

February 23, 1984

To: Mr. G. W. McKenna

Re: WINSTON King Improved Product Introduction

Recommendation

This recommends that CENTURY tipping be introduced as a replacement for the current WINSTON King tipping. Based on the attached test results, CENTURY tipping offers improved acceptance among target smokers as well as significant cost savings.

In order to assess and minimize the risk of losing franchise smokers due to perceptual differences caused by the tipping change, the following is recommended prior to national introduction:

- 1) Introduce current WINSTON King with CENTURY tipping into a lead market ASAP.
 - enables manufacturing to certify a second supplier;
 - confirms new tipping's machinability prior to material introduction;
 - minimizes area of introduction to 3-5% of WINSTON's volume.
- 2) Conduct a blind product test (using manufactured product) to determine the current product's performance with CENTURY tipping among current and competitive smokers. In the event of positive blind product test results, the option exists to proceed immediately to national introduction of the tipping change. If test results are negative, step 3 must be completed before any decision to go/no go national is made.
- 3) Conduct a franchise switching study to determine if franchise smokers leave WINSTON as a result of the tipping change.
- 4) If Franchise Switching Study indicates a potential problem, continue lead market to quantify the volume implication of tipping change.

Background

The current WINSTON King product is rated at parity to Marlboro Kings among target competitive smokers. As part of a continuing product improvement program, three prototypes (4253-A, B and C) were developed for NFO testing. Prototypes A and B featured identical blends, but A had the current WINSTON King tipping while B used CENTURY tipping. Test results indicate that of the three prototypes, only 4253-B achieved action standards.

Action Standards

- Superiority versus Marlboro King among male FFNM 80-85mm smokers, aged 18-34 (exc. WINSTON and CAMEL smokers).
- Parity to current WINSTON King among total adult WINSTON King franchise smokers.

Test Results

NFO test results indicate that using CENTURY tipping on 4253-B was the causal factor in this prototype's superior performance versus Marlboro King. Neither 4253-A nor C offer competitive improvements versus current product. The tipping change resulted in a significant improvement relative to the current product among competitive smokers, while maintaining a parity rating to the current product among franchise smokers.

Overall 7+ Ratings

	Competitive Male Smokers			Franchise Smokers
	18-34	18-24	25-34	
Prototype 4253-B(same as A but with CENTURY tipping)	60 ←	61	→ 58	56
Current WINSTON King	56	62 ←	51 ↗	58
Prototype 4253-C	56	55 ↘	57 ←	56
Prototype 4253-A	55	58	52	57
Marlboro King	55	59	52	57

——→ Significant Difference at 95%
 ---→ Significant Difference at 90%

As can be seen above, superiority is due to prototype 4253-B's strong performance among 25-34 year old competitive males.

Material Inventory/Financial Impact

Material availability and manufacturing capabilities for the tipping change have been confirmed (reference attached). Changing to CENTURY tipping is estimated to increase gross profit as follows:

Material Inventory/Financial Impact (cont'd)

1984 = \$114,776 (based on estimated \$0.0112/M cost savings and 10,247.9MM unit volume 9/10-12/31/84).

1985 = \$318,882 (based on estimated \$0.0112/M cost savings and 28,471.6MM unit volume in 1985).

Next Steps

The following timing is recommended for introducing the improved product:

- Order Tipping 2/20
- Tipping received/Production starts - 1st 3/5
3 pallets held pending qualification
- Qualification complete 3/12
- Go/No Go lead market 3/19
 - Release product for shipment
- Achieve 80% retail distribution 4/30
- Blind product test
 - NFO mailout 4/16
 - Results 5/28

(In the event of positive test results, option exists to go national at the earliest possible date.)

- Brand change awareness and usage study
 - Pre-audit 3/5
 - Post-audit (12 weeks after distribution) 7/30
 - Results 8/13
- Go/No Go National 8/13
- Begin Manufacturing 9/10

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Your approval to proceed immediately with the above timetable is requested.

Melinda A. Simmons

M. A. Simmons

MAS:fd

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