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To: Dennis Miller
From: Bennie C. Darden

Date: August 16, 1989

Subject: Next DeNic - Hartford Test Market Weekly Update

The assessment and evaluation for week ending 8/16 are as follows:

Retail Coverage

Retail coverage is nearly completed, only 82 calls remaining to be contacted, representing 96.5% coverage of total ownership calls. A refocus of priorities generated from intensive competitive pressures is the underlying reason for not achieving 100% coverage.

Management Coverage

Holdout accounts remain the same as previous reported. Walgreen Drug (in section), Wawa, Purity Supreme and Kmart (outside section account) have not officially accepted the product. Nevertheless, audits from DM's indicated S/Reps through "partnering" with local store managers have secured distribution in several of these accounts throughout test areas.

Next Distributors Salesman Incentive Program

AM's/SAM's have scheduled appointments with their respective accounts for "count and recount". Completion of this program should give us a better understanding of movement at wholesale.

Distribution

Coverage of ownership calls to date indicate 93.49% distribution, while overall distribution (total ownership) is at 90.28%. Holdouts and none contacted accounts will be revisited to secure distribution.

Product Movement

A mixture of positive and to a lesser degree very little sales continues to be received regarding Next movement. The bottom line here is that the product has generated good trial with some repeat purchase (packs and little carton) and awareness at retail. Pack sales continue to be predominate while the promotional items (2 for 1's and 5 for 2's) continue to be the vehicle that drives sales. Our share in these accounts where promotional items are highly visible is greater than accounts with just live product. Majority of sales remains on the Menthol packing; however, DM's indicate movement and trial on the regular packing has increased. Surveys (cross section of calls) conducted by several DM's indicate a 1.5 to 2.0 share is more indicative of sales in comparison to the 4.0 share being reported by Full Line Research in the compressed Panel B stores.

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Distributors

Distributors are starting to report some repeat orders from retail customers. The "heavy up" activities with promotional displays and the frequency of our sales force contact (some calls twice a week) have impacted movement at wholesale. At this point, it is very difficult to track sales at Distributor level.

Consumer Reaction

No significant changes in consumer reaction to Next from previous reports. Ultra Low Tar smokers are still more likely to try and convert to Next than the Full Flavor smokers. Next Menthol continues to have positive comments; however, regular Next trial has increased.

One interesting consumer complaint was registered with Richmond during this week. According to the investigating DM, a consumer purchased one pack of Next 100 reg. and after smoking 12 cigarettes became light headed and lost her vision. Once she resumed smoking her normal Merit Ultra Lights 100's she regained her sight and no longer was light headed. DM involved was instructed by Pat Jeter, Richmond, to pick up the pack and return to Richmond for examination. The consumer was given complementary Merit Ultra Lights 100's for her problems.

Consumer Sampling

Currently, Federal Distributors Inc. is conducting mass sampling in the downtown Hartford area. Audits by the DM involved have indicated Federal's samplers are well trained and do a very professional job with the sampling program. By Thursday 8/17/89, this activity will be completed, utilizing over 50,000 samples, generating additional trial and awareness for Next. Excellent job by Federal!

Competitive Reactions

Overall, our competitors response to Next has intensified. American continues to "crew drive" the area with additional manpower, increased in store activities and media advertising. Reports indicate these activities will remain for another 6 to 7 weeks.

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Contrary to the initial reports, RJR has started their "heavy up" activities with Now. Additional manpower, media advertising and in store promotional activities are the ammunitions being utilized to combat Now. Specifically, additional manpower will work for 3 to 4 weeks. Media advertising in major newspapers will run twice a week to compare Now tar/nicotine to Next. Retail activities starting September 1 on Now will consist of 2 for 1's (unlimited), .30 cents off pack and \$2.00 off coupons. Wholesalers inventory levels have been increased to support these activities. It was just a matter of time before RJR started its "guerrilla tactics" to combat Next.

Special Project

The additional manpower (15 S/Reps) continue to work in the test market area to maintain and increase Next availability and visibility. Our initial plan to terminate this program on 8/18/89 is still in effect; however if needed, the time period will be extended. Results will be reported in subsequent reports.

Should there be any questions, please advise.

Regards,



BCD/ds

cc: E.H. Mize
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