

TO: Jim Raporte

DATE: June 26, 1991

FROM: Marketing Information &amp; Analysis/Joseph J. Auriemma

SUBJECT: MARLBORO RACING SWEEPSTAKES/\$2.00 PRICE REDUCTION TEST

The following report analyzes the volume/share impact of the "Racing Sweepstakes/\$2.00 Price Reduction" promotion on Marlboro in a four panel, controlled store test. The promotion was executed in Schnuck's supermarkets (St. Louis) over a two week period and was designed to measure the response of each of the three test variables: Display with one-week Feature Advertisement, Display Only and the "Starburst" P.O.S. on the existing carton fixture without Display or Feature. At the account's request, this test was conducted over a two week period rather than the nationally executed program of one week.

SUMMARY

- The Marlboro Racing Sweepstakes/\$2.00 Price Reduction promotion was most effective in generating incremental volume (+48.2%) and share (+6.4 points) during the week in which the advertising feature and the temporary display were available. In comparison, when Marlboro utilized the display without a feature advertisement, the initial volume response was a +38.0% translating into a +4.8 share point increase. When the Marlboro Racing Sweepstakes/\$2.00 Price Reduction promotion was executed with P.O.S. price support only (no display or feature), Marlboro experienced a significantly lower response (volume: +6.7% ; share: +1.5 points).
- Marlboro did not experience any post promotional "pay-back" from the Racing Sweepstakes/\$2.00 Price Reduction promotion during the two weeks after the promotion had been executed. In fact, while Marlboro will most likely return to pre-promotional levels, the brand did experience some residual incremental volume and share in both the feature/display and display panels in the two weeks following the promotion.
- However, Marlboro's competitively sourced volume and share in the display/feature stores is estimated to be only approximately 10%. This level of incremental brand volume translates into 1.3 net share points to Marlboro. The source of Marlboro's incremental response in stores with only the display was similar, with 9.3% volume competitively sourced.

Therefore, it is estimated that almost 80% of Marlboro's incremental response was sourced from smokers who normally purchase from other trade classes or possibly small retailers purchasing product at favorable prices.

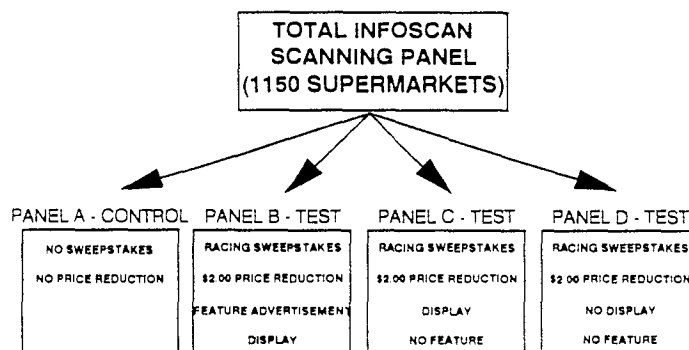
- Full Margin brands accounted for almost three-fourths of Marlboro's competitively sourced incremental volume in stores with either feature/display or only the display.
- While not as significant as the display effect, the advertising feature was successful in generating additional incremental volume (+10.2%) and share (+1.6 points).

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- As expected, since the Racing Sweepstakes/\$2.00 Price Reduction promotion was a carton offer, Marlboro's carton business experienced even stronger volume increases of +91.6% or +11.0 share points during the display/feature week.
- Marlboro's pack business did not experience any significant change, indicating that an opportunity may exist to increase Marlboro's total business in future programs by executing a promotion simultaneously with an account's carton offer.
- In each of the panels, the promotional volume response deteriorated rapidly during the second week. This was particularly apparent in the display/feature stores where during the second week (display only), Marlboro's incremental volume and share response was approximately 40% lower than the initial promotional week.

#### NEXT STEPS

In order to measure the impact of the promotion nationally within the supermarket environment, PM's supermarket scanning panel (InfoScan's panel of 1150 stores) is being segmented into four groups. Similar to the Schnuck's test, this analysis will isolate stores with each promotional element for a test versus control evaluation as follows:



This additional store group national analysis will be completed in August.

If you have any questions or comments, please do not hesitate to call.

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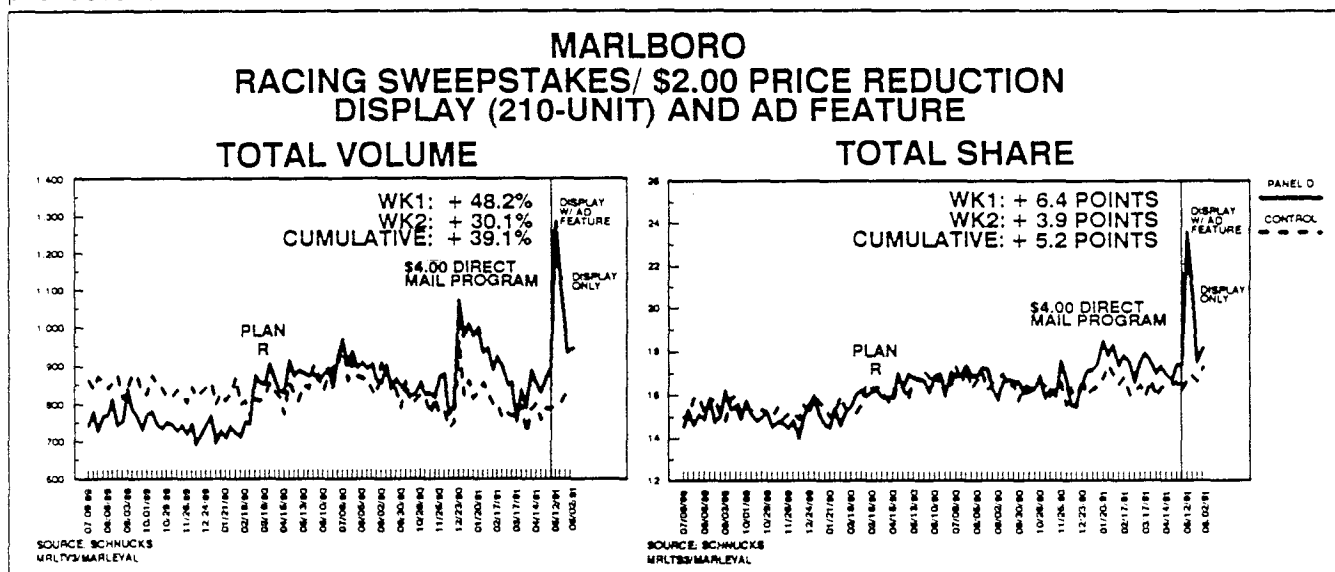
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# DISPLAY WITH ADVERTISING FEATURE

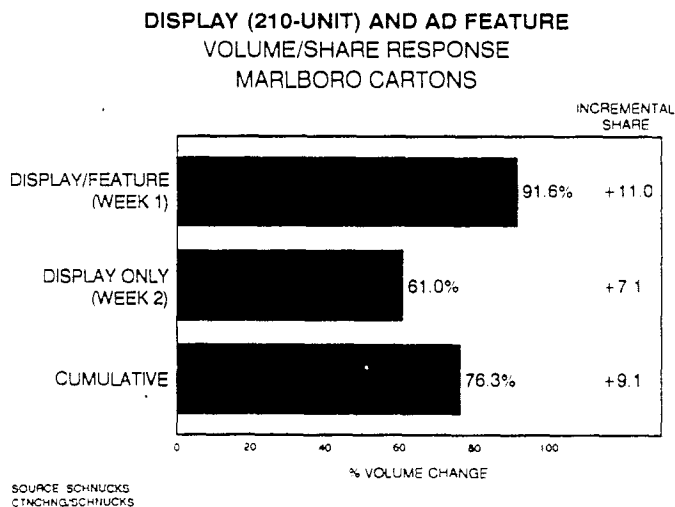
Marlboro achieved the highest volume and share performance when both the advertising feature and the temporary display were present. During the week of the feature advertisement (Week 1), these stores experienced a +48.2% volume increase or +6.4 share points.

For one week following the execution of the advertising feature, these stores retained the Racing Sweepstakes/\$2.00 Price Reduction promotion with display only. The response during this second week was a volume increase of +30.1% and +3.9 incremental share points. Cumulatively, both weeks of the promotion resulted in a +39.1% volume response translating into +5.2 share points.

Importantly, Marlboro does not appear to have experienced any post-promotional "pay-back" in the feature/display stores. While most likely temporary, Marlboro's volume and share was above the pre-promotional trend for two weeks following the promotion.



As expected, Marlboro's incremental promotional response was tied to significant gains in the brand's carton business. During the week with the feature advertisement (Week 1), Marlboro experienced a +91.6% volume response and +11.0 share point increase. In the second week, with a display and no feature, Marlboro's carton volume increased +61.0% or +7.1 share points. The cumulative impact for both weeks on Marlboro's carton business was a +76.3% gain in volume and +9.1 incremental share points.

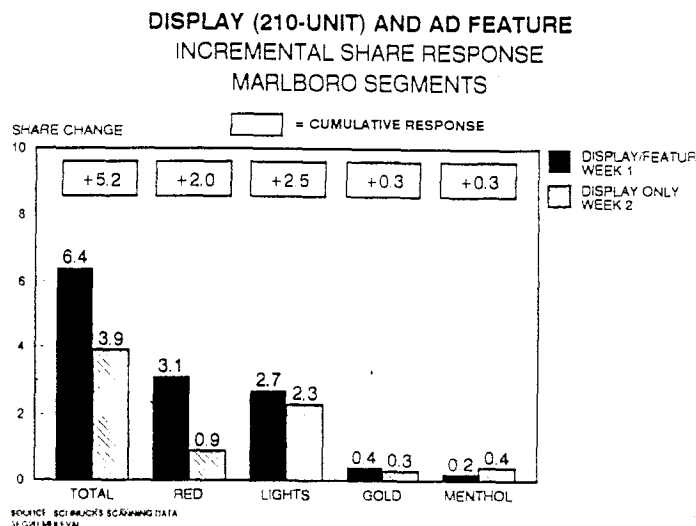
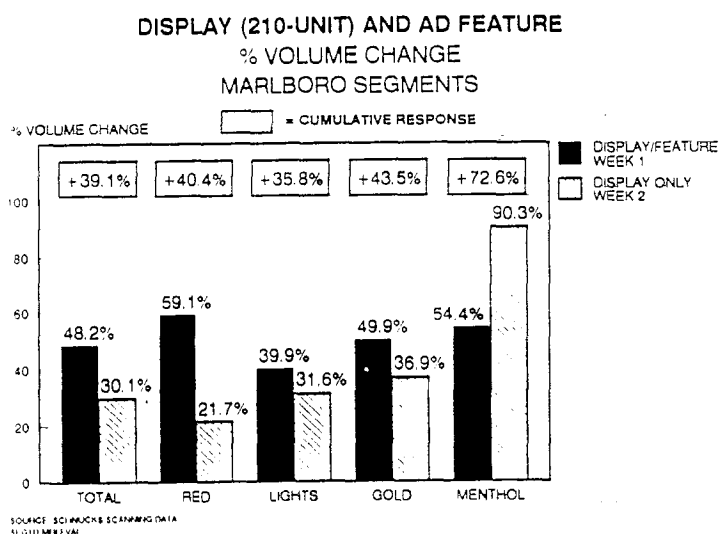


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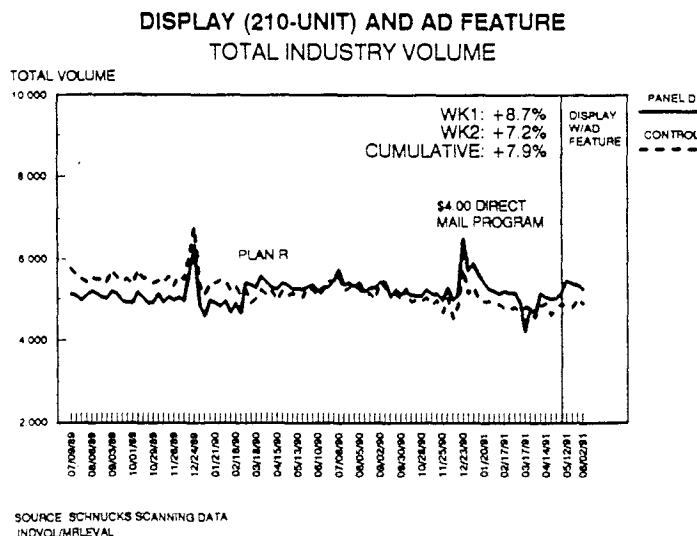
While Marlboro's pack business did not experience significant changes despite the strong increases in carton sales, future programs executing simultaneous pack and carton offers may provide an opportunity to increase Marlboro's total business even further.

Marlboro's promotional response deteriorated rapidly during the second week. In stores with the feature/display, Marlboro experienced a 40% decline in incremental volume when the feature advertisement was removed.

Marlboro's incremental volume/share was driven by both Marlboro Red (+3.1 share points) and Lights (+2.7 points).



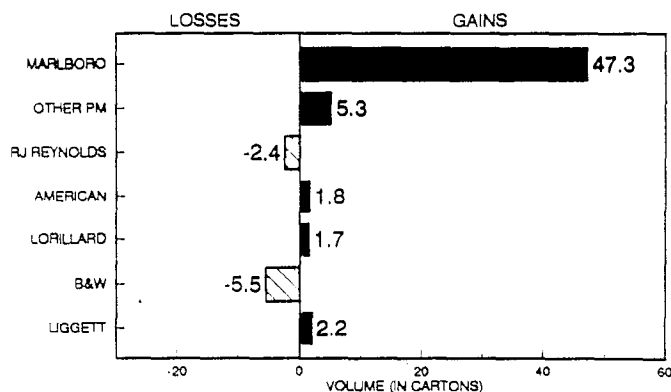
Total industry volume gained +8.7%, or +50.4 cartons per store, in the feature/display panel during the first week of the promotion. The total industry did not experience any pay-back for the two weeks following the Marlboro promotion as total industry volume remaining slightly above pre-promotional levels during this two week period.



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While it is difficult to determine exactly how much of Marlboro's incremental volume sourced directly from competitive brands without actual individual smoker switching data, an estimate can be derived by examining changes in absolute volume for the industry and competitive manufacturers. Marlboro accounted for the majority of the industry volume gain with an increase of +47.3 cartons per store. Importantly, Marlboro alone accounted for over 70% of the cartons which "shifted hands" in these outlets (derived by summing all positive and negative absolute volume changes).

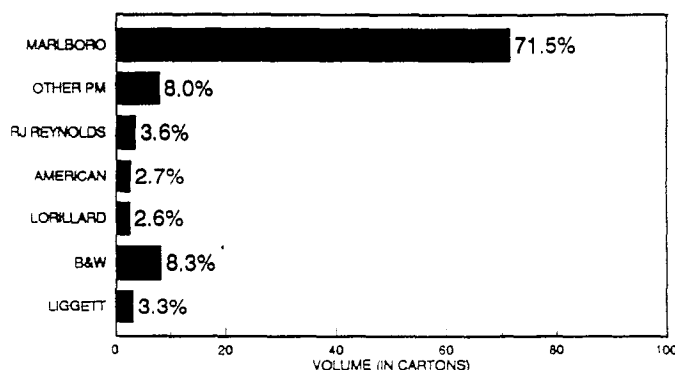
**DISPLAY (210-UNIT) AND AD FEATURE**  
NET VOLUME CHANGE PER STORE  
TOTAL INDUSTRY = +8.7% OR 50.4 CARTONS



SOURCE: SCHNUCK'S SCANNING DATA  
NET/DAILY

**DISPLAY (210-UNIT) AND AD FEATURE**  
TOTAL "SHIFTED" VOLUME

A TOTAL OF 66.2 CARTONS "SHIFTED HANDS"

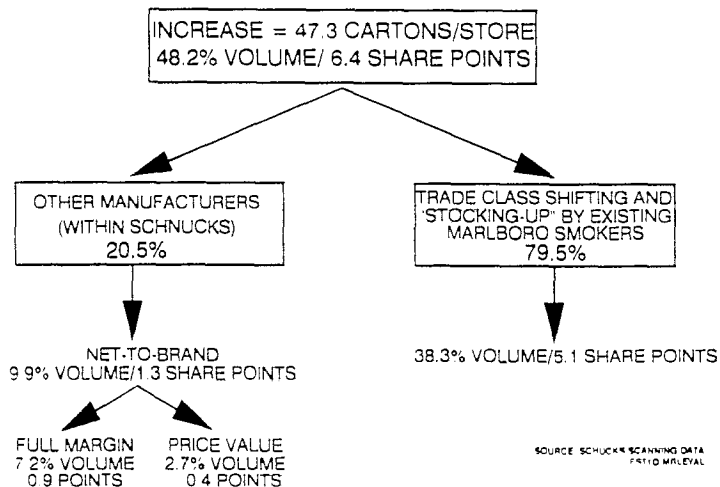


SOURCE: SCHNUCK'S SCANNING DATA  
SHIFT/DAILY

Therefore, only 20.5% of Marlboro's incremental volume was sourced from competitive manufacturers with the feature/display stores, translating into a net-to-brand volume increase from competitive brands of approximately 10% or 1.3 net share points. These net-to-brand increases were primarily sourced from the Full Margin category.

Marlboro's remaining incremental volume/share (38.3% volume or 5.1 share points) was sourced by smokers who normally purchase cigarettes in other trade classes and possibly small retailers purchasing product at favorable prices.

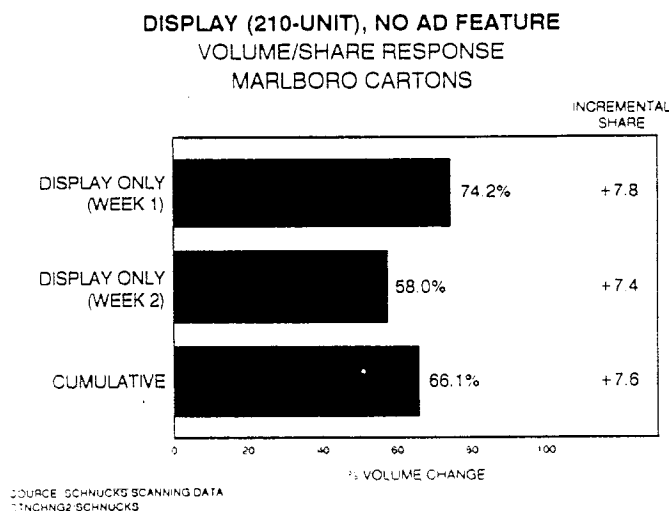
**DISPLAY (210-UNIT) AND AD FEATURE**  
SOURCE OF NET VOLUME ESTIMATE



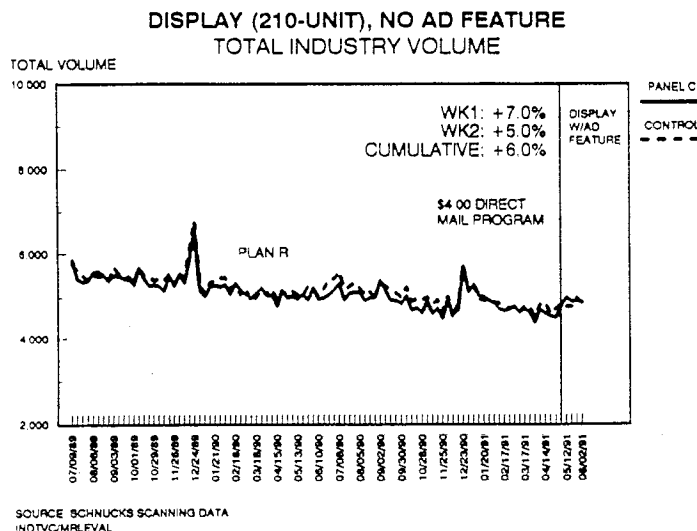
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In the panel of stores with a display only, Marlboro experienced a +74.2% carton volume increase, translating into +7.8 incremental share points during the first week of the promotion.

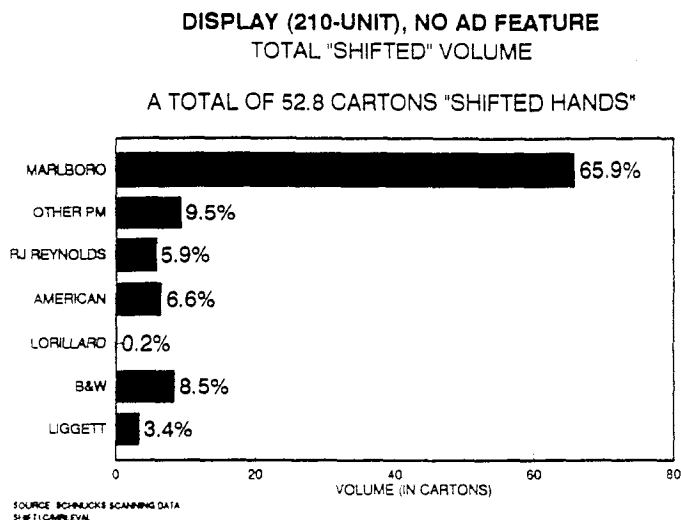
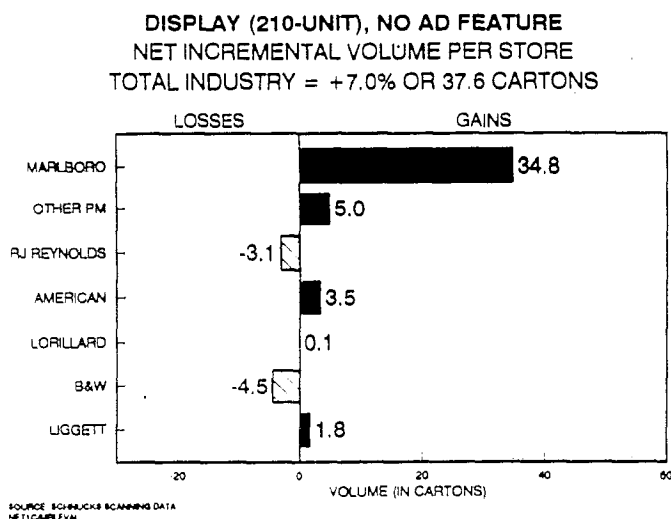


Total industry volume increased +7.0%, or +37.6 cartons per store, in the first week in stores with display only. Volume for the total industry volume remained slightly above pre-promotional level in the two weeks following the Marlboro promotion, indicating that the industry did not experience pay-back.

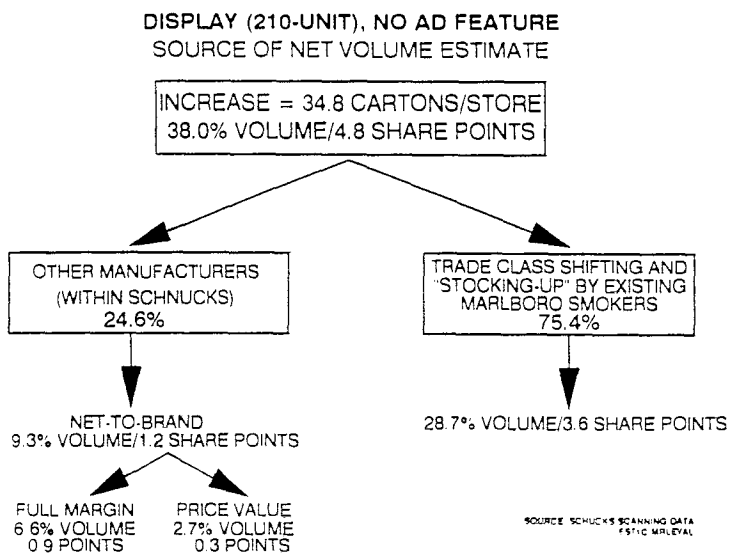


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Marlboro (+34.8 cartons/store) and other PM brands (+5.0 cartons/store) accounted for over three-fourths of the cartons which "shifted hands" in the display only test panel.



Similar to the results Marlboro experienced with the feature and display, it is estimated that Marlboro sourced 24.6% or over 9% incremental volume in the display only stores from in-store competitive manufacturers. This level of competitively sourced incremental volume translates into 1.2 (net-to-brand) share points, primarily tied to competitive Full Margin business.

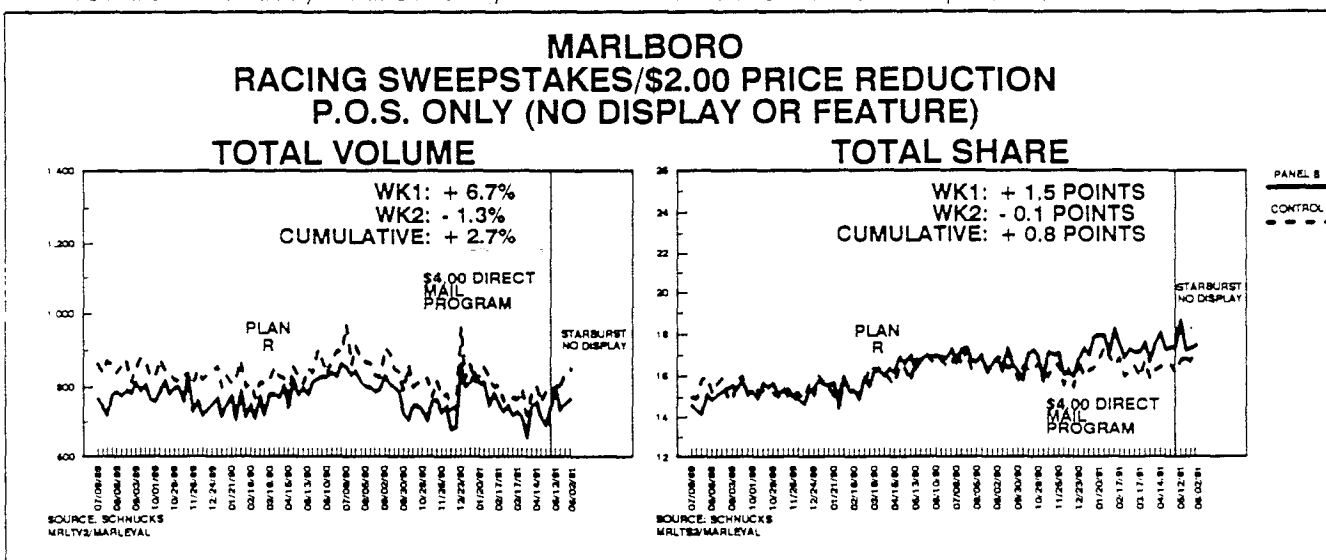


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P.O.S. ONLY (NO DISPLAY OR FEATURE)

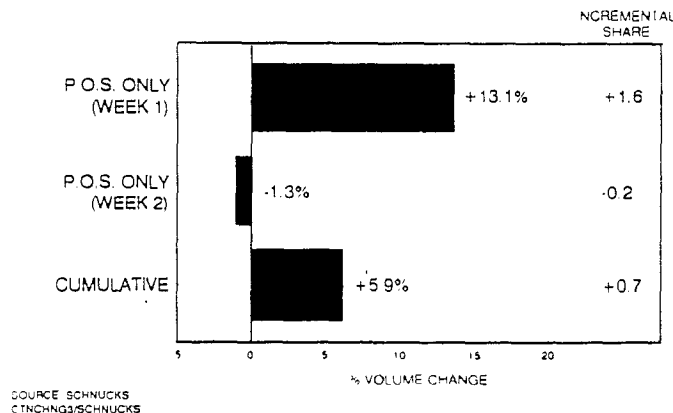
Utilizing only the Racing Sweepstakes/\$2.00 Price Reduction with the "Starburst" P.O.S. to convey the price promotion to consumers (no display or feature), Marlboro's volume and share increases in the first week (volume: +6.7%, share: +1.5 points) were substantially lower than in those outlets which supported the promotion with in-store display and feature activity. Since Marlboro did not experience any significant volume or share response in the second week of the promotion with only P.O.S. price support, the cumulative impact for both weeks was only a +2.7% volume increase, translating into +0.8 incremental share points.



With only the Starburst P.O.S. (no display or feature) to convey the Racing Sweepstakes/ \$2.00 Price Reduction, Marlboro's carton volume rose +13.1% and share increased +1.6 points in the first week of the promotion. No significant increase was experienced by Marlboro in these stores during the second week of the promotion, which may indicate it was difficult to maintain this price communication on existing/ competitive carton fixtures.

P.O.S. ONLY (NO DISPLAY OR AD FEATURE)

VOLUME/SHARE RESPONSE  
MARLBORO CARTONS



Since Marlboro's promotional response in stores with only the Starburst P.O.S. was not significant, a source of volume analysis was not conducted.

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