PHILIP MORRIS USA INTER-OFFICE CORRESPONDENCE

120 PARK AVENUE, NEW YORK, NY 10017-5592

TO: Distribution **DATE:** March 28, 1994

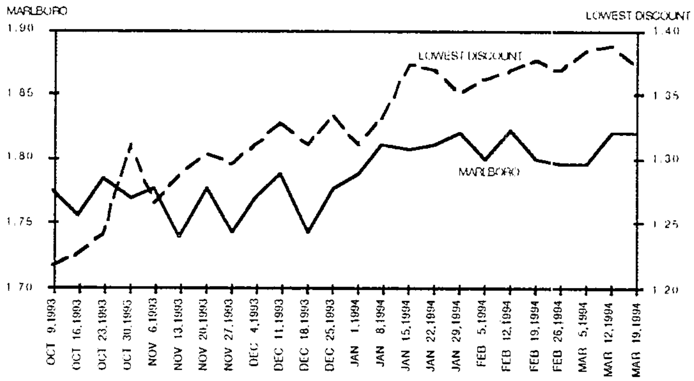
FROM: Jennifer Lichtman

SUBJECT: Nielsen Retail Pricing Update - 3/19/94 (week ending)

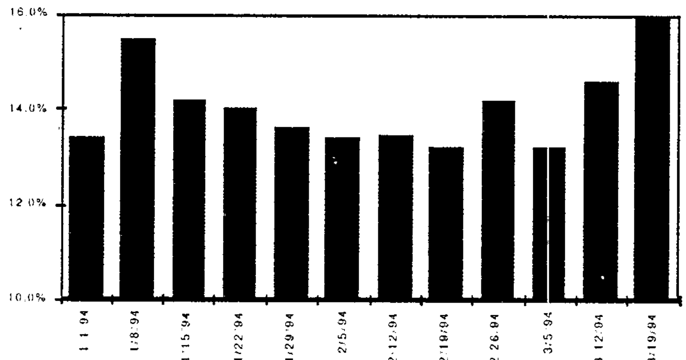
Weekly Highlights:

- Michigan's state excise tax will increase +50¢ to 75¢ on May 1. The increase was approved March 15. Currently, average pack prices of Marlboro and the Lowest Discount brand are $1.82 and $1.37, respectively. The resulting price gap is 45¢ or 33%, considerably lower than the national average of 58¢ or 44%.

  Since October, the Lowest Discount's average price has increased +15¢, three times the increase in Marlboro's price (+5¢).



- 99¢ incidence increased for the second consecutive week to 16% of C-stores after remaining stable at 13-14% since mid-January. RJR Private Labels and Best Value have accounted for the majority of the two-week gain (66%).



Source: Nielsen Pricing Panel

In C-stores, Premium and Lowest Discount pack prices remained stable.

- The national Premium and Lowest Discount pack prices remained unchanged, holding the overall price gap at 58¢ or 43.6%.

  Regionally, the $ price gap decreased in region 4 as Marlboro's pack price **decreased** while the Lowest Discount's average price remained stable. In region 3, the $ price gap increased as Marlboro's price **increased** while the Lowest Discount's average price remained stable. In region 5, the $ price gap increased as the Lowest Discount's average price **decreased** while Marlboro's price remained unchanged.

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	MARL	LOWEST DISCOUNT	$ GAP	% GAP	Chg. vs. prior week $ GAP	Chg. vs. prior week % GAP
NTNL	**$1.91**	**$1.33**	**$0.58**	**43.6%**	**$0.00**	**0.0%**
R1	$2.09	$1.55	$0.54	34.8%	$0.00	0.2%
R2	$1.78	$1.20	$0.58	48.3%	$0.00	0.0%
R3	$1.91	$1.33	$0.58	43.6%	$0.01	0.8%
R4	$1.78	$1.27	$0.51	40.2%	($0.01)	-0.8%
R5	$2.07	$1.37	$0.70	51.1%	$0.01	1.1%

In Supermarkets, Premium prices increased while Lowest Discount prices remained stable.

- On average, the national Premium carton price increased +11¢, more than offsetting last week's decrease of -6¢ with regions 2 and 5 accounting for the majority of the gain. The Lowest Discount average carton price remained relatively stable (up +1¢). The resulting overall price gap increased +12¢ to $4.80 or 41%.

  Regionally, the $ price gap increased in all geographies. Gap increases were most substantial in regions 3, 4, and 5 as Marlboro's price increase was coupled with the Lowest Discount's average price decrease.

	MARL	LOWEST DISCOUNT	$ GAP	% GAP	Chg. vs. prior week $ GAP	Chg. vs. prior week % GAP
NTNL	**$16.43**	**$11.63**	**$4.80**	**41.3%**	**$0.12**	**1.1%**
R1	$17.70	$13.37	$4.33	32.4%	$0.03	0.2%
R2	$14.76	$10.36	$4.40	42.5%	$0.03	0.0%
R3	$16.11	$11.23	$4.88	43.5%	$0.12	1.4%
R4	$16.26	$11.69	$4.57	39.1%	$0.17	1.8%
R5	$18.10	$12.33	$5.77	46.8%	$0.17	1.6%

In C-stores, Basic's pack price gap with GPC and Lowest Discount has steadily increased over the past 4 weeks.

- Since 2/19, the number of C-stores where Basic's pack price is more than 10¢ higher than GPC has increased +4 points to 45% of stores where both brands are in distribution. Similarly, the number of stores where Basic's pack price is more than 10¢ higher than the Lowest Discount brand has increased +7 points to 67% of stores. However, the number of stores where Basic's price is more than 10¢ higher than RJR P/L's has decreased-5 points to 68% of stores where both brands are in distribution.

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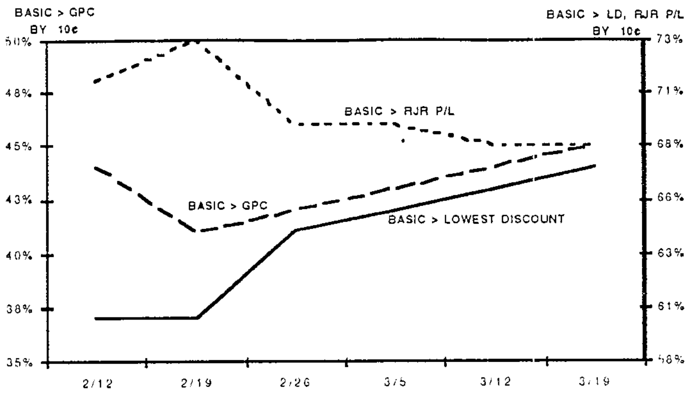

In Supermarkets, Basic's price gap increased with GPC and deceased with RJR P/L's.

- Basic's price is more than $1 higher than GPC in 46% of Supermarkets, up +4 points versus the prior week as GPC's average price in these stores decreased more than that of Basic.

  Basic's price gap with the Lowest Discount brand is more than $1 in 74% of Supermarkets, up slightly versus the prior week (+1 point).

  Basic's price is more than $1 higher than RJR P/L's in 52% of Supermarkets, down for the second consecutive week (down -6 points in total) as RJR P/L's average price in these stores decreased by more than that of Basic.

	% Stores Gap >$1	Chg. vs. Prior Wk	Avg. $ Disadvantage	Chg. vs. Prior Wk
BASIC vs. GPC	46.3%	4.0%	$1.92	$0.10
BASIC vs. LOWEST DISC	74.2%	1.2%	$2.55	$0.03
BASIC vs. RJR PL	52.3%	-2.3%	$2.57	$0.25

Distribution:

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R. Anise
M. Anton
D. Beran
D. Berenson
G. Bible
G. Blumenson
D. Burrows
W. Campbell
R. Caricofe
J. Chaump
C. Cohen
K. Compton
P. Dodd
J. Falvo
P. Fernandez
R. Ferrin
L. Funess
S. Fuller
T. Garguilo
E. Gawronski

A. Goldfarb
M. Gordon
M. Grande
J. Greene
J. Heironimus
P. Henriques
S. Jannetta
C. Johnson
J. Kiernan
M. Klein
L. Lembo
S. LeVan
C. Levy
A. Lewis
H. Long
N. Lund
A. Macrae
M. Mahan
A. Marrullier

T. McGovern
S. Medakkar
R. Mikulay
J. Morgan
C. Murray
B. Neidle
J. Nelson
T. Nelson
A. Padoan
N. Parmet
S. Piskor
G. Plaia
D. Potter
J. Raporte
M. Rolnik
S. Rush
T. Saloun
M. Salzman
E. Schneidman
M. Schroeder

C. Schwab
A. Schwartz
B. Schuyler
R. Simons
A. Sinha
W. Smith
N. Suter
M. Szymanczyk
J. Taylor
L. Theaman
J.G. Tucker
B. Turo
R. Webster
J. Thomas
C. Tucker
I. Weinkselbaum
B. Weinstein
L. Wexler
R. Whalen

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