

September 17, 1984

RJR
SECRET
No. 3898 By hls

Declassification _____

To: Ms. K. V. McCaffrey
From: E. C. Etzel
Subject: MDD PERSPECTIVE ON PROJECT AA PRODUCT IMPROVEMENTS

Background

Executive Management has viewed the results of the Project AA Total Proposition Test and has requested that the Brand Team explore means of increasing the brand's share potential.

Increasing the brand's potential should be possible through one or more of the following:

- Increased spending behind the brand to boost market penetration (i.e., awareness and trial).
- Refinements of the creative proposition to minimize communication of pretentiousness and reinforce a sustaining reason for being.
- Delivering a product which better satisfies the wants of smokers interested in the brand proposition (i.e., triers).

It is unlikely that the brand will receive increased financial support until it demonstrates growth potential in-market. Additionally, financial resources are inefficiently utilized when spending is used to force awareness and trial.

The Agency is currently in the process of developing an alternative advertising campaign which will reinforce a sustaining reason for being. The objective will be to humanize the brand positioning and minimize communication of pretentiousness. The focus in the creative area is on the advertising since the packaging (which incorporates the brand name) is judged to be a strength for the brand.

- Packaging research indicated strong appeal and the desired positioning communication.
- Qualitative feedback among TPT participants indicated that the packaging is very effective and a strength for the brand.

Product improvement is key to expanding the Brand's share potential. Satisfying triers' product wants is necessary for switching and the development of a "solid" brand franchise.

Product Improvement

The Total Proposition Test did provide specific product-related diagnostic learning on the matter of product acceptance among triers. As the chart below shows, the non-menthol product was not as successful as the menthol in holding brand triers. The menthol product demonstrated its strength by retaining a

50829 4315

larger percent of its triers in subsequent purchase opportunities. Indeed, if the non-menthol had performed as well as the menthol, the projected share for the total brand would have been in the area of a 0.85% share (versus the 0.62% share actually projected).

	<u>Projected Retention</u>
Non-Menthol	6.1%
	↓
Menthol	10.7%

It was evident in further probing (both open-ended and on direct questioning) that the non-menthol product did not provide a large number of triers their desired amount of strength (too little) or tobacco taste (too little). Menthol, on the other hand, did meet the wants of a large proportion of its triers. The following results among repeat purchasers reveals the non-menthol product's deficiency. Analysis of non-repeaters provides the same product improvement direction.

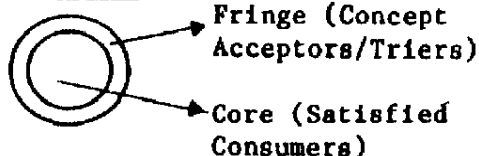
<u>Post-Trial Product Ratings</u> <u>Among Repeat Purchasers</u>		
<u>% Indicating Right Amount</u>		
	<u>Menthol</u>	<u>Non-Menthol</u>
Smoothness		
LT	78	71
FF	65	72
Strength		
LT	55	48
FF	62	32
Tobacco Taste		
LT	76	67
FF	90	55
Menthol Taste		
LT	71	NA
FF	66	NA

50829 4316

September 17, 1984

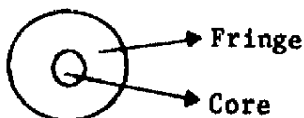
We should attempt to provide non-menthol smokers who accept the concept as good a product (relative to their wants) as we are providing the menthol smokers. The two styles appear to have different patterns of consumer acceptance/commitment. The patterns can be related to a "core/fringe" development.

Menthol:



The menthol style has a large portion of menthol triers who find the brand satisfactory and should be converted.

Non-Menthol:



The non-menthol style has a smaller core as fewer triers' wants are being met and, therefore, fewer converts can be expected in market.

A number of hypotheses have been generated in an attempt to explain the non-menthol product style's performance relative to the menthol's. These included:

- The non-menthol style might have a disproportionate percentage of FF and 85mm triers, relative to triers for the menthol style.
- The menthol product could potentially achieve higher acceptance among FF and/or 85mm triers through strong menthol delivery which would compensate for the style's actual strength/tar delivery.
- Menthol smokers might have greater levels of interest for the proposition.

An in-depth follow-up analysis indicates that these hypotheses were not the reasons for the non-menthol product's lower level of acceptance. Comparison of repeat purchase rates among female LT 100mm triers for the two styles (which puts the two products on a strict comparative basis) shows that the menthol product achieves a much higher level of acceptance.

Repeat Purchase Rate
Among Female LT 100mm Triers

Menthol	67%
	↑
Non-Menthol	47%

It should also be noted at this point that the products being manufactured are not the same as those used in the TPT. However, on a head-to-head comparison of overall and attribute ratings, the products perform very similarly. Any significant differences between the products are advantages for the test market

50829 4317

September 17, 1984

products (i.e., smoothness for the non-menthol product; smoothness, natural taste and bitter taste for the menthol).

	Overall Rating (% 7+)	
	TPT Product	Test Market Product
<u>Non-Menthol Females</u>		
18-34 FFLT NM 100	58.4	57.2
18-34 FFLT NM 100 Stylish	63.1	65.1
18-24 FFLT NM 100	60.9	60.6
<u>Menthol Females</u>		
18-34 FFLT M 100	60.0	62.2
18-34 FFLT M 100 Stylish	64.7	60.5
18-24 FFLT M 100	53.4	67.3

Conclusions:

1. The Agency is refining the creative proposition to maximize trial interest and provide reinforcement for usual brand usage.
2. An important step toward increasing AA's share potential is to improve the non-menthol product performance to better meet the wants of the concept acceptor/trier group. As was presented in the TPT, this group is broader than the target group used in blind product acceptance (NFO) testing. Additionally, the group used in NFO testing represents a mixture of both concept acceptors and rejectors; its ratings are a weighted average of these two groups. The TPT has clearly demonstrated that the non-menthol style is holding back the brand's full share potential, and therefore, is a problem for the brand. It is not enough just to improve the creative proposition. Project AA's success (as does any product's) ultimately rests with product performance following trial.

MDD Recommendations:

1. MDD recommends that the current test market menthol style be retained. This is based on its comparable/improved performance relative to the TPT product which was effective in meeting the wants of menthol Project AA triers.
2. MDD recommends that revised non-menthol prototypes be evaluated. One prototype should reflect R&D's best guess as to how much strength/tobacco taste should be increased; a second should provide even more strength and tobacco taste. These products should be evaluated via a concept/ product test, so that product ratings among smokers who are positively disposed toward the brand are used to decide which product (strength) is best suited for AA. The test market product (prototype B) is recommended as the control in this research; this product compares very closely to the non-menthol product used in the total proposition test. This one study (i.e., the concept/product test with a 10-pack placement) represents the most expedient and effective means of addressing the important marketing issues related to selecting the non-menthol AA product, i.e.,
 - overall acceptance among smokers interested/attracted to the proposition,
 - fit with the proposition (i.e., pre-trial expectations), and
 - extended usage of product.

50829 4318

Ms. K. V. McCaffrey

Page 5

September 17, 1984

Any new prototypes which are developed will also need to be tested on the NFO panel to provide a basis for evaluating the eventual translation in manufacturing (i.e., post-production evaluation).

Emily

Emily Carron Etzel

Marketing Development Department

ECE/bm

cc: Mr. E. J. Fackelman
Mr. G. J. Totterdale
Mr. J. L. Lawson
Mr. B. G. Dewey
Ms. G. C. Eskridge
Ms. J. B. Newsome
Fact Book
MDIC

50829 4319