

Inter-Office Memorandum

TO: J. C. IRVINE

FROM: F. CHONG

DATE: 20 AUGUST 1992

SUBJECT: 1993 COMMUNICATION SPEND

1. To meet our profit growth target next year, the communication spend for 555 and Hilton will have to be adjusted to HK\$114 million (down from HK\$185.3 million per my note of August 13).

This HK\$114 million represents an increase of 20% over 1992. In real terms, it will generate only a marginal increase in media and promotion weight behind our two brands, as media inflation is projected at a minimum of 15% next year.

On a per mille basis, the communication spend will go up only 7% next year, which is below media inflation:

	<u>555</u>	<u>Hilton</u>	<u>Total</u>
Total Spend (HK\$Mn) 1993	92.00	22.00	114.00
1992	75.35	19.57	94.93
% Change	22.1%	12.4%	20.1%
Per Mille Spend (HK\$) 1993	6.23	1.24	3.51
1992	5.84	1.21	3.27
% Change	6.7%	2.5%	7.3%

2. While we understand the importance of meeting our profit growth targets next year, we should also recognize that at the HK\$114 million spend level, it will be difficult to maximize the growth potential of our brands in China, especially 555. As discussed in my earlier note, we believe we should invest on our brands and bring the spend up to HK\$185.3 million in 1993, in order to:

- Aggressively support our brands while we can still find a way to do so. The marketing environment in China will be increasingly more restrictive. We have to spend now.
- Improve 555's performance among consumers in terms advertising awareness and positive shifts in brand imageries.
- Broaden 555's penetration in the northern and central regions of China.

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Page 2
Memo to J C Irvine
August 20, 1992

- Support the new "Planet" campaign for 555.
- Fully exploit the 555 Rally event.
- Improve Hilton's penetration in markets outside the key urban cities.

Please communicate the above to Mr. David Jones. Thanks.

Frank
F. Chong

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