



CAMEL 1996 Plan

Objectives

- Re-establish younger adult smoker share growth
- Accelerate share-of-market growth

Strategies

- Create marketplace news/excitement that reinforces CAMEL's hip, cool, fun, irreverent image
- CAMEL Full Flavor/Lights products
- Establish high growth regions to build YAS momentum
- Maintain competitive pricing versus branded savings and Marlboro offensive discounting efforts



CAMEL 1996 Plan

- Share growth at 1995 levels without benefit of recall
- Growing MAM and MAM/M

	<u>1994</u>	<u>1995</u>	<u>1996</u>
<u>Total CAMEL</u>			
Volume	19.3	20.9	22.0
% Chg. vs. YAG	+7.8%	+8.3%	+5.3%
SOM	4.13	4.41	4.69
Chg. vs. YAG	+.15	+.28	+.28
Spending*	252	273	279
Chg. vs. YAG	(168)	+21	+6
MAM	419	455	496
% Chg. vs. YAG	+59%	+9%	+9%
MAM/M	21.68	21.73	22.55

* 1995 spending \$16MM favorability from accrual closeout not reflected. Recall benefit in 1995 +.17.

Marketing Spending

	<u>1995</u>	<u>1996</u>	<u>Diff.</u>	<u>Key Changes</u>
Advertising	50	59	+9	<ul style="list-style-type: none"> • Three integrated marketing events • Consistent use of Joe • SOV increase from 9% to 12%
Retail Promotion	57	65	+8	<ul style="list-style-type: none"> • 1995 14%; 1996 11% • Higher presence, retail display
Retail Pricing	54	51	(3)	<ul style="list-style-type: none"> • 1995 25%; 1996 20%
Continuity	36	48	+12	<ul style="list-style-type: none"> • Competitive proof value • Enhanced offers
Conversion	33	25	(8)	<ul style="list-style-type: none"> • Focus on high potential prospects • Pool, Bar, Motorcycle
SME	9	11	+2	
Retention	10	6	(4)	<ul style="list-style-type: none"> • Focus on recent converters
New Initiatives	—	3	+3	<ul style="list-style-type: none"> • New micro-brand initiatives
Other	24	11	(13)	
Total	273	279	+6*	

* P&L basis up 22MM



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Marketing Spending vs. Marlboro

	<u>Marlboro</u>	<u>CAMEL</u>
<u>1989-92</u>		
- Total (\$MM)	3.52	2.64
- Per M	2.69	12.61
<u>1995</u>		
- Total (\$MM)	1,300	273
- Per M	9.07	13.19
<u>1996</u>		
- Total (\$MM)	1,300	279
- Per M	8.57	12.69



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Red Kamel/Kamel Menthe: Four city test; limited distribution; Red Kamel 1/96-3/96; Kamel Menthe 4/96-6/96

- **Broadens business opportunity among YAS**
- **Enhances meaning and relevance of positioning**
- **Adds credibility to CAMEL as YAS brand**
 - **Repositions Marlboro as out-of-step/boring**
- **Provides marketplace news/excitement**



CAMEL Quarterly SOM

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>	<u>ML*</u> <u>Q4</u>	<u>ML</u> <u>Total</u>
1995							
SOM	4.24	4.45	4.50	4.46	4.41	4.75	4.49
Chg. PP	+.07	+.21	+.05	(.04)		+.25	
Chg. vs. YAG	+.19	+.35	+.32	+.29	+.28	+.58	+.36
1996							
SOM	4.53	4.64	4.73	4.83	4.69	4.83	4.69
Chg. PP	+.07	+.11	+.09				
Chg. vs. YAG	+.29	+.15	+.23	+.37	+.28	+.08	+.20

* Difference most likely 4th Quarter up .29; total up .08

Camel
Quarterly Volume

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>	ML <u>Q4</u>	<u>Total</u>
<u>1995</u>							
Units	4,683	5,535	5,677	5,034	20,929	5,451	21,345
Diff vs 1994	(60)	667	610	379	1,596	796	2,012
% chg vs. 94	-1%	14%	12%	8%	8%	17%	10%
<u>1996</u>							
Units	4,949	5,528	5,839	5,711	22,027		
Diff vs 1995	266	(7)	162	677	1,098		
% chg vs. 95	6%	0%	3%	13%	5%		

1995 Volume upside = 416mm



CAMEL Volume Performance

- 1996 goal makes CAMEL Ex. Regular highest % growth of all FP brands in Industry

	<u>1994</u>	<u>1995</u>	<u>1995</u> (Ex. Recall)	<u>1996</u>
Total CAMEL	19.3	20.9	20.2	22.0
% Chg. vs. YAG	7.8	8.3	4.6	8.9
Ex. Regular	15.7	17.5	16.8	18.7
% Chg. vs. YAG	9.7	11.5	7.0	11.3
Regular	3.6	3.4	3.4	3.3
% Chg. vs. YAG	.4	(5.6)	(5.6)	(3.0)



CAMEL Share-of-Market

	<u>1994</u>	<u>LE 1995</u>	<u>LE 1995 (Ex. Recall)</u>	<u>1996</u>
Total CAMEL	4.13	4.41	4.27	4.69
Chg. vs. YAG	+.15	+.28	+.14	+.28
Ex. Regular	3.42	3.72	3.58	4.03
Chg. vs. YAG	+.19	+.30	+.16	+.31



CAMEL Share of Full Price

- Ex Regular SOFP growth objective: +.5

- 1.0 YAS growth = +.1
- 6% conversion rate = +.4

	<u>1994</u>	<u>LE 1995</u>	<u>LE 1995</u> (Ex. Recall)	<u>1996</u>
Total CAMEL	5.91	6.27	6.06	6.63
Chg. vs. YAG	+.07	+.36	+.15	+.36
Ex. Regular	4.90	5.29	5.08	5.70
Chg. vs. YAG	+.16	+.39	+.18	+.41
<u>Share of Smoker</u>				
18-24	9.9	10.4	10.4	11.4
Chg. vs. YAG	(.4)	+.5	+.5	+1.0



CAMEL 1996 Plan

Product Performance

- Full Flavor inferior among competitive smokers
- Lights inferior among both franchise and competitive

	<u>CAMEL</u>		<u>Marlboro</u>	<u>Comments</u>
<u>Full Flavor</u>				
- Franchise	49		46	CAMEL advertising on tobacco taste/strength
- Competitive (21-24 M/F)	45	→	51	CAMEL too harsh
<u>Lights</u>				
- Franchise	42	→	51	Few attribute differences
- Competitive (21-24 M/F)	58	→	66	CAMEL too strong, harsh, not smooth

Next Steps

- Special Lights blind test results 1/96
- Improved prototype results 3/96; in-market 5/96