to Savings Segment growth, WINSTON's share has stabilized in response to continued marketing activities. On a period-to-period basis, WINSTON's April share in Food Outlets increased strongly following a March decline.

II. Share/Volume Performance Versus Objective

WINSTON's share for the six-month period ending April, 1986, is stable versus the 1986 objective. Shipments through June 13 are ahead of plan but down versus year ago due to continued declines on full flavor styles.

Nielsen Share Performance vs. Objective				YTD Volume Performance (through 6/13/86)			
Nov. 1985 through April 1986	Total Yr. Plan	Diff.		Actual (MM)	Plan (MM)	Diff vs. Plan (%)	YAG (%)
Total							
WINSTON	11.05	11.06	-.01	26,792	26,387	+1.53	-5.31

III. Nielsen Share Performance

A. Share by Sales Area (Total Food/Drug)

WINSTON's March/April share continues to be stable versus twelve months ending April, 1986, however, the Brand declined modestly versus the previous period and a year ago. Versus YAG, share gains in the PMSA only partially offset continued losses in the SASA and NCSA. Moderate declines versus the previous period resulted from continued losses in the SASA, NCSA and MCSA offset by strong gains in the PMSA, NASA and MWSA. March/April share stability versus longer-term performance in the twelve months ending April, 1986, resulted from growth or stability in all sales areas offsetting losses in the SASA.

Sales Area	March/April 1986	12 mos. Ending 4/86	March/April 86 Chg. Versus			
			YAG	Prev. Period	12 mos. Ending 4/86	12 months Ending 4/86 (Chg. vs. YAG)
Total U.S.	11.07	11.03	-.12	-.10	.04	-.09
NASA	9.56	9.40	-.09	.20	.16	-.12
SASA	13.70	14.04	-.46	-.64	-.34	-.04
NCSA	12.02	12.15	-.55	-.37	-.13	-.20
MCSA	12.12	12.27	.04	-.25	-.15	-.04
MWSA	10.98	10.67	.12	.19	.31	.16
PMSA	8.43	8.19	.21	.31	.24	-.21

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B. Share by Outlet Type

WINSTON's share in Food Outlets during April, 1986, was strong versus the previous period and a twelve month rolling average, and moderately declined versus YAG. Declines versus YAG are a result of continued losses in Small Food Outlets, moderated by stability/growth in other outlet types. Share gains in April versus the previous period are a result of strong gains in Convenience Outlets and Chain Stores. Strong share performance versus a twelve month rolling average is a result of Convenience, Chain and Independent Outlet gains offsetting losses in Small Food Stores. Drug Store share remained stable in the bi-monthly March/April period.

<u>Outlet Type</u>	<u>April 1986</u>	<u>April 1986 Change Versus</u>		
		<u>YAG</u>	<u>Previous Period</u>	<u>12 Month Rolling Average</u>
Total Food	11.33	<u>-0.12</u>	.17	.13
Chains	11.64	.05	.17	.29
Independents	11.63	.06	-.11	.14
Convenience	10.27	.02	.46	.42
Small Food	11.28	<u>-0.55</u>	.08	<u>-0.35</u>
Drug*	9.96	-.05	-.01	-.01

*Bi-monthly period

IV. Factors Affecting PerformanceA. Competitive Performance• Marlboro

Marlboro's March/April Food and Drug share gained modestly (+.13) versus the previous period and was up +.37 versus the same period a year ago. This growth follows a six-month period of relative share softness, which was attributed to losses on full-flavor soft pack styles and both Marlboro 25's (Filter/Lights), which began in October, 1985. Share strength during the March/April period was evident in Convenience and Chain Food Stores and for full-flavor Brand styles.

Marlboro continued to offer the country music tape/carton purchase offer and hat with carton purchase. These programs began nationally in February. Media spending was down relative to YAG levels due to last year's introduction of Marlboro 25's.

• Savings Segment

Total Savings Segment share increased +.41 versus the previous period with gains experienced across all sales areas except the SASA. March/April share gained +1.78 share points versus twelve months ending April, 1986, with gains of greater than one share point in all sales areas.

Players, which was introduced into the Savings Segment in January, 1986, continues to grow with strong gains in all sales areas, particularly the NASA (+.20), NCSA (+.19), MWSA (+.19) and the PMSA (+.18). Savings Segment promotional activity continued, with heavy emphasis on on-carton coupons.

B. WINSTON

- WINSTON's twelve month ending April, 1986, share stability is the result of the Brand's continuing implementation of volume maximization strategy, which includes broad-based Media support via OOH, magazines, retail display and continuous volume promotions. In April, strong presence was maintained for WINSTON with OOH in three sales areas and retail presence in five sales areas.
- WINSTON's share in the second half 1985 was down -.19 versus the first half, which represents a change in trend as a result of several factors.
 - Losses to Savings brands accelerated as a result of WINSTON's older, downscale franchise and increased price sensitivity following the June price increase. However, WINSTON's YTD share has stabilized and has not declined as a result of the January 1, 1986, price increase. This performance can be attributed to strong promotional activity during late 1985 and the first quarter of 1986:
 - Problem/Opportunity Market program - 4th Qtr. 1985
 - WINSTON/NBA media delivered sweepstakes - 1st Qtr. 1986
 - Corporate Direct/coupon intercept - 1st Qtr. 1986
 - WINSTON's inferior status on several key styles (King, Lights and Lights 100's) had precluded the Brand from growing among 21 - 34 year old competitive smokers during this time. During 1986, competitive testing indicates that WINSTON King and Lights 100's are now rated at parity to competitive product under the new action standards, and recent prototype testing has yielded positive results.
 - WINSTON's product and user image lacks clear motivational relevance among any smoker group, particularly among the 21 - 34 year old target. The Brand continues work on the new WINSTON repositioning campaign, targeted at 21 - 34 year old switchers. Implementation of this campaign is planned for January 1, 1986.

V. Action Plan Summary

WINSTON will continue to implement a volume maximization strategy throughout 1986 to address continued price sensitivity among smokers and to increase pressure against 21 - 34 year old target smokers to achieve targeted growth for longer-term Brand stability. Key programs during the second and third quarters are:

A. Volume Maximization

- Strong advertising and retail display to maintain Brand presence:

- regional OOH (min. 3 areas/cycle)	4/1-8/15
- national OOH	8/15-9/30
- retail display (national)	4/14-10/31

- Heavy corporate volume promotions will generate competitive purchase and conversion while maximizing franchise volume:

- Intercept coupons	on-going
- Direct Mail	on-going
- Retail Volume	April/July

*details on Attachment II

B. Targeted Growth

- Development of WINSTON's alternative positioning will continue, with the introduction of new creative scheduled for January 1, 1987. Beginning July 1, 1986, a new Graphic Treatment campaign will be introduced (in OOH only), thus eliminating the need to reshoot the current "America's Best."
- To stimulate trial and conversion among 21 - 34 year old target smokers, Brand will implement a WINSTON/NFL retail promotion during September and October.
- To capitalize on Box category growth among 21 - 34 year old target smokers, WINSTON Lights Box King and 100's will be expanded/introduced on August 18, 1986, to 60% of the U.S. This introduction will be further supported by a media delivered pack/carton coupon in September.
- Product improvement on WINSTON King and Lights 85's/100's will continue to be high priority.

C. Special Markets

- Strong advertising and retail display will maintain WINSTON's presence in Hispanic and Black markets:

Hispanic

- Regional OOH	5/16-8/15
- Tertiary retail display (national)	3/1-8/15
- Retail BlG1F (SASA, NCSA, MWSA, PMSA)	6/1
- Retail BlG1F	8/18

Black

- Regional OOH	4/1-6/30
- National OOH	7/1-11/15
- Pack Display (national)	4/1/-12/31
- Retail BlGIF	8/18

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I. Share/Volume Performance DataA. Brand Style Share (Total Food/Drug)

- WINSTON's March/April share was relatively stable versus a twelve month rolling average. Moderate declines experienced versus the previous period, YAG and twelve months ending April, 1986, were primarily a result of losses on full flavor Kings. Box styles continue to exhibit both long- and short-term vitality.

	March/April 1986	12 mos Ending 4/86	YAG	Previous Period	12 mos Rolling Average	12 mos Ending 4/86 (Chg. vs. YAG)
F85 SP	4.26	4.28	<u>-.20</u>	-.05	-.06	<u>-.17</u>
F85 Box	.57	.56	.03	.01	.01	.03
F100	1.82	1.85	-.07	-.06	-.04	-.01
Lts 85	1.94	1.94	NC	-.01	NC	NC
Lts 85 Box	.10	.09	.10	.02	.06	.04
Lts 100	1.59	1.60	NC	-.02	.01	.03
Ult 85	.31	.31	.02	.01	.02	NC
Ult 100	.48	.48	.01	NC	.02	.02
Total						
WINSTON	11.07	11.03	<u>-.12</u>	-.10	.04	-.09

B. YTD Style Volume Performance

- Total WINSTON shipments are ahead of plan for the YTD period ending 6/13/86. All styles contributed to this performance except WINSTON Ultra Lights 85, which is currently below plan.
- Versus YAG, WINSTON shipments declined -5.3%, with declines on all styles except the full flavored Box and Ultra Light styles.

	Actual YTD 6/13/86 (MM)	Actual vs. Plan		Actual vs. YAG	
		Units (MM)	%	Units (MM)	% *
Total	26,790	405	1.5	-1,494	-5.3
F85 SP	11,514	74	.6	-1,022	-8.1
F85 Box	1,098	68	6.7	2	.2
F100	4,239			-394	-8.5
Lts 85	4,868	84	1.7	-219	-4.3
Lts 85 Box	188	22	13.5	188	
Lts 100	3,493	120	3.6	-78	-2.2
Ult 85	527	-24	-4.3	6	1.1
Ult 100	863	61	7.7	22	2.6

*weighted days

Promotion Fact Sheet
(April - October, 1986)

<u>Date</u>	<u>Program</u>	<u>Scope</u>	<u>Promoted Volume (MM)</u>
•	<u>Volume Maximization</u>		
April	Retail Volume	National	432
2nd Qtr.	Intercept Couponing	NCSA, MCSA, MWSA	30
2nd Qtr.	Direct Mail (including re-mail and continuity)	National	1,091
3rd Qtr.	Retail Volume, Direct Mail, Intercept Couponing	details to be released week of June 23	
•	<u>Targeted Growth</u>		
June	Hispanic Retail BlGIF	SASA, NCSA, MWSA, PMSA	4
August	WINSTON Lights Box Retail BlGIF/w \$1.50 carton coupon overlay	NASA, SASA, PMSA, regionally in the MCSA, NCSA	315
August	Hispanic/Black Retail BlGIF	National	11
September	NFL Sports Bag/w carton	Non-Lights Box Markets	193
September	Lights Box Media delivered pack/carton coupon	Sunday Supplements in Lights Box Markets	168
October	NFL Lighter/w 2 packs	National	317