

## GPC

### Overall Trademark Objective:

To play a key strategic role in the B&W portfolio by providing a strong foundation for company profitability growth. Long-term growth in profitability will require discounting efficiency, increasing brand equity, and market share growth off of a sustainable volume base.

### Positioning Statement:

GPC is the brand that delivers product quality and consumer satisfaction most comparable to Marlboro, but at a price that is always lower - everyday, everywhere.

### Target Market(s):

- The Loyal Franchise (54% Of GPC's volume): 50/50 male/female, primarily 36+, 93% white, most have never been to college, median household income of \$21,000. 44% are not employed. 84% of their volume is purchased by the carton. 30% purchase their cigarettes in convenience/gas outlets, 21% in grocery/supermarkets, and 14% in cigarette/Indian stores.
- The Not-So-Loyal Franchise (26% of volume): 58% female, primarily 31-50, 91% white, most have never been to college, median household income of \$20,000. 40% are not employed. 72% of their volume is purchased by the carton. 36% purchase their cigarettes in convenience/gas outlets, 25% in grocery/supermarkets, and 10% in cigarette/Indian stores. Occasionally smoke Marlboro (NM Box), Basic (NM Soft), or Salem (Menthol) when they're on deal.
- The Occasional Users (20% of volume): 57% female, primarily 21-50 (22% ASU30), 86% white, most have never been to college, median household income of \$18,000. 30% are not employed. 69% of their volume is purchased by the carton. 34% purchase their cigarettes in convenience/gas outlets, 24% in grocery/supermarkets, and 13% in cigarette/Indian stores. These people primarily smoke Marlboro. About half of the "Box" Occasional Users are ASU30 Marlboro smokers.

- The Potential Users (0% of GPC's volume): This group cannot be specifically defined in terms of age and gender profile. Most likely to resemble the Occasional Users, the unifying characteristics of the Potential User target are that they have an extremely low income level (a significant portion lie below the poverty line) and have relatively little education (most have never been to college). They tend to purchase more of their volume in cigarette/Indian stores than the average smoker group does, though at least a third of this group's volume is purchased through convenience/gas outlets. The vast majority of them smoke Marlboro (as well as Camel and Salem, to a lesser extent).

### **Overall Strategic Imperatives:**

- Increase distribution of the GPC "Box Family" to 100% of opportunity outlets by the end of 1999.
- Increase discounting penetration to 100% of opportunity outlets.
- Develop the ability to produce large-scale multi-pack and special carton promotional offers to be utilized on a national basis in early 1999.
- Dramatically enhance our direct mail capabilities on GPC through name generation of both offensive and defensive prospects.
- Develop a full-scale continuity program for implementation on a national basis in early 1999.
- Optimize product offerings to ensure that GPC's product quality (more than any other value brand) is most comparable to Marlboro.

### **Creative Services:**

- All above-the-line media should credibly communicate that GPC (more than any other value brand) is most comparable to Marlboro in terms of product quality.
- The primary target of our above-the-line communication efforts are the Occasional and Potential User target audiences.

- Given the broad age range and approximate 50/50 gender split among the Potential and Occasional Users, age and gender-specific executions should be developed that resonate better with particular demographic groups (i.e., ASU30 males, ASO30 females, etc.).
- Style-specific executions should be considered which address these different demographic groups. For example, occasional usage of Full Flavor King Box is 77% male, 48% ASU30. Occasional usage of Light 100 Box is 77% female, 27% ASU30. Creative executions should reflect these differences. (See Media Services section for "ideal" weightings and target by style).
- Style-specific executions will increase awareness of particular styles, while also allowing for more specific targeting of particular age/gender groups.
- The primary objective of GPC print is to increase the quality perceptions of GPC among the Potential User target. Quantitatively, this should result in imagery ratings on GPC for "High Quality" (among Marlboro smokers with household incomes under \$30,000) superior to those of Doral or Basic. Longer term, these ratings should continue to move closer to Marlboro itself. The secondary objective of GPC print is to increase awareness of the GPC trademark among the Potential User group, as well as the awareness of targeted styles.
- The primary objective of GPC out-of-home is to increase awareness of both the trademark and targeted styles among the Potential User target. The secondary objective is to ensure that executions are consistent with the "product quality most comparable to Marlboro" positioning.
- The primary objective of GPC point-of-purchase materials is the communication of net price. The secondary objective is to communicate that GPC is the value brand most comparable to Marlboro in terms of quality.
- Given the different objectives across media; print, outdoor, and POP will very likely be utilizing different creative approaches. However, consistency should apply across all communication vehicles in that they tie back directly to GPC's positioning. Specifically, Creative Services should explore ways to "unify" the different creative approaches in a way that facilitates continuity throughout GPC's "communication portfolio."
- Creative Services should plan to support Trade Marketing in any efforts to create a "specially-themed" promotion, which may utilize advertising and point-of-purchase materials to support a retail-delivered event.

**Media Services:**

- Media Services will support Creative Services in its efforts to improve quality perceptions and increase awareness among the Potential and Occasional User target audiences.
- The primary target for GPC print will be Marlboro smokers earning less than \$30,000 per year.
- In an ideal world, media weighting and targeting would be given to each of the following GPC styles as follows:

<u>Style</u>	<u>% of Weight</u>	<u>Gender</u>	<u>%ASU30</u>
FF King Box	25%	M	60%
FF 100 Box	20%	M/F	50%
MED King Box	5%	M/F	50%
MED 100 Box	10%	M/F	50%
LT King Box	20%	M/F	45%
LT 100 Box	20%	F	40%

- If resources were not a constraint, this could lead to as many as twenty different executions being targeted with pinpoint accuracy. Obviously, this is not possible (or particularly efficient).
- Media Services, working closely with Creative Services, should develop a media plan which is as efficient as possible in reaching this rather broad demographic group (in terms of age and gender) with style-specific executions that make the most sense.
- For example, we may determine that the most efficient plan calls for utilizing a Full Flavor King execution targeted towards primarily males, a Light 100 execution that targets primarily females, and a Medium 100 execution that targets a dual audience.
- Out-of-home spend should be weighted geographically towards areas where GPC awareness is low relative to VFM usage among the Potential User target audience. Style-specific executions should be utilized with the objective of increasing style awareness.
- Newspaper advertising should continue to be utilized with the objective of assisting Trade Marketing in its distribution efforts.

### **HORECA:**

- The overall GPC HORECA objective is to increase quality and leading brand attributes among low income Marlboro smokers as efficiently and effectively as possible.
- HORECA efforts should be concentrated in bars that have the highest percentage of low income Marlboro smokers.
- GPC communication in these bars should portray GPC as the value alternative to Marlboro, consistent with GPC's overall positioning.
- Country music bars should fully exploit GPC's association with George Strait, portraying GPC as a high quality leading brand.
- Sampling should be utilized to the fullest extent possible. Priority should be given to those bars/venues where sampling efforts/name generation can be maximized.
- HORECA activities will support the launch of GPC's continuity program(s).
- Permanent display presence in targeted bars should be actively pursued.

### **Sponsorship:**

- GPC should continue to sponsor the George Strait Country Music Festival.
- The objective of this sponsorship is to increase GPC's consumer perceptions as a high quality leading brand.
- The George Strait association should be fully leveraged against a target audience of low income Marlboro smokers who enjoy country music.
- Sampling and name generation should continue to be fully utilized on-site, as well as in corresponding HORECA outlets.
- Media and retail tie-ins should be utilized to the extent that they efficiently reach the target audience.

### **Packaging:**

- Improvement of the current packaging should be explored for a potential roll-out in the year 2000.
- Specifically, changing the GPC logo to a more "high quality" look should be taken into consideration.
- SIP product should be improved with the objective of being more aesthetically pleasing to the consumer, communicating a "high quality" look, while ensuring that the proper net price is reflected at retail.
- Multi-pack and special carton promotional packaging should be developed for implementation on a national basis in early 1999.
  - Specifically, B2GIF and B8G2F packaging should be developed as soon as possible. This packaging should allow for name generation capability.
- "Specially-themed" packaging may need to be developed in support of any retail-delivered promotional events.
- The use of the back of GPC's pack for "quality messaging", a vanity number, and/or an invitation to join the "GPC Family" (i.e. database) should be explored.

### **Product:**

- GPC product quality perceptions need to be improved in order to be consistent with the brand's objective of "product quality most comparable to Marlboro."
- In an ideal world, GPC product would have physical and smoking characteristics identical to that of Marlboro.
- In order to move GPC product perceptions closer to this ideal, full exploratory of each GPC target audience should be undertaken to better understand which product characteristics are most important in driving the purchasing decision.
- Product perception improvements may not necessarily require a blend change.

- Changes in physical appearance should be explored that more closely resemble the Potential User's MOB (i.e., Marlboro).
- A change in the GPC Lights filter tipping (from cork to white) should be explored and developed for test market if deemed appropriate.
- White tipping would be consistent with GPC's positioning (Marlboro has white tipping, Doral and Basic do not).
- With the addition of GPC Mediums to the brand family, a lower tar cork-tipped alternative is now available to smokers who might object to a white-tipped Lights offering.
- Longer-term, white tipping could reduce cannibalization of Lucky Strike Lights.

### **Direct Mail:**

Direct mail for GPC has the following objectives:

- Generate trial and incremental volume among the Potential User target.
- Increase usage among Occasional Users.
- Solidify the Not-So-Loyal Users by increasing GPC's penetration of their total volume purchased.
- Explore and develop ways to establish consumer relationships with all User groups through the use of appropriate vehicles (e.g. birthday mailings, newsletters, etc.)
- Enhance GPC's product quality imagery.
- Increase awareness of targeted styles.
- Provide tactical support for the George Strait Sponsorship.
- Provide tactical support for any "specially-themed" promotions at retail.

Future name generation for GPC will be a top priority across all functions. Direct mail should plan to include these names in the database. Data capture should include occasional usage levels in order to facilitate separate targeting of Loyals vs. Not-So-Loyals, Occasionals vs. Potentials, etc.

Direct mail executions will vary with the target audience/styles selected.

### **Continuity:**

- The primary objective of GPC's continuity program is to increase usage among the Not-So-Loyal and Occasional User groups (which currently account for 46% of GPC's total volume).
- The secondary objective is to reduce GPC's overall switching-out rate (currently 8.4% versus Doral's 5.4%) among Loyal and Not-So-Loyal Users.
- The target audience for continuity includes all current user groups, as well as Potential Users.
- Continuity programs should consider the use of free product as well as merchandise that would appeal to the various target audiences.
- All continuity materials should convey a "High Quality" image consistent with GPC's positioning.
- Continuity program(s) should be ready for implementation in early 1999.

### **CIC:**

- Implementation of a GPC "vanity number" should be explored.
- Additional support for GPC continuity and direct mail will be required.
- CIC should further explore ways to enhance relationship marketing efforts towards GPC consumers.

### **Trade Marketing:**

Trade marketing has two major objectives:

- 1) Increase distribution of all box styles to 100% of opportunity outlets.
- 2) Increase discounting penetration to 100%.

These objectives are also known as BHAG's (Big, Hairy, Audacious Goals). While it is recognized that these objectives will be extremely difficult to achieve, they are absolutely critical to GPC's future success.

- Future distribution gains will require time, money, and innovation to achieve. All are worth the effort. Learnings from the July 1998 Phase III program should be incorporated into 1999 distribution plans.
- Assuming the success of the All-SIP test markets, GPC should rollout the All-SIP program nationally in May 1999.
- In the past, discounting played two separate and distinct roles: base-level pricing and promotion.
- With the incorporation of the All-SIP format, base-level pricing will be achieved in 100% of GPC outlets. Additional spend should be utilized flexibly to allow for the promotion of styles that are the most efficient in garnering trial among the Potential and Occasional User groups.
- Future promotion of GPC should primarily take the form of multi-pack offers and special promotional cartons (i.e., B2G1F, B8G2F, etc.).
- These promotions should primarily be utilized to generate awareness and trial of GPC's box styles, though tactical use of soft cup styles should be explored.
- These promotions should be utilized to gain incremental display presence, thus increasing promotional awareness.
- These promotions should also be utilized in "leveraging" additional distribution.
- The development of occasional "specially-themed" promotions should be explored. These promotions would tie-in advertising, direct mail, packaging and point-of-purchase materials with retail-delivered promotions with the objective of maximizing awareness of the GPC trademark as well as generating significant trial among the Potential User target.
- Trade Marketing will need to support the launch of GPC continuity through retail merchandising.
- Merchandising materials should reflect GPC's quality, though the communication of GPC's net price is the primary objective.
- Given the likelihood of frequent price changes in the foreseeable future, all GPC pricing materials should be designed for ease of change by retailers.
- Trade Marketing will need to develop, test and evaluate store segmentation strategies and objectives.