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1999 Philip Morris
Print Leadership Initiative
Overview

PLI Overview

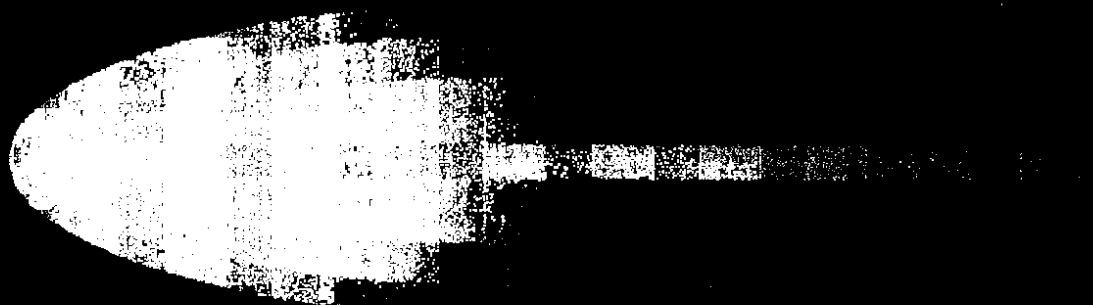
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- Background
- Objectives/Strategies
- Process
- Funding
- Portfolio Issues
- Next Steps

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Background



Background

Our future equity building will rely more heavily on a Print dominated environment

- Historically, PM has been the category spending leader
 - However, the competitive environment is changing
 - Permanent loss of OOH
 - Competitors challenging our leadership in Print.
 - High quality/multiple page units
 - Increased presence

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Background

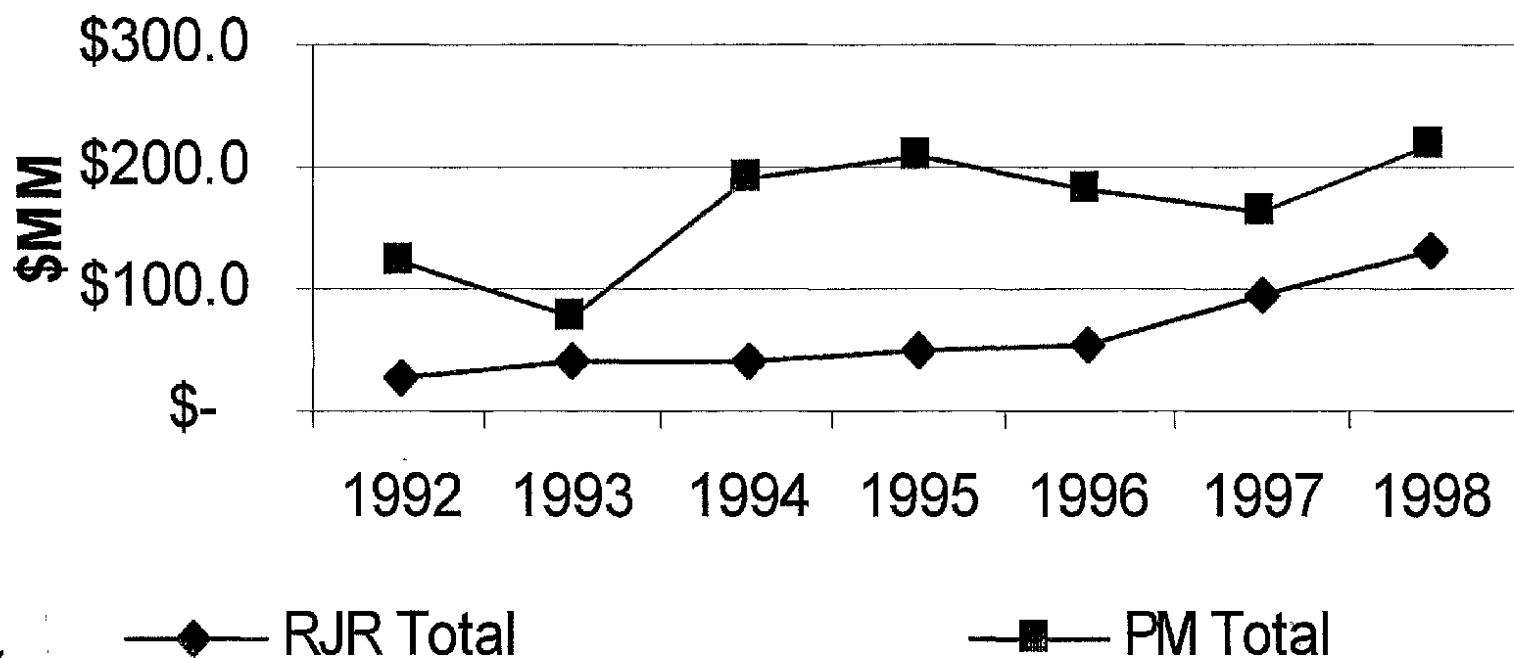
Tobacco clutter in key Print categories continues to escalate...

- RJR increased Print spending 98% from 1996 to 1997
 - \$41MM in 1996 vs. \$81MM in 1997
 - Initial 1998 reports show consistent spending levels
 - Spending focused on Camel, Doral, and Winston
 - Heavy push in Progressive/YAMM publications
 - Progressive magazine titles reported an increase of 671% in tobacco activity from 1994-1997

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Background

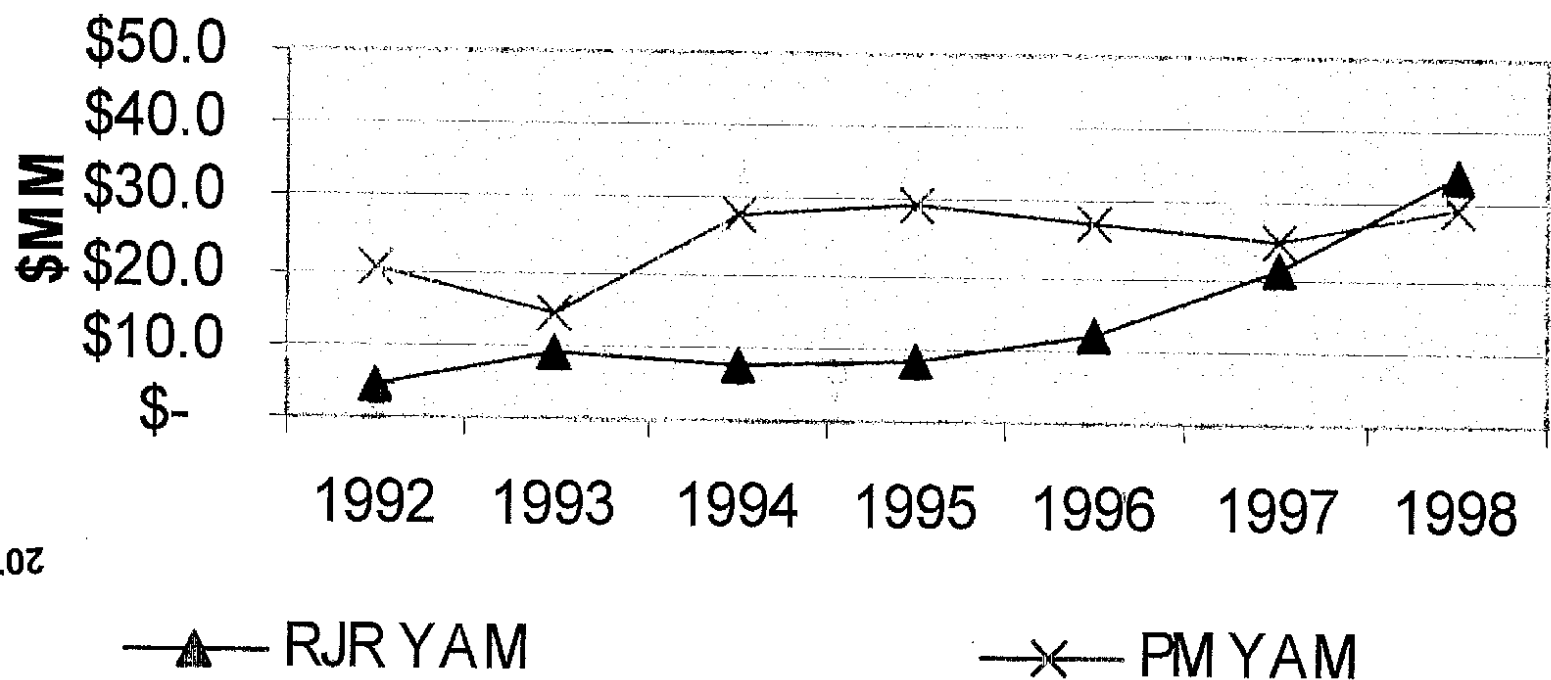
Estimated Print Spending



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Background

Estimated YAM Print Spending



Background

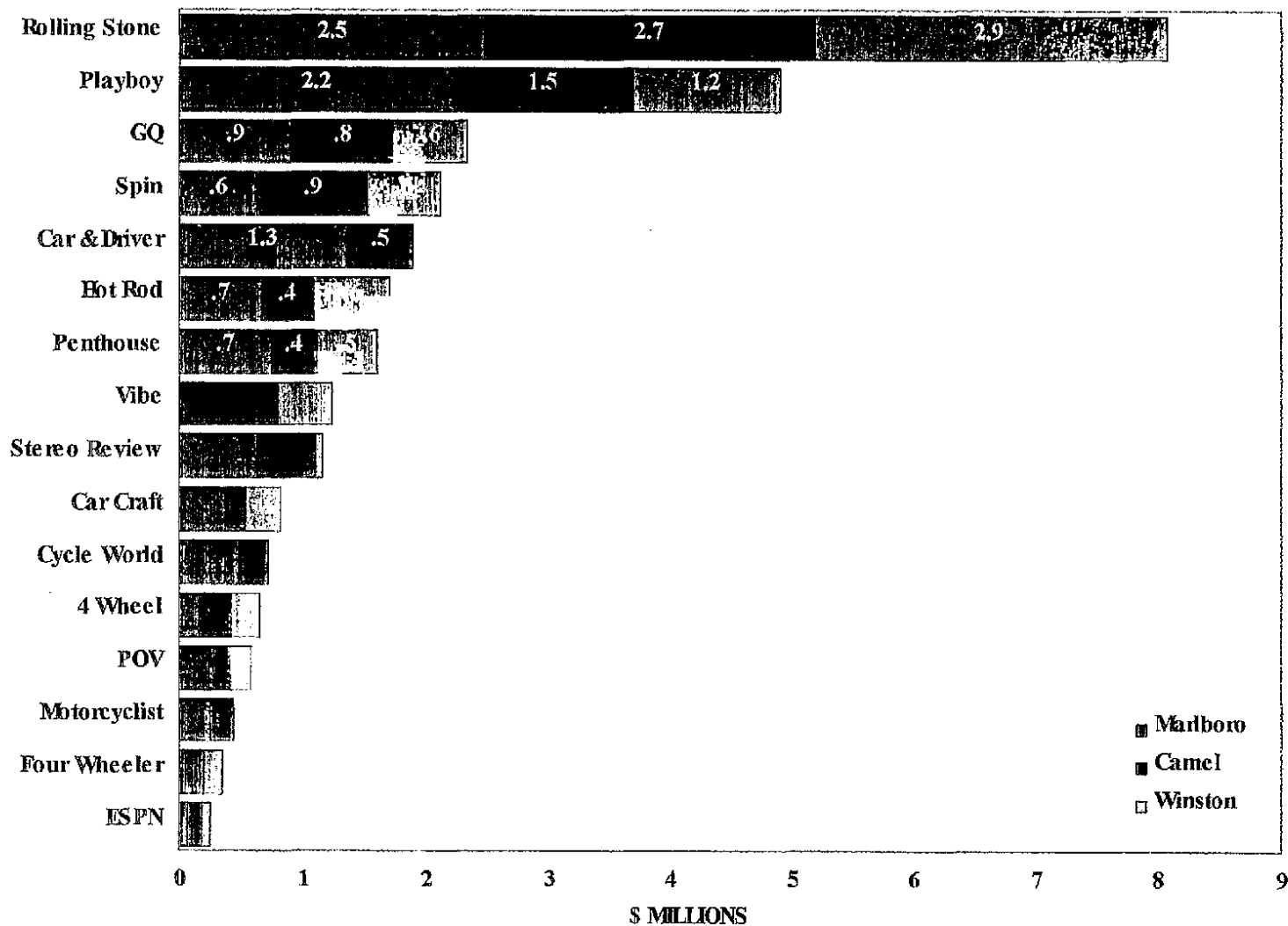
Titles showing significant increases in tobacco insertions include:

- *Details* up 261%
- *Interview* up 264%
- *Rolling Stone* up 88%
- *Spin* up 78%
- *Vogue* up 47%
- Initial 1998 reports shows tobacco competitive activity continues to grow in our priority books

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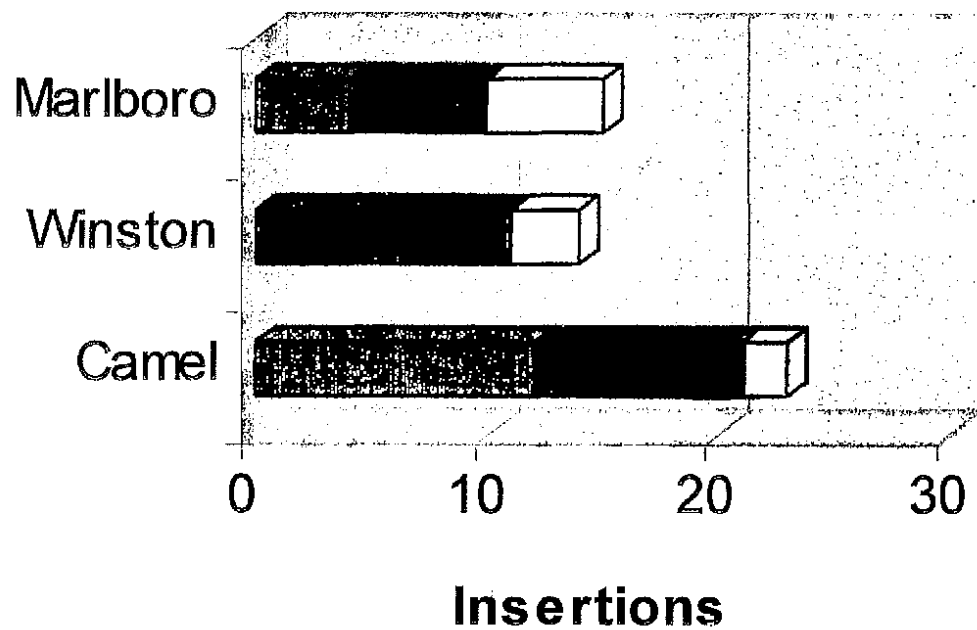
YOUNG ADULT MALE MAGAZINES

(January-September, 1998)



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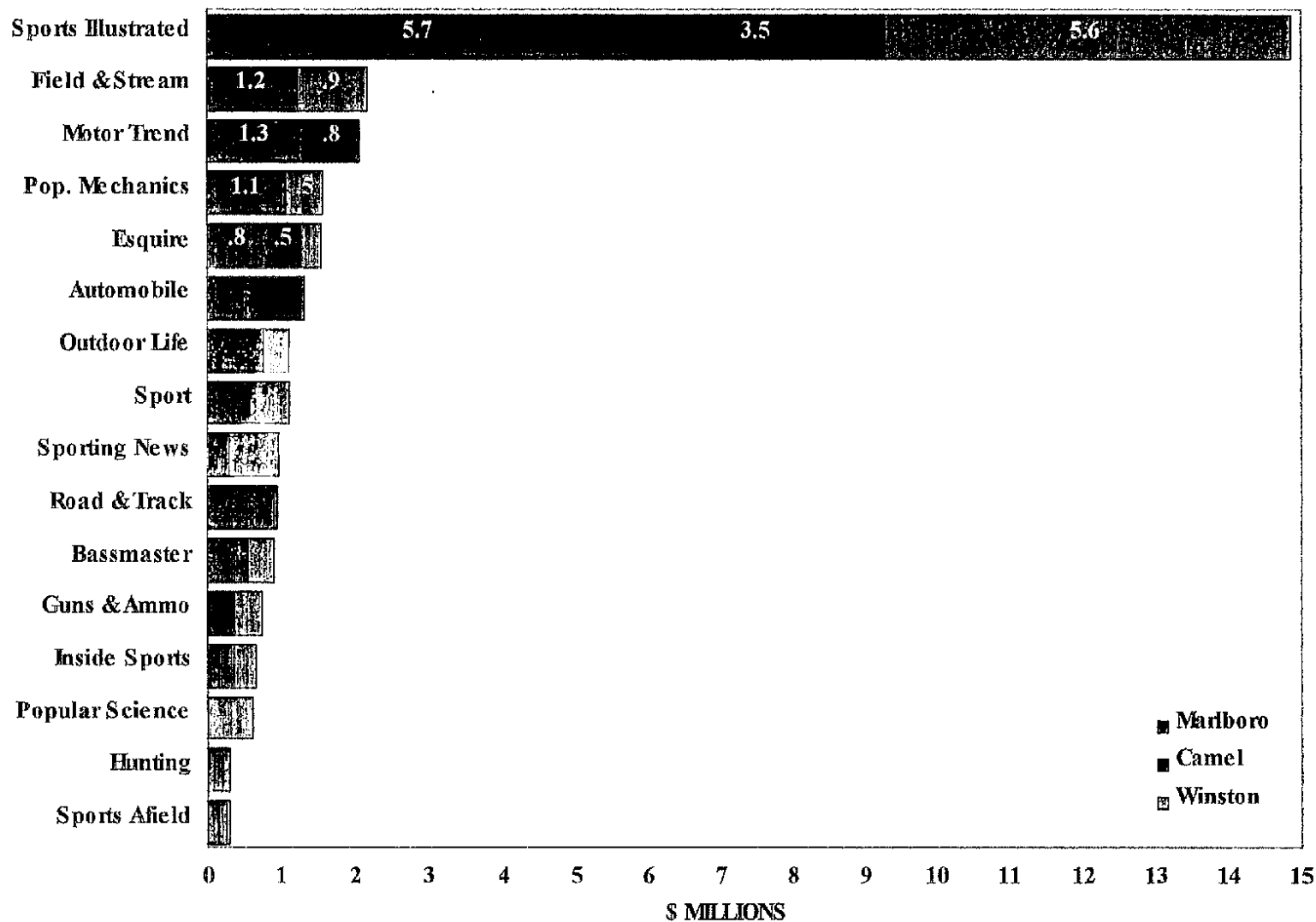
Rolling Stone Competitive January-September 1998



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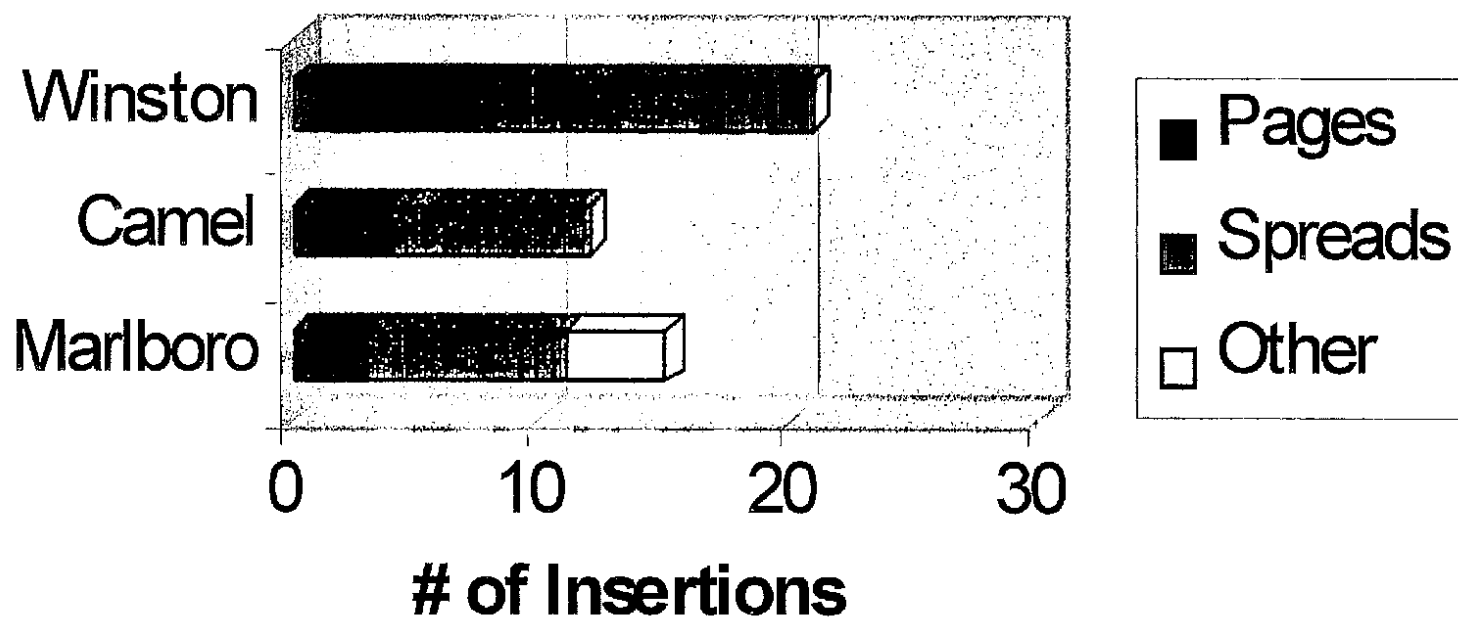
OLDER ADULT MALE MAGAZINES

(January-September, 1998)



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Sports Illustrated Competitive



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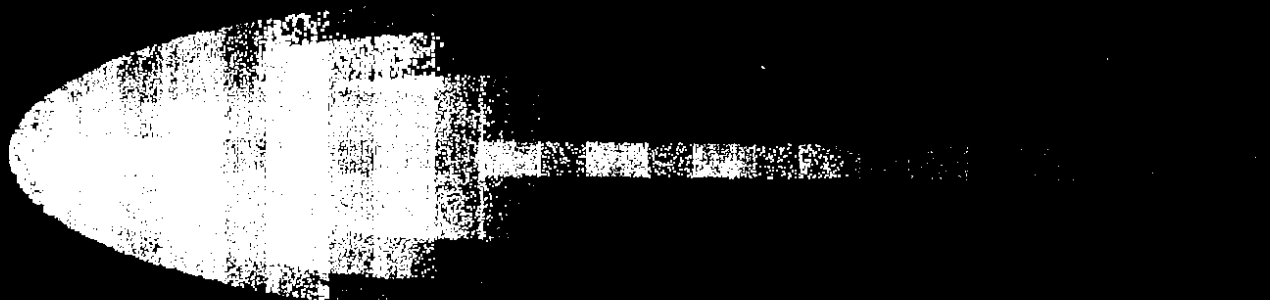
In response to the changing environment,
PLI was created to obtain an ongoing
PM leadership position in Print...

based on one key objective...

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PLI Objectives & Strategies



PLI: Objective

Create and sustain an ongoing PM competitive advantage

- Develop an effective/recognizable leadership position
 - Breakthrough clutter
 - Efficiently as possible
- Critical to identify opportunities for all PM brands

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PLI: Strategies

Develop innovative “tools” that leverage strengths of Tier I titles to reach key audiences

- Breakthrough clutter with innovative formats
- Identify relevant creative (right for the book / position)
- Eliminate duplicative positioning/media executions
- Maximize use of traditional franchise positions
 - Covers, TOC, Horoscopes, etc.
- Develop new franchise positions which reinforce core positioning

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PLI: Strategies

Redefine our approach to media by developing Marketing Plans book by book

- Address differences among readers by publication
 - What works in *GQ* may not work in *ESPN*
- Identify key tools that compliment a brands equity
- Optimize use of tools across publications

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Process



PLI Process

Our new approach to media planning prioritizes Print titles based on their perceived value to the brand

- Identify Tier I books by brand
 - Develop and execute zero-based marketing plans
 - Devote necessary resources against selected priority titles to obtain a competitive advantage
- Identify Tier II books which are necessary to meet delivery goals against all relevant audience segments
- Evaluate Tier III/remaining books and assess viability within budget parameters

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Bottom line...

PLI is a new way to approach/plan media

Let's talk about how it works...

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PLI: Tier I Process

Identify Tier I Books by Brand

- Selection Criteria Variables include:
 - Audience delivery/Demographics
 - Editorial positioning
 - Magazines perceived leadership value
 - Dynamic/Growing publication
 - Efficiency
- Number of publications will vary by brand
 - Dependent upon available resources/objectives

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PLI: Tier I Process

Invite selected books to participate and brief them on:

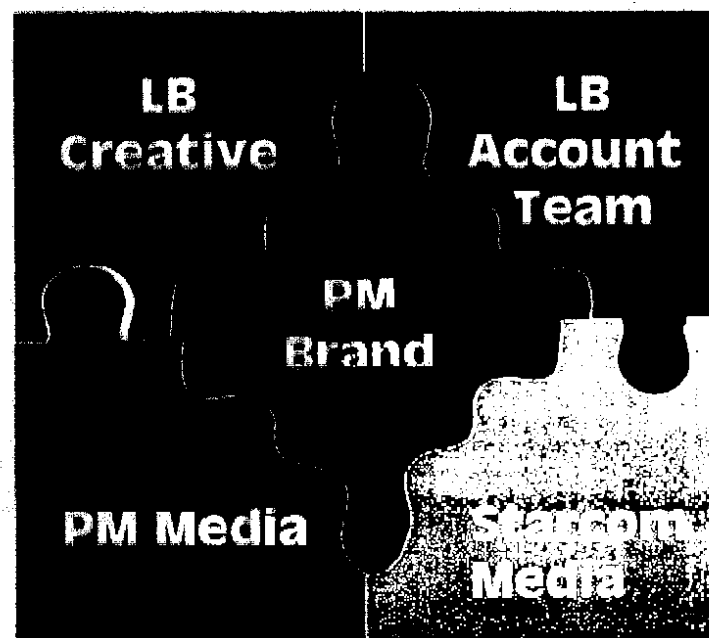
- PLI Objectives
 - Leadership/Identifiable competitive advantage
- Key Players
 - LB/PM variety of players lends credibility
- Assignment
 - Expectations
 - Detailed publication overview
 - Magazine generated ideas
 - Key Audience(s)
 - Specific Brand Essence/Personality

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PLI: Tier I Process

Schedule Initial Meetings with Key Players

- Cross-functional teamwork essential to the process
 - Represents a change in the way we do things



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PLI: Tier I Process

Team meeting with publication to identify:

- Positioning / Personality
- Editorial Overview
- Popular Features
- Editorial / Photo Wells
- Special Issues
- Competitive Overview
- Franchise Positions
- Publication Ideas

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PLI: Tier I Process

Empower agency creative teams

- Educate creative teams on publication
 - Positioning
 - Personality
 - Layout/Regular Features
 - Ideas Offered
- Development of “tools”

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PLI: Tier I Process

Develop customized Marketing Plans for each Tier I title

- Leverage creative, media, and brand expertise
- Utilize a variety of tools to maximize impact
- Achieve a certain degree of unexpectedness
- Increase relevance among key smoker audiences

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PLI: Tier I Process

Media Buy Negotiation

Develop media buy parameters and negotiation strategies

- Positioning Guarantees/Editorial adjacencies
- PM Tobacco Positioning Exclusivity
 - Non-duplicable ideas/1st tobacco
- Negotiate as a "Package Deal"
 - Positioning/Pricing
 - PM Proprietary positions
 - Flexibility regarding timing and actual executions

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PLI: Tier I Process

Execute marketing plans

- Implement book specific marketing plans for Tier I
- Evaluate process and build on learning
- Expand Tier I book list as needed

Implement

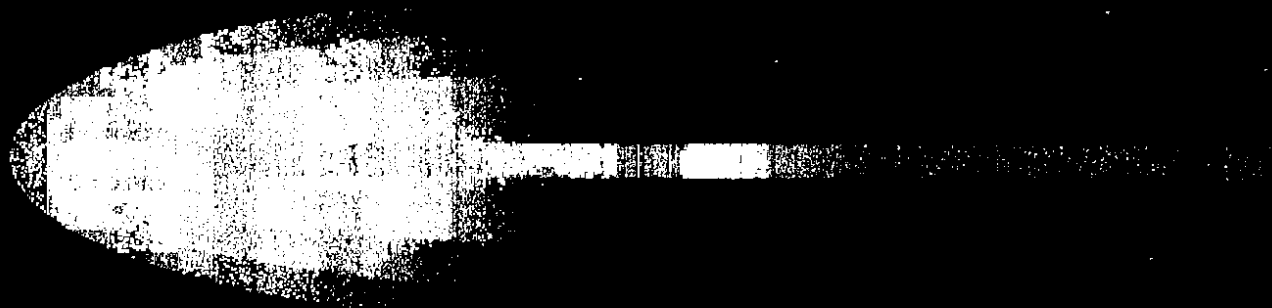
Evaluate

Expand

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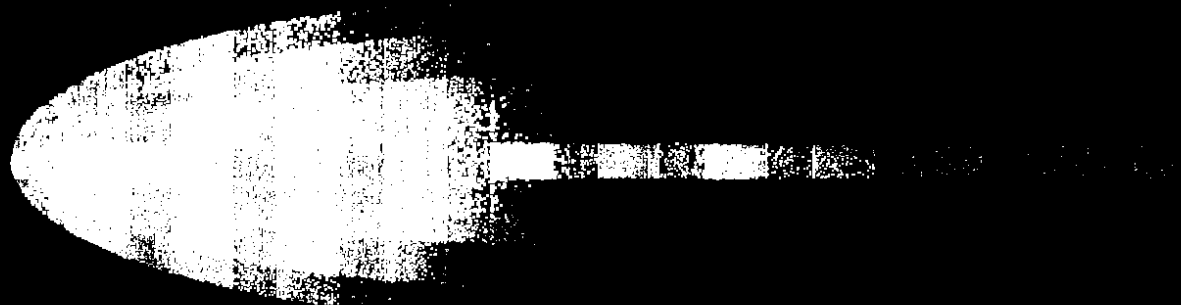
Let's take a look at a few examples...



This all sounds good--
but can PLI deliver results?

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PLI Portfolio Update



PLI: Initial Tier I List

Marlboro

Rolling Stone

Sports Illustrated

Maxim

Playboy

ESPN

Cosmopolitan

Entertainment Wkly

Vogue

Details

Jane

Virginia Slims

Cosmopolitan

Glamour

In Style

Merit

Midwest Living

People

Better Homes & Gardens

Basic

TV Guide

National Enquirer

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Rolling Stone

Category: Young Adult Dual Progressive

Marlboro 1998 Frequency: 18 out of 24 issues

Positioning: A lively chronicle of pop culture, music entertainment,
social, and political issues

VITAL STATS:

Median age:	27.4	% Subscription:	85.6%
Circulation:	1,252M	Smoker Index:	119
% Smokers:	30.80%		

REACH:

MS 21-24	20%	MS 25-34	13%
FS 21-24	9%	FS 25-34	3%
AS 21-24	15%	AS 25-34	8%

Core Features:

Hot List
Record Reviews
Random Notes

Special Issues:

Fathers/Sons 11/11
The Hot List 8/19
Summer Double Issue 7/8
Fall TV Preview 9/16

Leading Advertisers:

Tobacco

Marlboro 1998 YTD Positioning:

Franchise:	10
Back Covers	7
2CP1	3

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Non-Franchise:	6
ROB Page	0
ROB Spread	6

Competitive Pressure: HIGH

**1998 Rolling Stone
Marlboro
Actual Print Schedule
(18 Insertions out of 24)**

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
BC (7)	█	█		█	█			█		█		
2CPI (1)							█					
Spreads (6)												
SIUs (4)												

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*PM does not run in two issues

Rolling Stone: Marlboro Tools

Marlboro Proposed 1999 PLI Tools

Likely Tools

Cover-gates
Vertical Spread
1/2 pg. spreads
Heavy-stck "cntr" sprds
Themed creative
Photo-mosaic poster
OOH-gatefold (3pgs.)

On-Hold/Further Development Tools

Consecutive themed pgs.
"Rock -n- Roll Family Tree"
New Country section
"Insiders guide to bars"

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**1999 Rolling Stone
Tentative Marlboro Print Schedule
(24 Insertions)**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
BC (8)												
2CPI (3)												
Heavy Stock CSP (1)												
Vertical Spreads (2)												
OOH Gatefold (1)												
1/2 pg Spread (1)												
Special Themed Creative (3)												
SIUs/Promotions (3)												
Rolling Stone Yr. In Covers/Reviews (2)												

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Rolling Stone: Buy Parameters

Buy Parameters

Overall--Maintain leadership tobacco position within the magazine

- Vertical Spreads
 - Exclusive tobacco ownership of position
 - Dependent upon vertical spread lead-in to cover story
- 1/2 page spreads
 - Include 1st tobacco positioning guarantee
 - Positioned within "Random Notes" or "Rock-N-Roll"
- Cover-gates
 - Tobacco exclusivity regarding edit themes: Covers and Releases
- Heavy paper stock spread/SIUS
 - 1st tobacco guarantee

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Sports Illustrated

Category: Older Adult Male Mainstream

Marlboro 1998 Frequency: 21 out of 52 issues

Positioning: The weekly Sports Authority

VITAL STATS:

Median age:	36.8	% Subscription:	95.9%
Circulation:	3,270M	Smoker Index:	107
% Smokers:	27.60%		

REACH:

MS 21-24	36%	MS 25-34	23%
FS 21-24	4%	FS 25-34	4%
AS 21-24	20%	AS 25-34	14%

Core Features:

Leading Off (pictorial)
SI View
Scorecard
Catching Up With

Special Issues:

Swimsuit Issue
NFL Preview

Leading Advertisers:

Automotive
Tobacco

1998 YTD Positioning:

Franchise:	11
Back Covers	8
2CP1	3

Non-Franchise:	7
ROB Page	1
ROB Spread	6

Competitive Pressure:

HIGH

Sports Illustrated
Marlboro
1998 Actual Print Schedule
(21 Insertions Out of 52)

	JAN			FEB			MAR			APR			MAY			JUNE			JULY			AUG			SEPT			OCT			NOV			DEC		
BC (7)																																				
2CPI (3)																																				
Spreads (8)																																				
SIUs (2)																																				
Page (1)																																				

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Sports Illustrated: Marlboro Tools

Marlboro Proposed 1999 PLI Tools

Likely Tools

"Leading Off" Spread
Squares
Z-gate cover
Schedule/Bookmark
SIUs

On-Hold/Further Development Tools

Center Spreads
1/3 pg. + Spread unit
Photo-well section
Poster photo unit

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**1999 Sports Illustrated
Tentative Marlboro Print Schedule
(46 Insertions)**

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
REG. (6)												
2001 (6)												
Leading Offspring (6)												
Matching the Magazines (6)												
Gifts/Resolutions (2)												
Gifts/Resolutions (2)												
Gifts/Resolutions (2)												

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Sports Illustrated: Buy Parameters

Overall--Maintain tobacco leadership position within title

- "Leading Off Section"
 - First ad spread position following three consecutive edit spreads (dependent upon 4CB spread photos)
 - 1st tobacco position
 - Exclusive tobacco ownership of spread position
- Squares
 - Square creative execution adjacent to "Catching Up"
 - Include 1st tobacco positioning guarantee
 - Exclusive tobacco square ownership of adjacency

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Sports Illustrated: Buy Parameters

- Bookmark
 - Either 1/2 pg. or 1/3 pg. Bookmark with NFL related edit
 - Sports Illustrated provides edit for one side
 - Positioned adjacent to NFL editorial well/lead-in
 - Marlboro/tobacco ownership
- SIUs
 - 1st tobacco guarantee

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Overall Negotiation Strategies

Negotiation Strategy

- Maintain unit flexibility, but recognize total page equivalency -100% firm
- Leverage entire package deal "all or nothing"
- Don't be afraid to walk away
 - Plenty of alternatives for PLI within categories
- Hold back currency for negotiations
 - Creates a win/win perception

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Portfolio Update

Virginia Slims, Basic, and Merit have all conducted initial meetings with core titles

- Plan to have follow-up meetings mid-January
 - Discuss ideas developed by the agency creative teams
 - Publication production capabilities
- Several ideas presented by the publications currently under consideration

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Portfolio Update

Cosmopolitan

Horoscope, and "He said She said"
editorial tie-in

*Accents differences platform of Slims
1999 creative

Glamour

Horoscope, Unique editorial section of
Glamour "Dos and Don'ts" & Quizzes
Gatefold format...wrapped around
original Glamour edit

*Leverages fashion platform through
unique angle emphasizing humor

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Portfolio Update

TV Guide

Unique tie-in to Soaps section
1/3 pg. "Basic Soap feature
Customized crossword puzzle
*Leverages audience interest
in Soaps and crossword puzzles

National Enquirer

Opportunity to wrap around crossword
puzzle with customized name generation
opportunities
*Leverages highly read section with
unique name generation capabilities

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Portfolio Update: Next Steps

Next steps to implement PLI across the PM portfolio include:

- Formal PLI Presentation to brand groups, client service, and creative teams
 - Objectives/Strategies
 - Methodology
 - Marlboro template
- Confirm Tier I books by brand
 - Assess presence by brand
 - Identify obstacles to leadership

Portfolio Update: Next Steps

- Recognize opportunities to maximize brand presence within each Tier I book
 - Evaluate unique editorial adjacencies/positioning
 - Increase frequency
 - Create new tools
- Assess tradeoffs
 - R/F Analysis
 - Identify budget implications
- Implement PLI

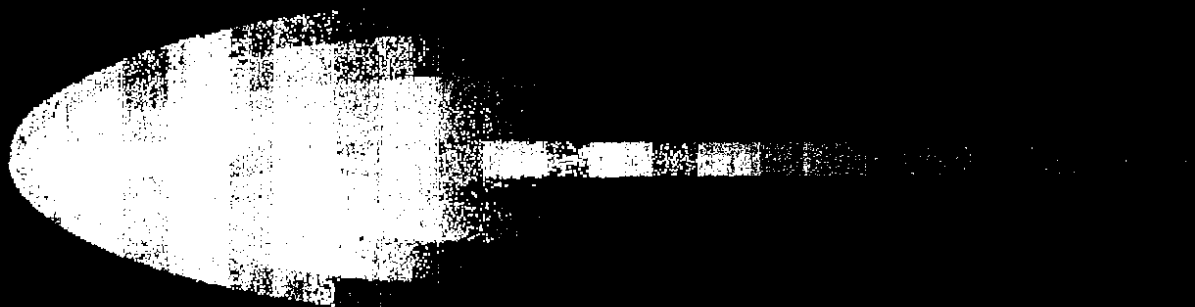
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For PLI to be successful across brands,
it's essential for key players to...
set the pace, set the examples,
set the rules...
and follow through!!!

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Funding



Funding: PLI Results

What does PLI bring to the table vs. our traditional Print plans...

- Increased frequency in weeklies and bi-monthlies
 - Provides continuity
 - Maximum frequency in monthlies
- Unexpected formats, positioning, and relevance which encourage consumers to interact with ads
- Pro-actively combats competitive presence beyond matching "page for page"
 - Provides increased quality/impact of message

Funding: PLI Trade-Offs

What are the trade-offs vs. our traditional media plan

- Marlboro example

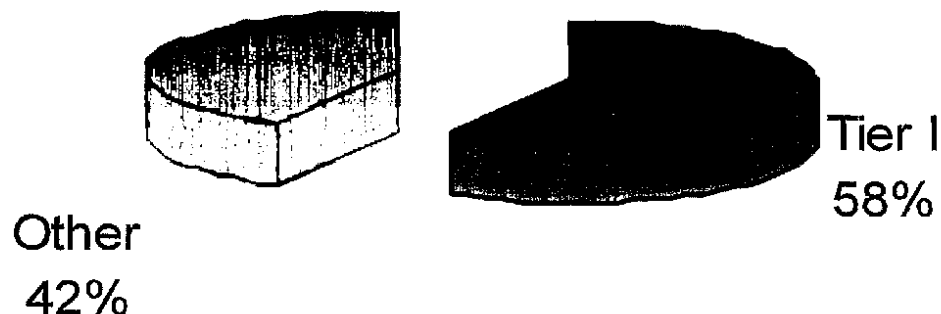
<u>Plan</u>	<u># of Titles</u>	<u># of Insertions</u>
Traditional	78	930
PLI	74	1012

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Funding: PLI Resource Allocation

Based on the traditional Print plan only 60% of all resources would be allocated behind Tier I titles

Marlboro Share of Spending Traditional Media Plan

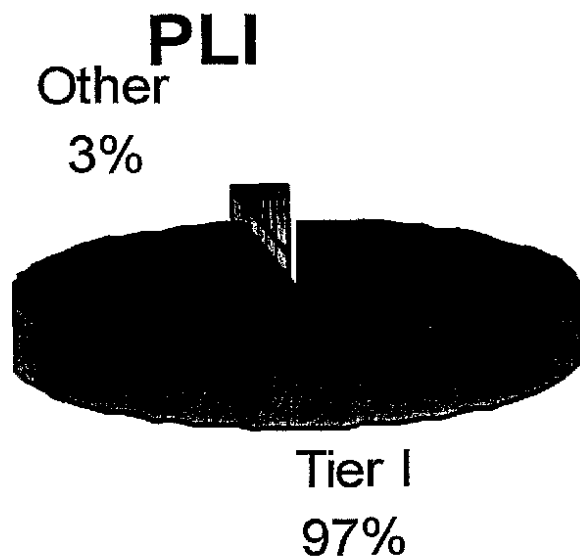


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Funding: PLI Resource Allocation

Based on our Tier I/Tier II plan within budget, our resource allocation is heavily skewed to Tier I titles

Marlboro Share of Spending

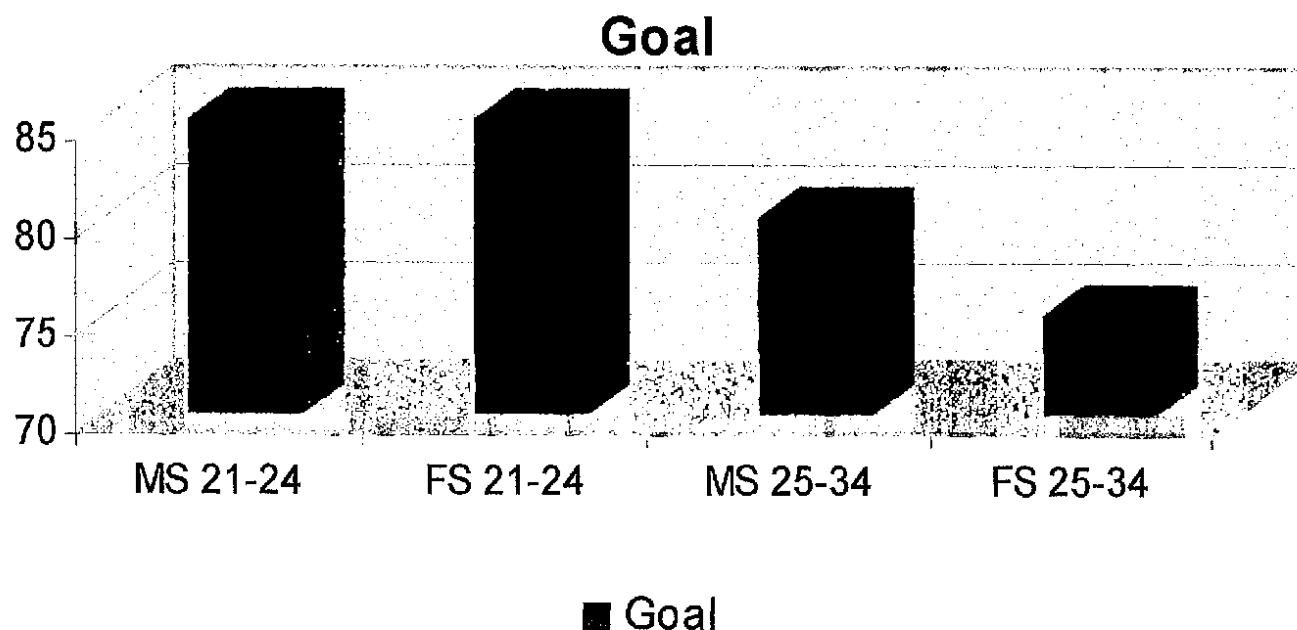


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Funding: Delivery

Let's take a look at what happens to delivery when P... is implemented

- Start by evaluating Reach goals for Marlboro Print Plan
 - Added 5 reach points to goal due to loss of OOH

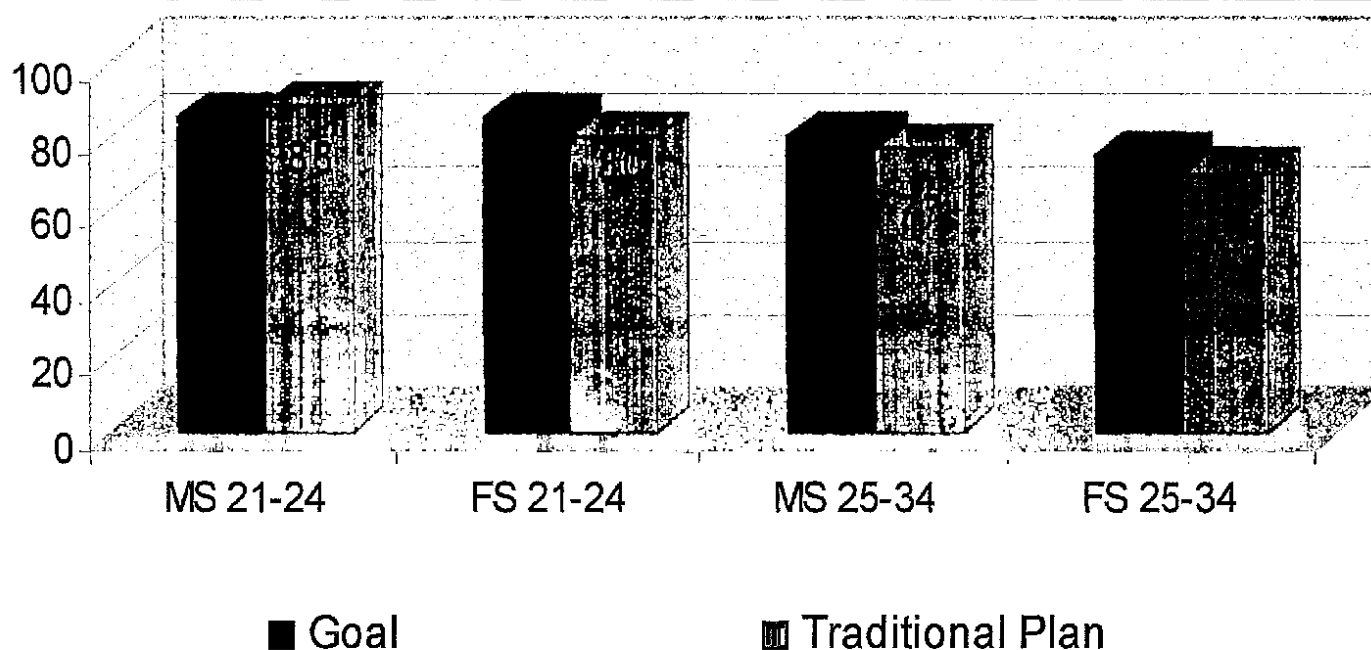


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Funding: Identify Benchmarks

Next, identify traditional plan delivery vs. goal by audience segment

- Total budget at \$45.1MM

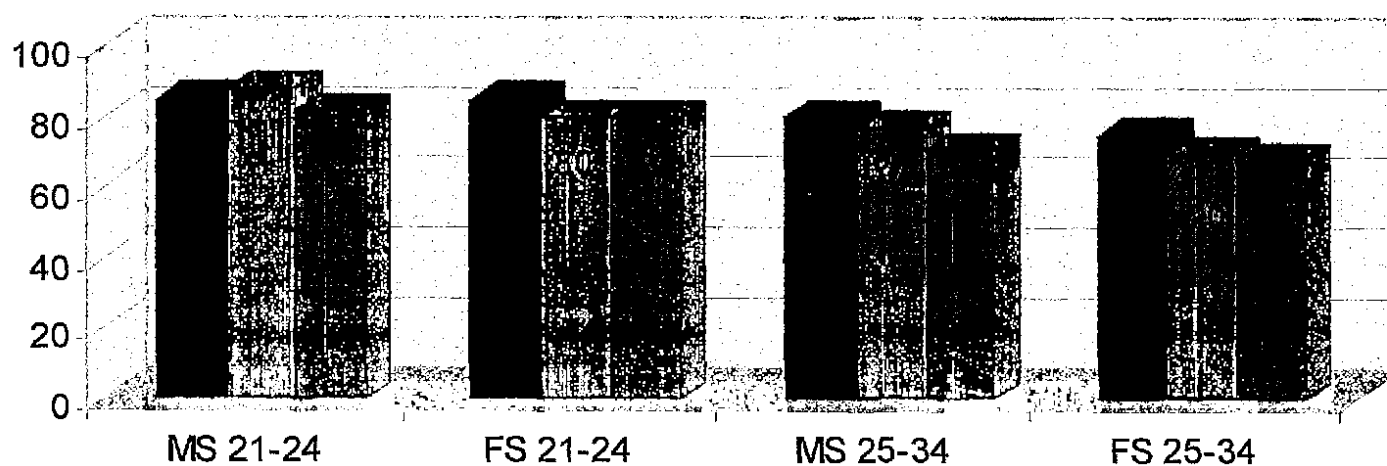


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Funding: Tier I Books

Then, after selecting and constructing Tier I marketing plans, identify cost and delivery implications

- Total budget at \$43.7 = \$1.4MM in unallocated funds



■ Goal

■ Traditional Plan

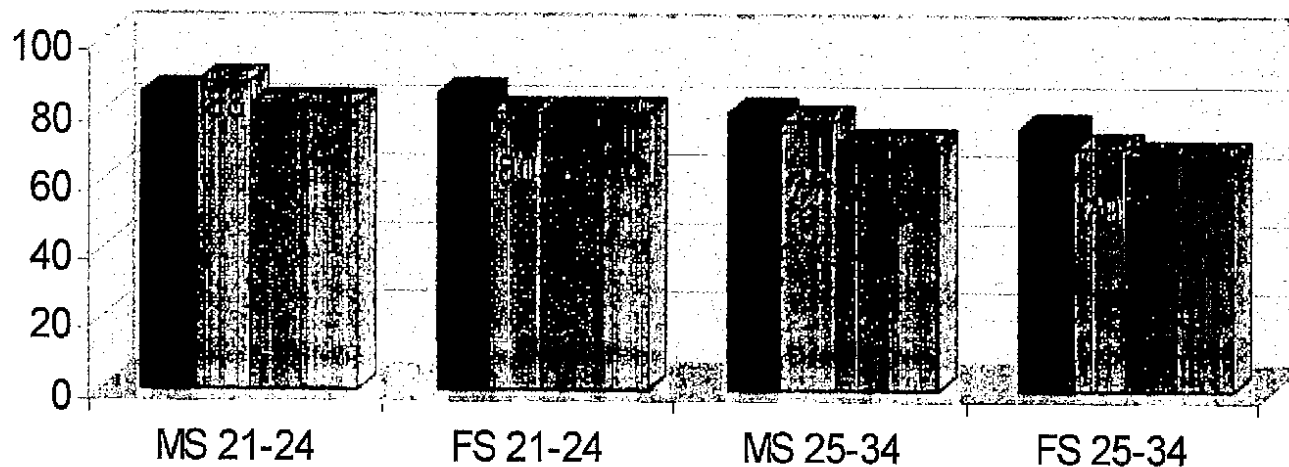
■ Tier I Titles Only

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Funding: Tier II Allocations to Budget

Tier II titles added to supplement reach against audience segments within budget

- Total budget at \$45.1MM = no unallocated funds



■ Goal

■ Traditional Plan

■ Tier I Titles Only

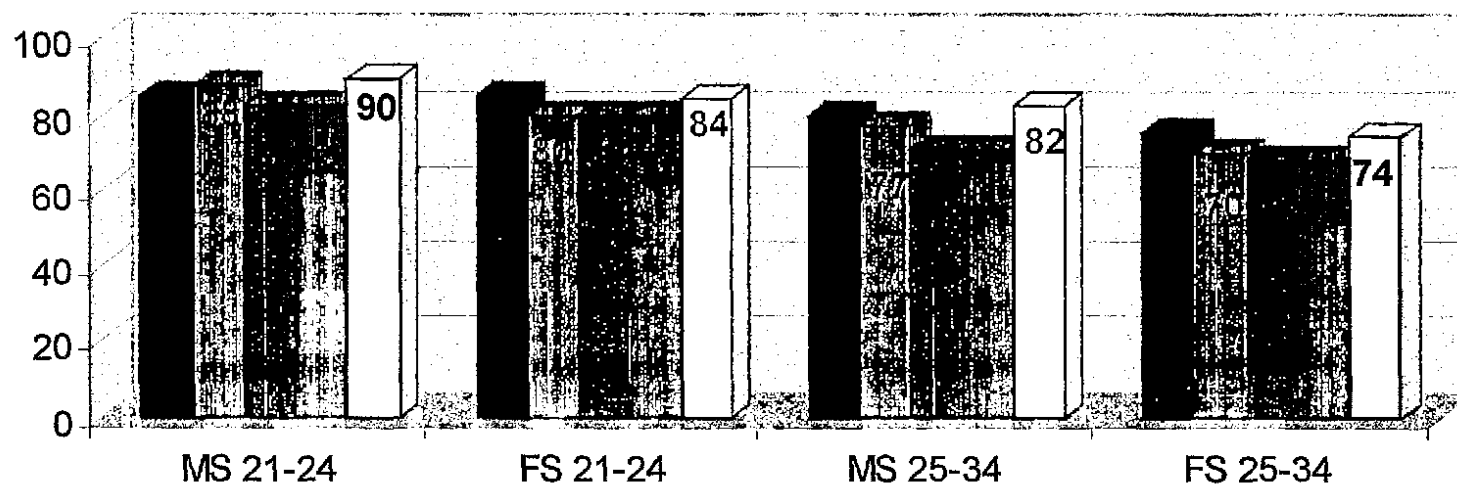
■ Tier I/Tier II at Budget

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Funding: Tier II Allocations to Goal

Next, identify incremental insertions in Tier II titles needed to reach delivery goals across segments

- Total budget at \$ 59.5MM = \$14.4 in incremental funding



■ Goal
■ Tier I Titles Only
□ Tier I/Tier II at Goal

■ Traditional Plan
■ Tier I/Tier II at Budget

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Funding: Delivery Recap

Summary of Reach and Frequency Implications

- Estimated reach and frequency per month

<u>Plan</u>	<u>MS21-24</u>	<u>FS21-24</u>	<u>MS25-34</u>	<u>FS25-34</u>
Goal	85/4.0	85/3.5	80/3.3	75/3.0
Traditional	88/4.2	80/3.6	77/4.0	70/3.2
PLI	90/5.0	84/4.1	82/4.8	74/3.6

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Funding: PLI Resource Allocation

PLI places greater emphasis on Marlboro Print priorities with almost 3/4 of total Print spending behind Tier I titles

**Marlboro 1999
Planned "Post-PLI" Share of Spending**



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Funding: Tier Three Titles

Finally, evaluate Tier III/remaining titles to assess their viability within budget parameters

- List based on the following media criteria...
 - Efficiency
 - Low level or absence of competitive activity
 - Other “perceived” leaders in the category
- Includes the following titles for Marlboro
 - George, Life, Movieline, and NY Magazine

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Funding: Budget Review

Let's take a look at the numbers...

Marlboro Base Plan Budget:	\$45.1MM
Tier I Title Marketing Plans:	\$43.7MM
Tier I/Tier II to budget:	\$45.1MM
Tier I/Tier II to goal:	\$59.5MM

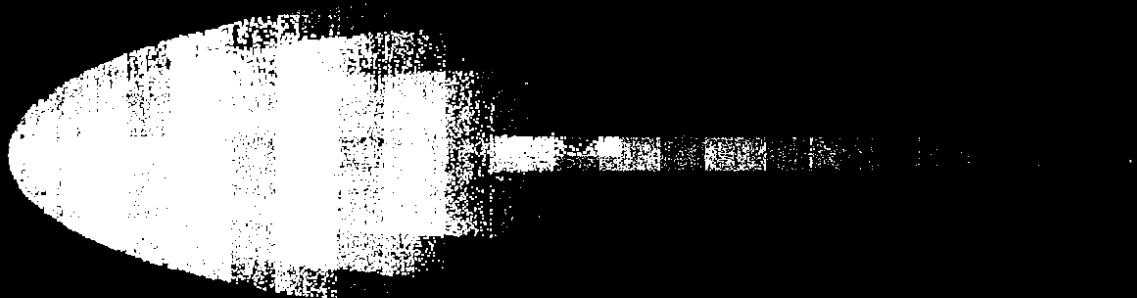
Incremental Funding Needed for PLI: \$14.4MM

*Allows Marlboro to reach delivery goals across all audiences

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Portfolio Issues/Next Steps



Portfolio Issues

Several portfolio issues to address:

- Scheduling
- Proprietary ownership of ideas

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PLI: Portfolio Issues

Scheduling

Can more than one PM brand implement PLI in the same book...

- Depends on specific brand initiatives
 - Room in book for more than one brand if they're doing two different things
- Evaluate and assess as PLI expands
- PM Media serves as gatekeeper to manage conflicting brand priorities, as they occur

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PLI: Portfolio Issues

Proprietary Ownership of Ideas

Need to address "rules" regarding tool development

- Are tools exclusive to a brand?
- Can brands execute the same PLI tool in a different book
 - i.e. If Marlboro runs squares in *S/* can Basic run squares in another publication?
- Requires communication across brands to manage efficiently
 - PM Media to facilitate communication

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Next Steps

Next steps include:

- Communicate PLI initiative/process to brand groups
- Identify/Develop brand tools
- Develop publication specific marketing plans for 1999
- Expand PLI title list based on brand priorities
- Measure budget implications
- Implement plans

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