

1984.

KOOL

PLANS

written. 1983

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KOOL
1984 STRATEGIC PLAN

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- Inflow weak and declining. Trend worse among men.
- Some growth in switching-in. Starting planning.
- Outflow improving.
- KOOL franchise aging and growing slightly with female.

Key Foot versus Competition

1. Switching Dynamics - Slight improvement in switching-in, starting

- KOOL share recall low and not growing. Same level as Newport.
- Lower than Salem, B&W, and Marlboro.
- "Popularity"
- KOOL key attitude awareness declining. Sales increasing on
- Men usage up totally due to Deluxe Ultra Lights.
- Sales and Newport usage up among young adults.
- Women. Female usage up. Male usage up. No age pattern.
- KOOL family usage due to female, white, and 18-24.
- Less than B&W.
- KOOL converts awareness to usage as well as Salem and Newport.
- KOOL usage experience declining.
- KOOL awareness and usage lower than Salem.
- Trend data not available for awareness.

Reevaluation

2. National Awareness and Usage - Little definitive progress since

- Decline rate improved for KOOL family in 1982 (97) but
- forecasted to erode in 1983 (91).
- Parent share of segment improving, low est styles declining.
- Family launch-to-date share trend (96), same as historical
- reference.
- Share recovering in second quarter, 1993.
- Modest indication share trend better in high spending areas
- than in lower.
- 1982 share trend improvement primarily due to Parent.

1. National Market Share - No Definitive Progress since Reevaluation

A. Current Situation - Situation Appraisal

1. EXECUTIVE SUMMARY

- Smoking population and menthol smokers growing more female. Age relatively stable.
- Newport and Marlboro strongly leveraging young starters. Salem strong among starters of all ages except very young.
- Starter pool older, more female, and more low tar.
- KOOL inflow still relatively strong among non-menthol source.

4. KOOL Demography - Little Change since Revitalization

- Versus total smokers, KOOL still young, male and poor.
- Newport and Marlboro much younger.

5. Lead Market Analysis - Atlanta Problem Market, Spending Problem

- Awareness and trial up, share of market down.
- Weakness due to Atlanta, primarily.
- Image trend in Atlanta older, more female, more black.
- KOOL outspent in media in Atlanta, not little rock or Milwaukee.
- Serious trial trend best among males, but share trend best among females.
- Product image eroded among males, improved among females.
- KOOL converts awareness to trial as well as Salem across styles.
- KOOL Parent converts trial to market share better than Salem, KOOL LIGHTS much worse.
- Share of market weakness totally due to LIGHTS and Milds.
- User image eroded among males and Whites.
- Overall, little image shift.

6. KOOL Products - Harshness Problem May Persist

- Overall, products consistent with brand strategy and parity to superior in preference.
- Harshness is consistent attribute across styles.

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7. Distribution - Declining on Low Tar Styles

- Stable on Parent, down on low tar styles.
- Consistent with expectation due to market share except deficient on Milds KS.

8. Creative Testing - Music Campaign Memorable but Off-Strategy (Young, White, Male Appeal and Product Benefit)

- High recall in tip-in tests.
- High visual recall.
- Little interpretative copy recall, primarily literal headline.
- Current executions seen as Jazz.
- Wind instruments seen as Jazz.
- Black musicians seen as Jazz, Rhythm & Blues, and Soul.
- Jazz has Black image.
- Jazz more relevant to Blacks than Whites.
- KOOL JAZZ Festival did not affect brand awareness, trial imagery or market share.
- Music campaign is emotionally involving.
- Young adults use music to identify with peer group, respond more intensely to contemporary music.

9. KOOL BBT - Significant Success after Sixteen Months

- KOOL share not growing but considerably ahead of financial objective.
- Imagery improved on almost all dimensions.

10. National Media Spending - Similar to Salem

- KOOL 96 SGA/SOM in 1982, slightly ahead of Salem.
- Down in 1983, forecasted less than Salem.

11. 1983 Image Study (Topline Analysis Only) - KOOL the Strong, Masculine, Most Black, Menthol

- Overall, KOOL image most similar to Marlboro except for obvious menthol and Black attributes.
- Newport image more similar to Newport than Salem.
- Newport least Black of menthols, most for "someone like me."
- Salem user image relatively attractive.
- KOOL salient image strong, masculine, rugged, Black, not elegant, and somewhat for mavericks. (Franchise and non-franchise.).

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A. Strategic Issues

1. Is the Revitalization Strategy and Plan Working?

- No.
- Share of market declining and has resumed reference trend.
- Share of segment declining for all low tar styles.
- Inflow still declining.
- Awareness, trial, and usage not improving.
- Market share declining.
- B&W exceeding objective but not growing.

2. Is the Revitalization Strategy Still Valid?

- Overall, yes, some components must be changed.
- Pattern of favorable signs in B&W, individual TA trends, switch-in rate, KOMP, and imagery.
- Target audience young, male skew still valid.
- Family or "umbrella" strategy for all styles still valid.
- Creative strategy should sell "smoking satisfaction" benefit, not "menthol satisfaction."
- Product strategy still valid.
- Packaging off-strategy.
- Music sponsorship still a valid strategy for KOOL.
- Media spending level and media spending allocation principle suboptimal to accomplish share stabilization.

3. Have We Executed the Revitalization Strategy Optimally?

- No.
- Advertising off-strategy.
 - o Does not register "epitome of menthol satisfaction."
 - o Does not register "attractive, contemporary image" in young adults.
- Music sponsorship execution is off-strategy and too costly.
- Low tar KOOL products unsuccessful.
 - o Retention of triers is problem.
 - o Product harshness, packaging, distribution are causes.

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4. Should KOOL Address the Price/Value Issue Felt to Now Exist in the Industry?

- Yes.
- Reactions hurt KOOL more than average.
- Fair share loss to "price" brands is costly.
- KOOL not competitive in promotion spending.

5. Since It Has Been Concluded That the Revitalization Strategy is Not Working, What Should 1984 Marketing Spending be?

- Strategy and execution must be improved and validated before heavy spending can continue.
- Revert to reference media philosophy 65 SOA/SOM.
- Meet competition with promotion.
- Budget adequately for all test market needs.

C. Recommended Strategies

1. Overall Objectives

- Stop KOOL Family market share decline by 1984 or earlier.
- 1984 consumption share trend (9%) or better compared to 1983 (same as reference).
- Regain menthol category leadership, long term.

2. Overall Strategy

- Continue revitalization strategy with some key changes.
- Revitalize rather than reposition KOOL.
- Reduce spending to minimum necessary to maintain reference trend until growth programs validated.

3. Positioning/Creative - More Young, White, Male Appeal

- Convince smokers that, at any cost level, KOOL is the epitome of smoking satisfaction and will satisfy their need for an attractive, contemporary image.
- KOOL provides the most menthol refreshment for a taste sensation superior to any other cigarette, menthol or non-menthol.
- Advertising should symbolize both the best cigarette (quality) and a contemporary image of self assurance, confidence, and control (cool).
- KOOL will continue to use pan-Tarini music/symbolism/imagery to communicate the strategy.

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- A major executional exploratory is underway to improve strategic communication. Includes copy, visual, and layout.
- One campaign for all styles and races to continue.
- Reduce ULTRA and Black allocation in 1984.

4. Target Audience

- Continue current principle of 1975 KOOL target profile compared to total smokers, adjusted for annual changes in smoker demographics. Position KOOL younger, more male and more downscale than total smokers.

5. Promotion - Meet Competition

- Test all trial incentives before use if cost exceeds variable margin.
- Meet competition with short term volume tactics as long as cost is less than variable margin.
- Continue reasonable, occasional use of SMP and permanent package display.

6. Music Sponsorship - More Young, White, Male Appeal

- Revamp program to fit brand strategy. Appeal to all races.
- Broaden performer mix from current older, Black, Jazz skew to younger, White, multi-music approach. Maintain class and quality.
- Change name to avoid stereotype of "Jazz."
- Continue multi-day festivals.
- Continue advertising, promotion, publicity campaign.
- Construct program to cover its own operations costs.
- Aggressively seek out revenue enhancing/message extending opportunities.

7. Product

- Monitor key styles.
- Improve LIGHTS and ULTRA now by reducing harshness.

8. Packaging

- Initiate family pack redesign project. Program changes subtly over time.

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9. Media Spending - Reduce Now, Test Our Way to Growth

- Allocate media geographically in proportion to KOOL Family sales rather than menthol CBI.
- Spend 65 SOA/SOM in media nationally in 1984. If B&T successful, spend 150 SOA/SOM.

10. KOOL Line Extension

- Test market KOOL Deluxe Family as soon as possible. No changes to current line.
- Full Taste and LIGHTS, KS and 100's styles.
- All box styles. Base colors, dark green and gold.
- Improved products. White tipping.
- Explore special line designator.

11. Price/Value

- Test market 10-unit pack.
- Full Taste and LIGHTS, KS and 100's styles.
- Soft-cup now. Could be "Deluxe" later.
- Price 50% to 60% of 20-unit pack.
- Make available to all customers.

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II. STRATEGIC ISSUES

Background

The current KOOL marketing strategy and plan were launched in three lead markets in August, 1981, and in the remainder of the country in December, 1981. It was known at that time that KOOL awareness and historical usage levels were high and that the brand was losing market share at an average annual rate of 5-6% since 1975. Smoker inflow had fallen dramatically, and KOOL imagery was judged to be the problem. This image problem developed for the following reasons:

- The successful television campaign was not translated to print.
 - Advertising had ceased making a virtue of the distinctive KOOL product features.
 - Advertising had ceased portraying a positive KOOL user image. Stopped legitimizing the brand and menthol for men.
- KOOL had an unprecedented franchise racial skew.
- Newport and B&W stepped in the image gaps left by KOOL. Salem joined in 1982.
- KOOL had sent strategically inconsistent line extension messages.
- KOOL had drastically reduced marketing support for Parent styles.

Following these agreements came the Revitalization Strategy.

Objective

Stop KOOL Family share decline by 1986 by:

- Stabilizing Parent share of segment in 1983. Increase share of segment 1984-1987.
- Causing LIGHTS to grow faster than its segment.
- Causing ULTRA to grow with its segment.

This objective was also attainable if Parent increased share of segment at a slightly faster rate and both LIGHTS and ULTRA only grew with their respective segments.

Overall Strategy

To use the new music campaign, music sponsorship, and ancillary promotion to revitalize KOOL product and smoker images thereby increasing inflow from historical sources. The strategy was not to repulsion KOOL but rather to re-establish its relevance to smoker groups historically most receptive to the brand.

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Specific Strategies

- Target Audience: KOOL demographic targets weighted against total smokers identical to relationship that existed in 1975, the peak KOOL year for market share. Result was absolute young, male profile but less than 1975 due to changes in total smoker demographics.
- Family Strategy: All styles of KOOL were to be sold under one "umbrella" positioning with identical major executional components.
- Creative: Use pan-racial symbolism (music campaign) to convince smokers that, at any tar level, KOOL is the epitome of menthol satisfaction and will satisfy their need for an attractive, contemporary image.
- Product: Revamped KSL to KOOL LIGHTS product, name and package. Added ULTRA Kings and 100's to be represented in that new industry segment.
- Sponsorship: Upgraded Jazz Festival program; consistent, quality talent; heavier media and publicity support.
- Promotion: Frequent, lucrative trial incentives on new styles.
- Media Spending: Approximately 100 SQA/SQM targeted to meet or exceed KSL's absolute spending. (KOOL historically underspent versus SQA.) Geographically allocated in direct proportion to perith category sales. Effect was to redirect some monies from KOOL strongholds to low tar menthol strongholds to exploit headroom for new Lights and Ultra styles.

A. Issue One - Is the Revitalization Strategy and Plan Working?

Conclusion:

No. National market share trend in the sixteen months since launch of the revitalization strategy is identical to the pre-launch reference trend (94) and no trend toward stabilization is apparent. Parent share of segment is increasing but the low tar styles are all losing share of segment. Lead markets are not performing significantly different. National awareness, trial, and smoker inflow are not improving. The BBT is exceeding its objective; however, absolute share trend is not moving toward stabilization.

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Nationale

1. National SOM trend improved in 1982 but is forecasted to erode in 1983. Improvement in 1982 largely due to trade loading.

National MSA Share

	1981	Index to Year Ago	1982	Index to Year Ago	Forecasted 1983	Index to Year Ago
KOOL Family	8.43	(96)	8.21	(97)	7.48	(91)
Parent	6.65	(94)	6.15	(93)	5.88	(84)
Milds, LIGHTS, KSL	1.72	(98)	1.54	(90)	1.39	(91)
ULTRA	0.06	---	0.32	(533)	0.21	(70)

2. National SOM trend improving on Parent but eroding on all low tar KOOL styles and for total family.

National MSA Share of Segment

	1981	Index to Year Ago	1982	Index to Year Ago	Forecasted 1983	Index to Year Ago
Parent	41.5	(98)	41.4	(99)	40.7	(100)
Milds, LIGHTS, KSL	17.3	(99)	15.1	(87)	12.6	(83)
ULTRA	3.9	---	10.2	(4)	6.2	(60)
KOOL Family	25.6	(96)	26.5	(96)	25.2	(97)

3. Since launch, national share trend not improving, same as historical reference trend.

	12/80-11/81	12/81-3/83	Index
	Base	Launch-to-Date	
KOOL Family National	8.46	7.95	(94)
KOOL Family Lead Markets	9.30	8.75	(95)

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7. KOOL obtaining for less than fair share of inflow.

National Switching Data - Brand Families
(Fair Share Indices 1942)

	<u>Starters</u>	<u>Switching-In</u>	<u>Total Inflow</u>
KOOL	(79)	(53)	(56)
Salem	(127)	(74)	(85)
Newport	(221)	(72)	(103)
B&W Menthol	(142)	(107)	(115)
Marlboro	(356)	(44)	(68)

8. P&T share trend exceeding objective; however, brand not stabilizing and barely outperforming control over time.

KOOL Family Share Increment

	<u>1942</u> <u>Objective</u>	<u>1943</u> <u>Actual</u>	<u>Index</u>
Year One	+ .07	+ .15	(213)
Year Two	+ .15	+ .19	(146.55)
(1st 4 mos.)	.12		

KOOL Family Share Trend - MSA Actual

	<u>8/20-7/31</u> <u>Base</u>	<u>12/1-11/30</u> <u>Launch-to-Date</u>	<u>Index</u>
Test	8.36	7.86 7/1/43	(94.0) (94.1)
Control	9.89	9.27 7/1/43	(93.7) (93.7)

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9. Black share of smokers declining.

Black Smoker Study Share

	<u>1980</u>	<u>1982</u>	<u>Index</u>
Total KOOL	28.5	26.9	(94)
Total Salem	12.3	11.2	(91)
Total Newport	5.0	8.3	(166)

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B. Issue Two - Is the Revitalization Strategy Still Valid?

Conclusion:

Overall: yes; although certain components should be modified. The strategy is still amply supported by data and logic as is the overall strategy for all styles. The creative strategy should be modified to better address target audience needs and capture the most receptive prospects. Current products are in line with the strategy; however, packaging is not and must be addressed. Music sponsorship is strategically valid but executionally flawed. Media spending is felt to be inadequate to meet the objective of the revitalization strategy.

Rationale:

1. Overall - It is difficult to support the overall validity of the KOOL strategy with concrete data as individual components of the strategy have flaws and little time has elapsed. However, overall validity is suggested by data shown in the remainder of this document under specific sub-headings. Summarized here the support is:
 - Significant ATR performance above target.
 - Better KOOL share performance in high spending TA's.
 - Clear 1982 improvement in KOOL switch-in rate.
 - Successful KOOL performance.
 - 1982 KOOL share grew in 10 TA's compared to two in 1981.
 - Significant decline in image of KOOL as brand for old fashioned people.
2. Target Audience - The KOOL target audience philosophy is still valid because it is based on the brand's appeal to sex and age groups relative to the smoking population as a whole, rather than an absolute formula. This permits the revision of impressions to change year-to-year without losing the underlying principle of a young, male skew for the brand in the target media. A young, male skew is still the best opportunity for KOOL based upon its continued inflow skew versus the tendency, the needs of smokers, the KOOL heritage, and competitive offerings.
 - a) While KOOL franchise demographics have shifted more female, this shift has been less pronounced than for total smokers or total menthol smokers.

Switching Study Demographics

	1975	1982	Index
Male Total Smokers	537	482	(91)
Male Menthol Smokers	442	362	(82)
Male KOOL Smokers	512	517	(101)
Female Total Smokers	471	527	(112)
Female Menthol Smokers	562	627	(111)
Female KOOL Smokers	392	422	(108)

- b) As a result, relative to total smokers and total menthol smokers, KOOL has grown more male.

Switching Study Demographic Indices

	<u>1975</u>	<u>1982</u>
KOOL Male Index to Total Smokers	(115)	(121)
KOOL Male Index to Menthol Smokers	(138)	(150)
KOOL Female Index to Total Smokers	(83)	(81)
KOOL Female Index to Menthol Smokers	(70)	(68)

- c) KOOL franchise has become more female, not due to increasing female appeal, but rather due to more rapidly eroding male appeal.

KOOL Family Inflow Analysis

	<u>1975</u>	<u>1982</u>	<u>Index</u>
Male Inflow (% former smokers)	16.2	5.2	(32)
Female Inflow (% former smokers)	10.5	5.3	(50)
Male Inflow (% of total inflow)	61	50	(82)
Female Inflow (% of total inflow)	39	50	(128)

- d) KOOL inflow is still considerably more male than total smokers and menthol category demographics (including KOOL).

KOOL inflow - 1982

	<u>Total Smoker Demographics</u>	<u>Menthol Category Demographics</u>	<u>KOOL Inflow</u>	<u>Index to Total Smokers</u>	<u>Index to Total Menthol</u>
Male	482	381	501	(104)	(132)
Female	522	621	501	(96)	(81)

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Index to Total Inflow	Index to Total Inflow	Index to Total Inflow	Index to Total Inflow	Index to Total Inflow	Index to Total Inflow
16-25	162	191	291	271	414
26-40	181	411	442	1110	1153
41+	423	403	271	1591	1541

KOOL Inflow - 1982

2) KOOL Inflow is still considerably younger than total smoker and menthol category smokers (including KOOL).

Index	1975	1982	Index
16-25 Inflow (2 former smokers)	12.2	3.6	(25)
26-40 Inflow (2 former smokers)	6.3	4.7	(22)
41+ Inflow (2 former smokers)	6.3	2.9	(48)
16-25 Inflow (2 of total inflow)	4.6	2.9	(43)
26-40 Inflow (2 of total inflow)	2.4	4.6	(140)
41+ Inflow (2 of total inflow)	2.3	2.7	(187)

KOOL Family Inflow Analysis

3) KOOL franchise has become older, not due to increasing older appeal, but rather due to more rapidly aging young adult

Index	1975	1982	Index
16-25 Total Smokers	182	182	
16-25 KOOL Smokers	215	227	(11)
26-40 Total Smokers	150	150	
26-40 KOOL Smokers	423	423	
41+ Total Smokers	452	452	
41+ KOOL Smokers	403	403	
41+ KOOL Smokers	423	403	(100)

Switching Study Demographics

4) The KOOL franchise has aged at roughly the same rate as total smokers and more than total menthol smokers. It is still younger than either of these groups.

- 8) KOOL share was higher and trend better among males and younger smokers in the 1983 national awareness and usage study.

Purchased KOOL Most Often - 1983 ABC - All Smokers

	<u>January, 1983</u>	<u>Index on March, 1982</u>
Males	8.7	(115)
Females	5.3	(76)
Under 35	10.3	(96)
35-54	8.9	(92)
55+	3.2	(94)

- 9) In the lead market monitor, serious trial of the KOOL Family, including the low tar styles, shows young and male indicating the appeal of the proposition to these groups.

February, 1983 Lead Market Monitor

	<u>Total Menthol Smoker Profile</u>	<u>Index of Serious Trialers to Men. Smokers</u>				
		<u>KOOL Family</u>	<u>Parent</u>	<u>LIGHTS</u>	<u>ULTRA</u>	<u>Milds</u>
Male	52%	(127)	(115)	(127)	(135)	(150)
Female	48%	(75)	(83)	(73)	(82)	(44)
21-35	16%	(131)	(110)	(131)	(141)	(165)
36-54	28%	(86)	(79)	(73)	(75)	(86)
55+	55%	(100)	(107)	(107)	(91)	(89)

- 10) The 1983 Image Study indicates that KOOL has the highest tar and most masculine, rugged image of the major menthols. (Situation Appraisal pages 127 and 129).

- It is felt that current smokers of high tar products will be most receptive to a product with a high tar image. These current smokers have a male skew.

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1982 Switching Study
Demographics

	Plain/Regular Smokers	Full Taste Smokers
Percent Male	70%	52%
Index to Total Smokers	(146)	(108)

- The "ideal" for a large majority of industry smokers is for a product with a masculine, rugged image (See Page 127).
- There is an unsatisfied consumer need for a masculine, rugged image (See Page 123).
- No menthol but KOOL is attempting to single-mindedly offer such an image.
- KOOL image most similar to Marlboro, a young, male franchise with similar image.

2. Family Strategy - One "umbrella" positioning for all KOOL styles is still judged to be valid. How to best execute this will be addressed later. The logic for a family strategy is based on the belief that consumers associate images with brand names, not styles, and to attempt discrete style image building risks confusion and/or dilution of the brand name equity. It also fails to exploit the equity already existing in the brand names which, at best, is inefficient. The best support for these conclusions is the unsuccessful marketplace experience of KOOL, Cabot, Kent, Viceroy, and others who attempted separate style strategies. Almost without exception the industry has moved to family strategies.
3. Creative - The current creative strategy is suboptimal and unlikely to stabilize market share. It positions KOOL as the epitome of menthol satisfaction; i.e., the best of the menthols. To make share grow this assumes either KOOL can take share from current menthols in increasing amounts or that the menthol category will grow due to external forces. Neither of these are likely to happen.

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- a) The menthol category is flat and KOOL has not shown an ability to take share from other menthols. The last year of KOOL share growth was 1975.

MSA National Share Trends

	<u>1975</u>	<u>1980</u>	<u>1982</u>	<u>4/83 YTD</u>
Menthol Category	27.5	28.6	26.6	27.6
KOOL	10.47	8.80	8.21	8.89
KOOL Share of Menthol	38.1	30.8	28.5	23.0

- b) No brands are successfully attempting to enlarge the menthol category. The only contender is Bright whose share in April, 1983 was a marginal 0.31.
- c) KOOL has roughly the same leverage in attracting non-menthol and menthol smokers. However, it loses menthol smokers at roughly twice the rate it loses non-menthol smokers. Therefore, a non-menthol smoker is likely to be twice as valuable to KOOL as a menthol smoker, assuming the inflow/outflow relationship cannot be significantly affected. Looked at another way, a given menthol inflow strategy would have to be twice as powerful as a given non-menthol inflow strategy to have equal value to the brand.

KOOL 1982 Source of Gains/Losses
(% of Former Smokers)

	<u>Gains</u>	<u>Losses</u>	<u>Net</u>
From Non-Menthol*	3.73	1.62	+0.1
From Menthol	3.92	7.32	-3.4

*Includes Plains

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- d) KOOL is also unlikely to take share from other menthols given its high tar, masculine/rugged image and the severe female skew of the menthol category. Its image is more similar to Marlboro than any other brand.

1982 Switching Study Demographics

	Total Smokers	Menthols Exc. KOOL	KOOL Family	KOOL Index to Total Smokers	KOOL Index to Menthols
Male	481	342	581	(121)	(171)
Female	522	662	422	(81)	(64)

- e) The current KOOL music campaign, on judgment, is not targeted well toward menthol smokers. It lacks menthol product visual and copy communication and is strong and masculine in net impression.
- f) The television campaign that built KOOL's business sold a universal taste/satisfaction benefit to solve generic smoking problems. It brought starters and non-menthol smokers to KOOL. Marlboro, Winston, and Camel were the largest sources of switching gains. Today menthol sources are relatively more important to KOOL, not because our absolute inflow from them has increased, but because our inflow from non-menthol sources has decreased more rapidly. Marlboro continues to be equally important as a business source for KOOL as Salem.

KOOL Switching Gains - 1 of Former Smokers

	1979*	1982	Index
Total Menthol	4.12	3.92	(95)
Salem	1.4	1.3	(93)
Total Non-Menthol	4.5	5.1	(67)
Marlboro	1.4	1.3	(93)
Winston	1.4	1.0	(71)

*Selected as benchmark year only for convenient access to data

- g) There is no reason to believe a psychological cap exists for the menthol category. While its overall market share is relatively low, it is considerably higher among young females and young Black males and females.

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Menthol Category Share of Smokers

	1962 <u>Black Smoker Study</u>	1962 <u>Switching Study</u>
Total Sample	64.1%	31.5%
Males 21-34	60.8%	26.4%
Males 35+	44.9%	23.1%
Females 21-34	81.0%	42.7%
Females 35+	54.1%	33.9%

4. Product - A consistent line of KOOL products in each major tar segment remains a valid strategy. Current product delivery is consistent with brand positioning. A new product opportunity exists which will be addressed in a later section.
5. Packaging - On judgment, KOOL packaging is off-strategy. It does not represent the epitome of menthol or non-menthol satisfaction nor does it provide an attractive, contemporary image to the target audience. KOOL packs are lighter in coloration than Newport or Salem and less attractive, stylish, and relevant to contemporary tastes. No data exists to support these conclusions.
6. Sponsorship - Given the brand's need to reach young adult smokers and change their attitudes, sponsorship is a valid strategy for the brand. However, to-date, no change in brand awareness, trial, imagery or share can be attributed to our programs. This will be addressed in a later section of this plan.
7. Media Spending - It is felt that the revitalization strategy, spending level and geographic allocation principles are both sub-optimal. KOOL has spent less, in relation to its share of market, than brands who successfully turned around their market share trend, and it allocated these dollars by a different principle. Moreover, evidence exists currently that heavier spending helps KOOL share. This is not to say that inadequate spending caused the program to fail but rather that it has contributed to our sub-par share performance.

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- a) KOOL continues to underfund media in relation to turn-around brands. KOOL revitalization funded at less than 100 SQA/SOM.

Media/Share/Spending Analysis, Second Half 1982

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Spending	1,015	1,000	1,120	1,200	1,200	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Share	.75	.75	.80	.80	.80	.80	.80	.80	.80	.80	.80	.80
Cost	---	---	---	---	---	---	---	---	---	---	---	---
ROI	---	---	---	---	---	---	---	---	---	---	---	---
ROI	---	---	---	---	---	---	---	---	---	---	---	---

- b) KOOL share performs better where media spending is higher.

Second Half 1982 Quintile Analysis Based on Spending Per H. Pop.

	I	II	III	IV	V
SOM Index to Prior Year	(98)	(98)	(98)	(97)	(96)

- c) The KOOL BRT is far exceeding predicted share targets based on the regression methodology.

KOOL Family Share Increment

	Objective	Actual	Index
Year One	.07	.15	(214)
Year Two (Jan 4 Nov.)	.13	.19	(146)

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- d) Almost all key measures of brand performance in Little Rock exceeded the other lead markets. Media spending was the only marketing variable.

Major Trends for Total KOOL
(Indices to Base Period)

	<u>Atlanta</u>	<u>Milwaukee</u>	<u>Little Rock</u>
1982 Sub-TA SOA	8.5	9.3	22.5
Indices:			
MSA Share	(95)	(98)	(92)
Share of Smokers	(71)	(106)	(175)
Unaided Brand Awareness	(107)	(104)	(117)
Serious Trial	(103)	(158)	(125)
For Young People	(83)	(100)	(119)
For Blacks	(107)	(87)	(92)
Satisfying	(81)	(112)	(103)
Lot of Tobacco Taste	(63)	(121)	(155)
Lot of Menthol Taste	(94)	(92)	(113)

- e) KOOL has been allocating media dollars by menthol category development rather than brand sales development since December, 1981. This is felt to be inconsistent with the revitalization/heritage-based strategy. The table below suggests no meaningful share trend difference produced by the current allocation. Moreover, it violates the principle of allocating where current brand development is highest. Newport and Camel spend in proportion to brand sales. Newport adds poor markets in small increments and only temporarily overspends these in relation to sales.

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TABLE 1: (continued) The music theme survey
(1982, 1983, and 1984 survey results)

	1982 Survey 1982-1983	1983 Survey 1983-1984	1984 Survey 1984-1985	Total
Music Theme Survey	1,000 1,000	1,000 1,000	1,000 1,000	3,000 3,000
Music Theme Survey	1,000 1,000	1,000 1,000	1,000 1,000	3,000 3,000
Music Theme Survey	1,000 1,000	1,000 1,000	1,000 1,000	3,000 3,000
Music Theme Survey	1,000 1,000	1,000 1,000	1,000 1,000	3,000 3,000
Music Theme Survey	1,000 1,000	1,000 1,000	1,000 1,000	3,000 3,000
Music Theme Survey	1,000 1,000	1,000 1,000	1,000 1,000	3,000 3,000
Music Theme Survey	1,000 1,000	1,000 1,000	1,000 1,000	3,000 3,000
Music Theme Survey	1,000 1,000	1,000 1,000	1,000 1,000	3,000 3,000
Music Theme Survey	1,000 1,000	1,000 1,000	1,000 1,000	3,000 3,000
Music Theme Survey	1,000 1,000	1,000 1,000	1,000 1,000	3,000 3,000

TABLE 1: (continued) The music theme survey
(1982, 1983, and 1984 survey results)

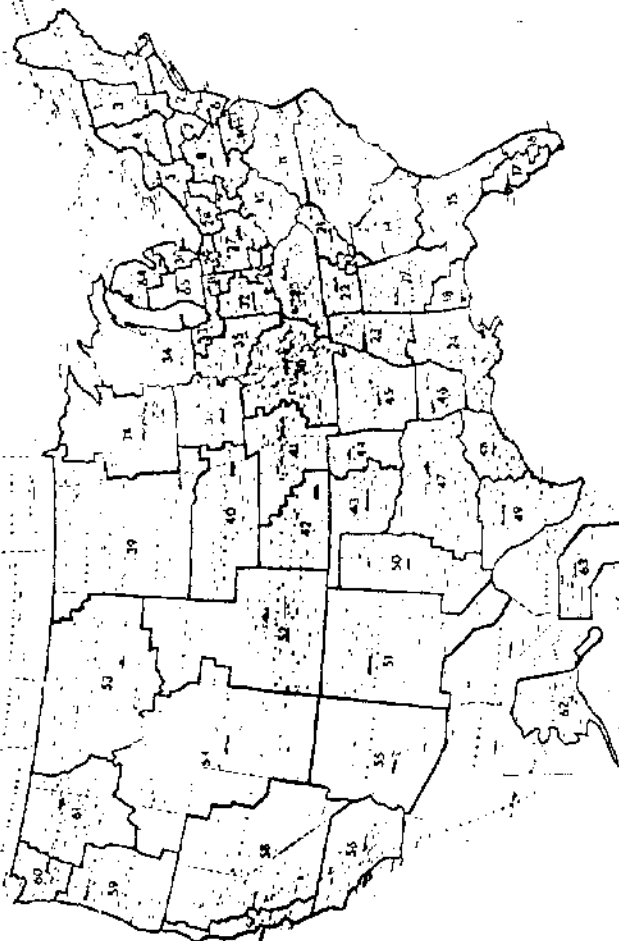
C. Issue Three - Have We Executed the Revitalization Strategy Optimally?

Conclusion:

No. Diagnostic usage, image, and copy test data suggest the music campaign as executed is off-strategy; i.e., it does not communicate the epitome of menthol satisfaction or provide an attractive, non-temporary image to the young adult, male, white and black target audience. The music sponsorship execution is also suspect for similar reasons. We also may have a product problem with our new low tar styles that inhibits retention of smokers.

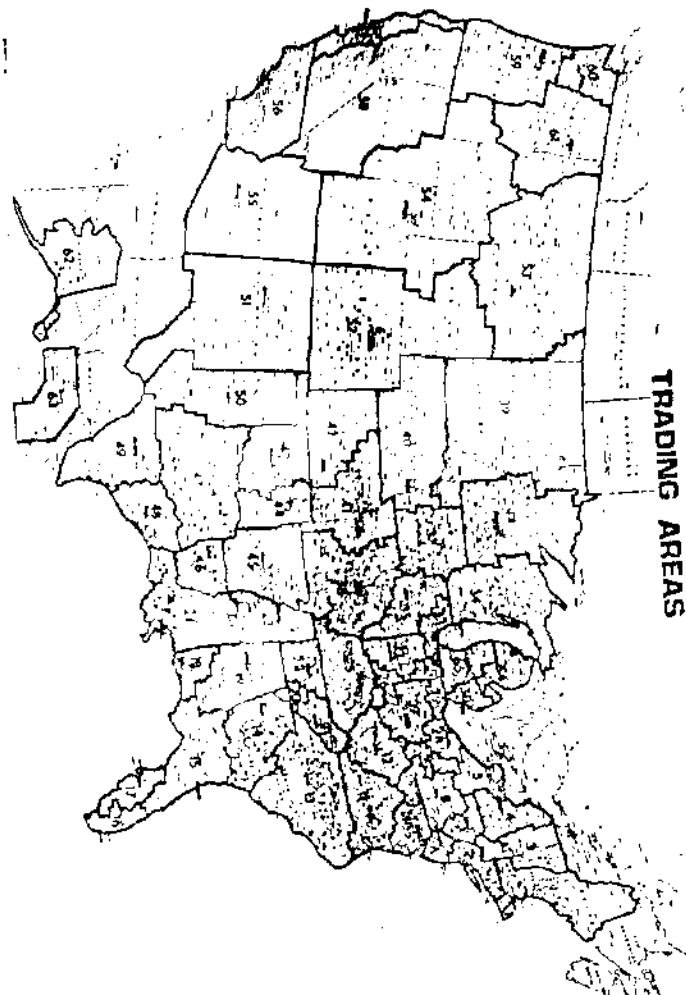
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TRADING AREAS

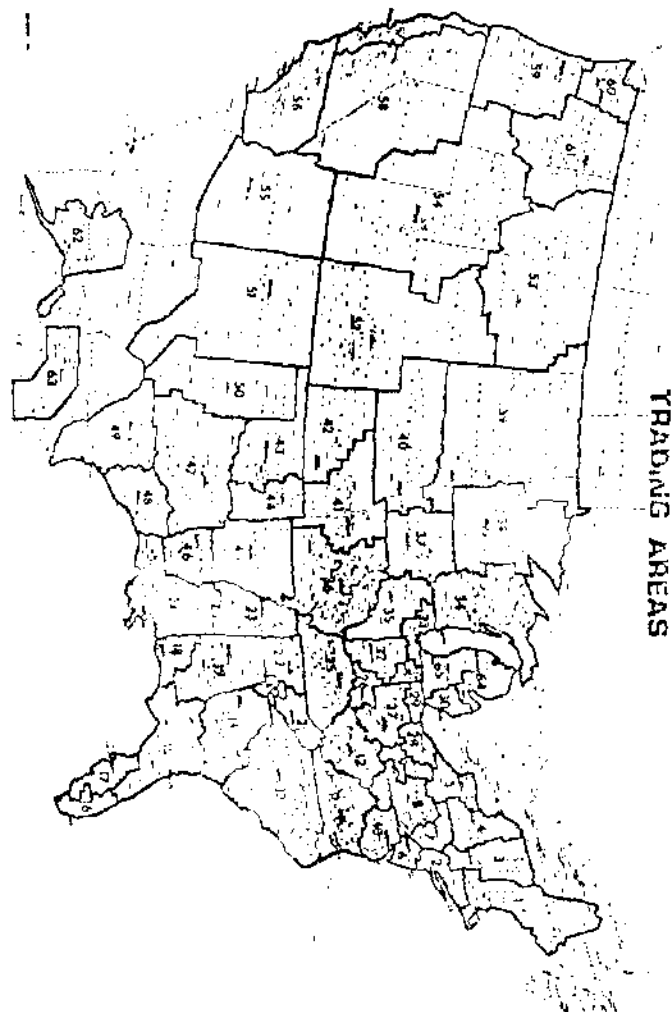


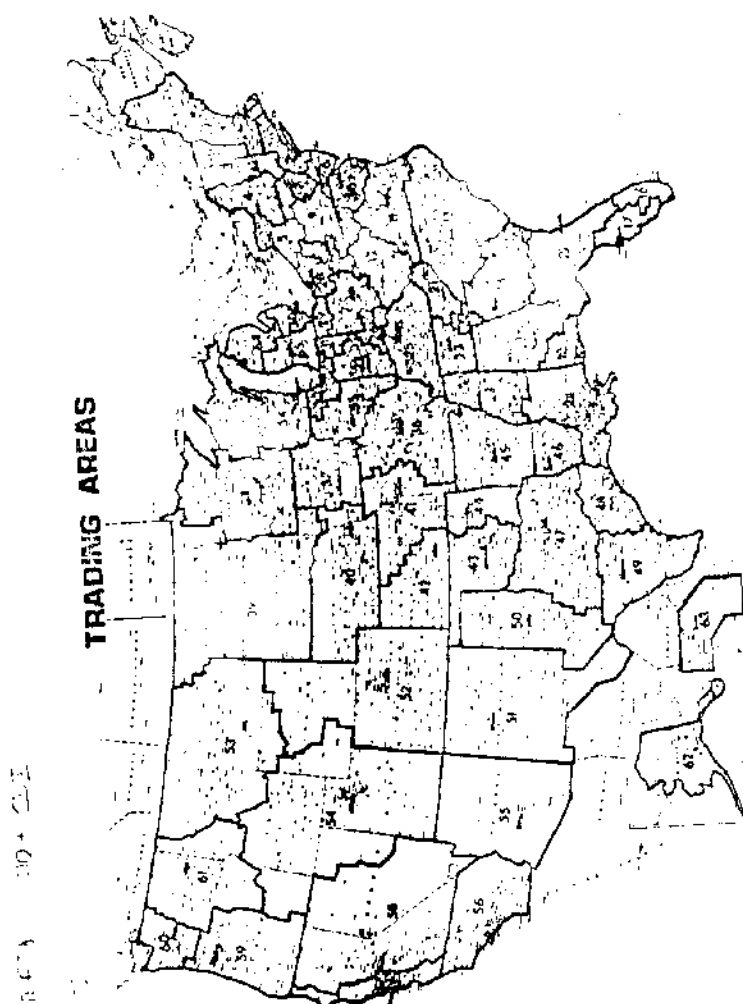
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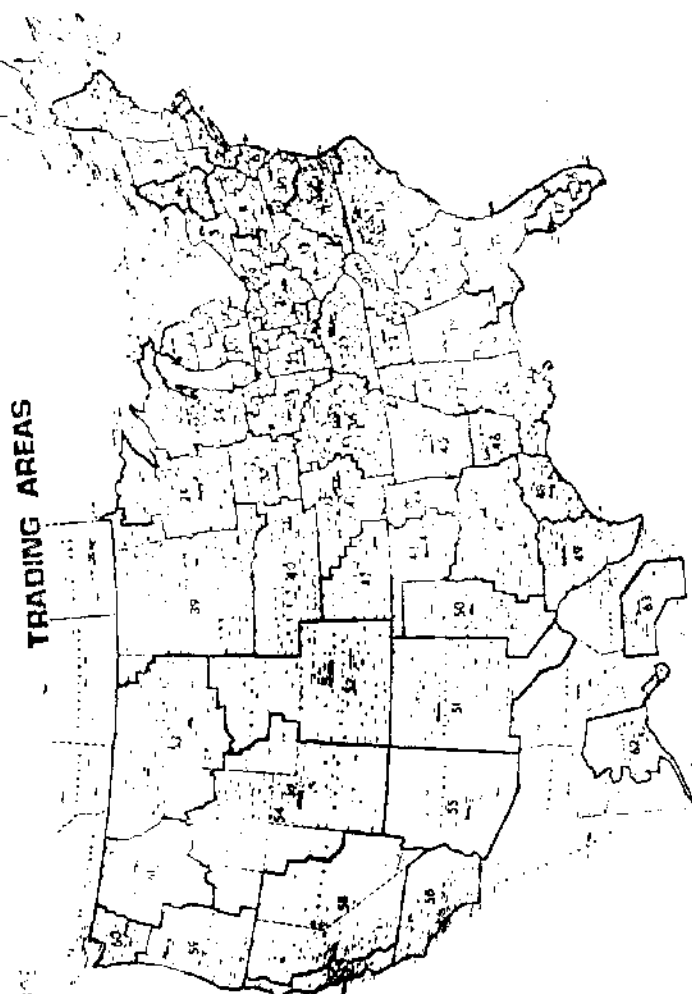


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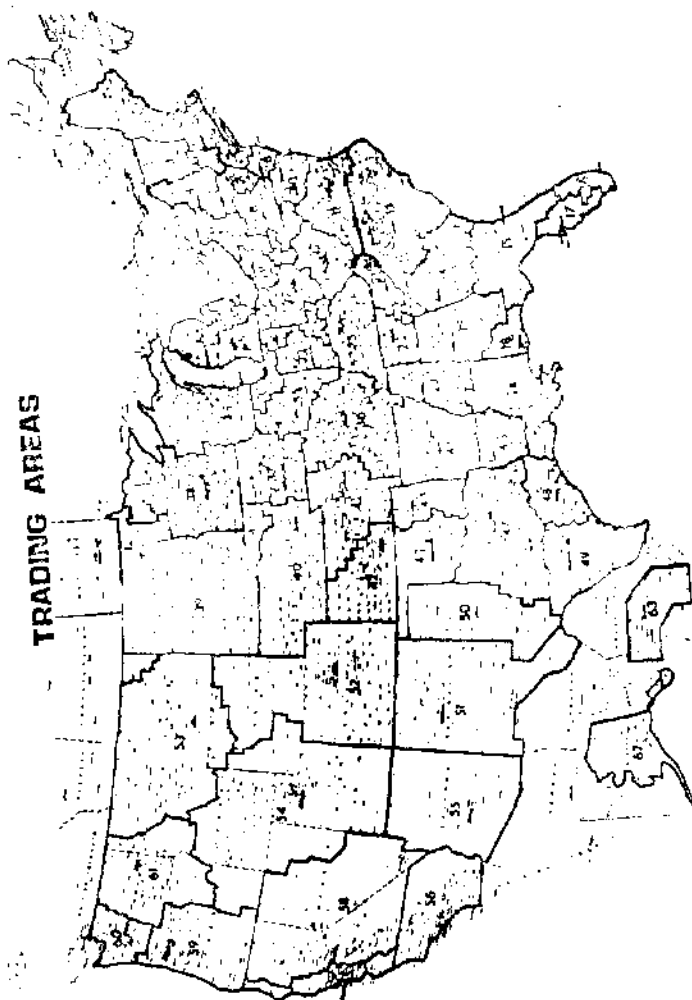


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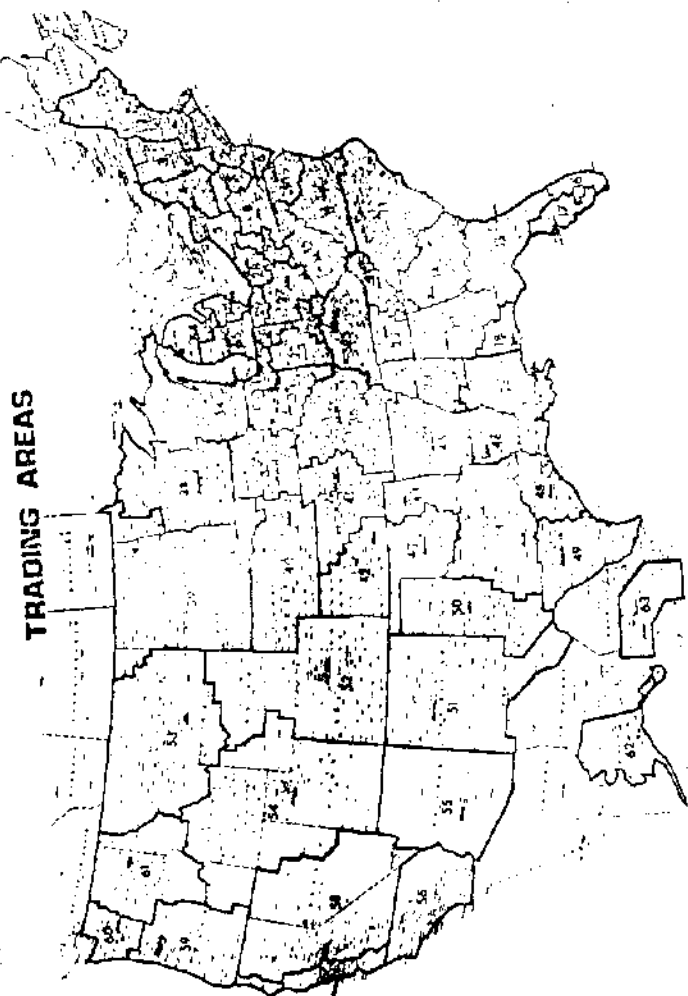


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TRADING AREAS



67901-2896



67901-2898

Rationale:

1. Advertising - The following data supports the conclusion that the current execution is off-strategy.

- a) Unaided brand awareness of key strategic attributes eroded in 1982.

Unaided Brand Awareness - KOOL - National A&P
(All Smokers)

	<u>January, 1983</u>	<u>Index to</u> <u>March, 1982</u>
Real Taste	122	(80)
Low Tar	4	(67)
Increasing Popularity	7	(100)
Appealing to Young	11	(92)

- b) The measure purchased most often eroded more for Whites than Blacks in 1982.

Purchased Most Often - KOOL - National A&P
(All Smokers)

	<u>January, 1983</u>	<u>Index to</u> <u>March, 1982</u>
Whites	5.12	(78)
Blacks	20.12	(92)

- c) Claimed ad recall is not growing and claimed slogan recall is low compared to competition. Visual recall is growing.

Aided Advertising Penetration - KOOL - National A&P
(All Smokers)

	<u>Claimed</u> <u>Ad Recall</u>	<u>Index</u>	<u>Claimed</u> <u>Slogan Recall</u>	<u>Index</u>	<u>Claimed</u> <u>Visual Recall</u>	<u>Index</u>
KOOL	582	(98)	182	(100)	364	(120)
Marlboro	77	(100)	46	(93)	80	(103)
Salem	59	(86)	22	(92)*	--	---
Newport	47	(100)	19	(100)	--	---

*One beautiful menthol" is the probe

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- d) In 1982 KOOL continued to receive far less than fair share of inflow or starters. Moreover, Salem, Marlboro, and Newport are far surpassing KOOL on young adult starter attraction, a former KOOL strength. Age of current franchise is not an issue.

Inflow Analysis by Age - Fair Share
(1982)

	<u>Share of Inflow</u>	<u>Share of Starters</u>
	<u>Share of Current</u>	<u>Share of Current</u>
	<u>(Waves 32/33)</u>	<u>(Waves 32/33)</u>
<u>Newport</u>		
16-24	67	110
25-34	75	148
35-44	81	107
45-54	68	0
55+	152	0
Total	103	223
<u>Marlboro</u>		
16-24	69	112
25-34	39	80
35-44	67	93
45-54	60	172
55+	28	120
Total	28	138
<u>KOOL</u>		
16-24	60	62
25-34	47	61
35-44	67	117
45-54	37	23
55+	75	76
Total	59	79
<u>Salem</u>		
16-24	91	94
25-34	87	157
35-44	79	159
45-54	98	181
55+	75	109
Total	85	123

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- e) In 1982, the composition of KOOL inflow shifted older, not because appeal to older people increased, but because appeal to young adults declined more seriously.

KOOL Demographic Composition - Switching Study

	Inflow % of Former Smokers			% of Total Inflow		
	1981	1982	Index	1981	1982	Index
16-25	6.1	3.0	(49)	107	50	(46)
26-40	6.6	4.7	(71)	39	44	(113)
41+	4.3	2.9	(67)	25	22	(108)

- f) In lead markets, KOOL user imagery has shifted very little with some indication of negative trends among males and Whites. Overall, a negative trend exists on the measures for males, for someone like me, and for active, energetic people. These measures are felt to be key to our strategy. One positive trend is the reduction in perception as for old fashioned people.

KOOL 16-Month Lead Market Monitor Smoker Image
Summary (% Agreeing) 1981-1982 Indices
by Segment

	Total	Black	White	Male	Female
For Young People	(100)	(100)	(100)	(100)	(100)
For All Forces	(107)	(107)	(107)	(107)	(107)
For Females	(100)	(100)	(100)	(100)	(100)
For Old Fashioned People	(73)	(73)	(73)	(73)	(73)
For Male	(73)	(73)	(73)	(73)	(73)
For Someone Like Me	(100)	(100)	(100)	(100)	(100)
For Active, Energetic People	(51)	(117)	(51)	(51)	(51)

- g) In lead markets, KOOL Parent product imagery showed no improvement. Parent is considered the best indicator of general KOOL imagery.

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Product Image Summary (1 Agreeing)
18 No./Pra Indices

Satisfying	(76)
Refreshing	(101)
Harsh	(59)
Lot of Tobacco Taste	(96)
Lot of Menthol Taste	(102)

- b) Tip-in copy testing suggests there is little product benefit communication in our current executions. These data make it difficult to believe that the campaign communicates "the epitome of menthol satisfaction." This is a judgment as no norm exists for comparison.

Content Recall Among Ad Recalls (1/7/83)

	George Kirshman	George Young	Wayne Turner
Visual Net	95	91	92
Headline	40	36	49
Product Related Ideas*	14.1	23	7

*These ideas were primarily car, smoothness, light

- 1) Quantitative testing to determine the music form conveyed by current campaign visuals and the imagery produced yielded the following conclusions:

- Executions run to-date have evoked a jazz perception.
- Brass instruments and Black models skew perception to jazz.
- KOOL identity doesn't affect music communication.
- Jazz has a quality image.
- Jazz has a Black image and is most relevant to Blacks.
- KOOL pictures do not communicate an "attractive, contemporary image."

Test method too complex for explanation here.

- 2) YAT testing yielded the following conclusions:

- Music theme emotionally involving.
- Emotional involvement very fragile, i.e., easily derailed by suggestions of rehearsal, barrier between musician and

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audience (cold, serious, posed), musician inexperienced or trying too hard or racially limiting cues.

- Executions suggest high quality.
- Involvement enhanced when people feel/see the consumption of music, an experience.
- Younger respondents use music to identify with peer group. More important to them that music be contemporary. Jazz respected but not contemporary.
- People use music to change or reflect their mood.
- White musicians have credibility problem to overcome. Helped by very strong physical character, unconventional wardrobe, presence of Black musician.
- "Cool" is a human trait perceived in some but not all musicians.
- A large number of executions run to-date were not emotionally involving nor "cool."

Amplification on the KOOL Advertising Issue

Original T.A.T. input suggested that young adults are more literal than other age groups when interpreting advertising. The younger the respondent, the more important it is that the brand be contemporary like he is. Older respondents tend to be more specific in their taste. Young people use music to identify with a specific peer group.

In a separate piece of research dependent with the statement, "It's a Brand for Someone Like Me" was less among youth for KOOL and Sales than for any other demographic segment. Response is very strong on this measure among young adults.

18 Month Lead Market Comparative Smoker Registry (% who agree strongly/slightly with "It's a brand for someone like me")

	<u>KOOL Parent</u>		<u>Salem Parent</u>		<u>Neppert</u>	
	<u>N</u>	<u>Index to Total</u>	<u>N</u>	<u>Index to Total</u>	<u>N</u>	<u>Index to Total</u>
Total Sample	25	---	25	---	25	---
Blacks	33	112	28	109	23	92
Whites	24	96	25	96	26	100
Males	26	104	22	89	24	96
Females	25	100	29	112	22	108
21-25	19	76	17	68	23	92
26-34	22	88	20	80	28	112
35+	28	112	31	124	24	96

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T.A.T. analysis of the Newport campaign provides some insight into the compelling communication Newport appears to have with younger smokers. Key comments about the Newport ads tested appear below:

Scarf: "There is a very high identification with the couple among both Blacks and Whites. Everyone likes them and relates the scene to themselves or friends. All would like to be here, enjoying life."

Boxing: "Respondents relate very positively to the couple and 'feel like I already know them.' Most identify by seeing themselves and their spouse in the situation, or their friends."

Slings: Respondents are positive but less enthusiastic. "The people are described with less intimacy and seem to be more difficult to get to know. This may be because the man's face is not visible and there is no direct interaction between the pair."

This suggests Newport's success might stem from the rigid criteria imposed by youth upon the communications with which they identify. Upon seeing a Newport visual, youth readily makes the leap to say, "They are like me." As evidenced by the *beatsy* response to the "Skier" execution, youth might be less patient when it comes to making inferences, and require concrete, relevant cues before getting involved.

As presented to-date, the KOOL campaign requires people to imagine themselves in the scene depicted. The musician depicted is not relevant to our target. Most cues about him suggest another era or another social class. Consumers don't identify with him and may find it difficult to appreciate what he is doing or the attraction of where he is. There is some identification with the (appealing) people *around* him, and enjoying this involvement with the musician. Therefore, as far as youth are concerned, some indication of *being* there (e.g., some audience visual cues) and/or more direct, relevant visual symbolism might increase their identification with the scene.

"KOOL"

Our strategy dictates that the musician depicted be "cool." He is self-confident, hip, street-wise, competent, unique, motivated, independent, successful and proud. He is "the best" at everything he does and this is reflected by his social success (popular with men, attractive to women) as well as his professional success.

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It is felt the cinema commercial takes Kool a leap toward identification with "cool." Beyond the obvious advantages provided by audio visual communication, the execution reinforces the musician's "coolness" by depicting him in diverse situations. He maintains an attitude and lifestyle which are hip, motivated, competent, while interacting with other musicians, men playing ball, women in distress, etc. Within the print environment, a way to similarly reinforce the musician's coolness while maintaining his integrity as a musician appears ripe for exploration.

2. Music Sponsorship - The Kool Jazz Festival program has several operational deficiencies. Its name and talent content impair, if not contradict, registration of an attractive, contemporary image to young adults, particularly Whites. Its not cost to the brand is excessive given the lack of measurable brand response to the program and normal budget pressures/priorities.
- a) The music form study, discussed earlier, and present suggest our ad campaign is perceived as a jazz delivery. Our music sponsorship program is clearly a jazz delivery in name and talent. The image of jazz is not perceived as being "hip" by Kool's target audience. Among Whites, jazz is perceived as relatively not for young, not for Whites and not for a "phone like me. Black smokers also perceive jazz as not for Whites and not for younger people.

1982 Music Form Study - Attitude Rankings
(Rank of mean score = 5 on 1 scale)
(1=Agree 5=Disagree)

	Ranking of Jazz Among Whites	Ranking of Jazz Among Blacks
For Someone Like Me	5	1
People I Know Like	4	1 (tie with R&B)
For Active, Energetic People	3	4
For Hip, With-it People	2	2 (tie with R&B)
For Younger People	4	4
For White People	4 (tie with R&B)	4 (tie with R&B)

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- b) Consumer research in 1982 Jazz Festival cities showed no significant pre/post shift in brand awareness, trial, or share of market. The only image attribute to shift significantly was "a brand for young people" which declined. This attribute declined most among Whites, females, and in high KOOL development areas.
- c) KJF, as currently executed, is very expensive. It is felt this level of expense cannot be tolerated when no positive effect of the program on the brand has been demonstrated.

KJF 1983 Expense Latest Estimate

<u>Operations</u>		<u>Discretionary Marketing</u>		
Fees	\$1,100	Media	\$2,000	
Overhead	1,295	Production	350	
Free Events/Donations	624	Promotion	1,445	Brand
Stage ID/Artists Relations	100	Publicity	500	Total
Sub-Total	\$3,119	Sub-Total	\$4,345	\$7,462

These monies are spent in areas accounting for roughly 3.5% of cigarette industry volume. The national theoretical KJF spending rate is \$24.1 million in these areas. Importantly, this rate is not annualized. The effect of the program is concentrated in a 60-90 day period which makes the annual, theoretical spending rate exceptionally high.

3. Low Tar Products - The new KOOL low tar styles have marginal and declining market shares due to low retention of smokers. They have not performed their expected role in the revitalization strategy as they are not growing in two dynamic segments.

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- a) KOOL low tar styles are declining and KOOL LIGHTS failed to replace KSL share.

MSA National Market Share - KOOL Low Tars

	<u>1981</u>	<u>Index</u>	<u>1982</u>	<u>Index</u>	<u>Est. 1983</u>	<u>Index</u>
Milde	1.08	(104)	1.00	(100)	0.95	(92)
KSL/LIGHTS	0.84	(90)	0.51	(54)	0.44	(46)
ULTRA	0.06	N/A	0.12	N/A	0.21	(66)
KOOL Low Tar	1.78	(102)	1.63	(100)	1.60	(86)

- b) Generation of trial has not been the problem with LIGHTS and ULTRA. Levels of trial are comparable to milde and the trend has been up.

Serious Trial in Lead Markets - All Smokers

	<u>6 Months</u>	<u>12 Months</u>	<u>Index</u>
KOOL LIGHTS	3.12	4.42	(142)
Salem Lights	3.62	6.72	(186)
KOOL ULTRA	1.92	2.02	(105)
Salem Ultra Lights	1.32	3.12	(207)

- c) Retention of triers is the problem for LIGHTS and ULTRA, not Parent.

Ratio Share of Smokers to Serious Trial

Lead Market Monitor - 18 Months

	<u>KOOL</u>	<u>Salem</u>
Parent	63	44
LIGHTS	18	88
ULTRA	5	26
Total Brand Conversion As % of non-franchise Serious Triers	2.12	4.42

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- d) In blind product testing among composite samples of franchisees and competitive smokers, KOOL LIGHTS and ULTRA received significantly higher harshness ratings to competition. While still preferred overall, it is hypothesized that this inherent harshness coupled with KOOL imagery present in the real-world smoking experience retard retention of triers. (For data see Page 93.)
- e) Some negative effect on retention of triers may be caused by LIGHTS and ULTRA distribution levels. While not out of line with their market share, in an absolute sense LIGHTS and ULTRA retail distribution is low at 671 and 581 respectively in 1981. This may lead to inability to find the product consistently after the initial trial.
- f) LIGHTS and ULTRA retention of triers may also be impaired by off-strategy packaging, discussed earlier. Pack imagery is inadequate and may not be consistent with product expectation/delivery (judgment).

D. Issue Four - Should KOOL Address the Price/Value Issue Felt to Now Exist in the Industry?

Conclusion:

Yes. It is felt we cannot afford to ignore this issue given our declining share.

Rationale:

1. There is a rough correlation between economic recession and KOOL share trend erosion.
2. Generics and 25's are marketplace realities. As a large brand, KOOL will lose considerable margin even at fair share volume loss to any new competitor.
3. While impossible to accurately quantify, KOOL has probably underspent in sales promotion in recent history. We accept an industry average 65/35 advertising/promotion ratio, yet prior to recent 1981 plan revisions, KOOL averaged an 85/15 ratio.

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2. Issue Five - Since it has been concluded that the Revitalization Strategy is not working, what should 1984 Marketing Spending be?

Conclusion:

While the strategic and executional corrections are being developed and tested (discussed later), a reduced budget is appropriate for 1984. We would propose a total KOOL marketing budget in 1984 of \$70 million.

to
10%

Rationale

A. Key Assumptions

- KOOL reference trend produced by average 65 SDA/SOM and 85/15 advertising to promotion ratio during 1976-1980.
- New competitive climate warrants change in advertising to promotion ratio to 75/25.
- Revert to 65 SDA/SOM to determine media level.
- KOOL share forecasted to be 7.23 in 1984.
- Industry media spending estimated to be \$940.3 million in 1984.
- Added to proposed KOOL spending are three tests:
 - Media spending and/or new creative at 150 SDA/SOM in 4% of country.
 - "Deluxe" test media cut-in charges plus promotion only - 2 to 4% of country.
 - Promotion expenses for 10-pack test.

B. Budget

	<u>1983</u>	<u>1984 Proposed</u>
Gross Media	\$ 69,827	\$ 47,000
Brand Promotion	37,524	16,400
Creative Test Market	---	4,700
"Deluxe" Test Market	---	1,800
10-pack Test Market	---	300
Total	\$107,351	\$ 70,000
SDA/SOM	96	65
A/P	65/35	75/25 (Excluding test markets)

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Executional Exploratory

In the main, executions to-date have been off-strategy. It is felt we do not have the optimum combination of visual symbolism, copy, and layout. An exploratory is underway now and should continue to communicate the product and image benefits of KOOL stated above in a meaningful and compelling way to the target audience. Specifically addressed will be:

- Smoking satisfaction due to KOOL's superior menthol refreshment.
- Attractive, contemporary image to young adult Whites.
 - Cool
 - The Best

Creative Allocation Strategies

1. One campaign should be continued for all "family" variants. Visual or headline variance, by style, is not recommended. The selection of styles to ads is arbitrary as no data exists on the communication effectiveness of "family" variants. *What is the execution?*
In 1983, the allocation scheme was 20% LIGHTS only, 40% Parent only, 40% ULTRA only, and 20% ULTRA only. *What is the dollar amount?*
In 1984, it is proposed that dollars allocated to family (40% Parent only, 40% LIGHTS only and no ULTRA).
2. One campaign should be continued for all ethnic groups. In 1983, black to white musician allocation was 1:1 in Black media and 1:6 in generic media. In 1984, it is proposed that the black media ratio remain the same but that generic media receive only White musicians. An allowed exception is an exception would be a White and Black musician in the same ad.

Rationale

- Starters have been added to the creative objective as they are a historical source of KOOL strength and are being disproportionately leveraged now by Newport, Salem and Marlboro. There is no evidence that switching is must rise before starting. KOOL had consciously and erroneously walked away from this key source of business.

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- The change from "the epitome of menthol satisfaction" to the broader "epitome of smoking satisfaction" recognizes the conclusion that KOOL's best source of incremental share is through menthol segment expansion. This was true in the past and is felt to be true today given the rugged image of KOOL and the different needs/attitudes of competitive menthol smokers.
- Smoking satisfaction and attractive, contemporary imagery are broadly held consumer needs, particularly among young adults. Support for this exists in numerous image/attitude studies done over the years and in the marketplace experience of Marlboro, Camel, and Newport.
- The KOOL strategic equity is its image of strength and heavy menthol delivery supported by its real product character. Implicit in this strategy is a judgment that various communication devices can define these attributes positively leaving a net impression that the most menthol delivery means the best - taste, satisfaction, and refreshment.
- KOOL deviated from this strategic promise between 1972 and 1981. KOOL share decline began during this period along with Newport's ascent. Smoker inflow erosion was the cause of this phenomenon, both switchers in and starters. It has been concluded that the failure to positively reinforce the KOOL product heritage and legitimate menthol smoking for young adult males caused this inflow decay.
- The perceived quality of KOOL also decayed during this period. A creative stance which clearly states "the best" is believed necessary, to correct this.
- Being perceived as "cool" is also supported by image research as an important consumer need. It has elements of control, self-assurance, being a winner, fashionable, and confident. These needs are desirable per se and positive translations of a Black heritage/image.
- The executional exploratory is justified by the following:
 - Inadequate image change produced by current copy.
 - White smoker share erosion.
 - Continued inflow erosion -
 - Aging franchise
 - Key negative image shifts (e.g., less for someone like me)
 - Weak product benefit copy test playback
 - Judgment and TAT feedback that current visuals are too old, black, intellectual, and not cool. Overall relevance to target audience is felt to be lacking in relation to the quick, easy identification with Newport and Slice. No evidence exists that the cerebral process of understanding, respect, and admiration for the serious, mature Jazz musician happens among our target audience.

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- One campaign for all tar styles and tapers is desired to avoid image confusion or dilution and to maximize synergy. Moreover, this strategy has been producing adequate trial levels for all styles in 1982. The elimination of Ultra only executions is due to the old-fashioned image of the Ultra segment (1983 image study) which may harm the total brand. Secondly, this segment is not vibrant and is most contradictory with the KOOL heritage. This style should seek its own level in the marketplace until KOOL prospects feel the need to switch tar categories. Conversely, heavier weight on Lights is valid due to the fashionable, popular image of this segment and its greater proximity to the needs of KOOL prospects and the heritage of the brand.
- Eliminating solo Black musicians from generic spots for the foreseeable future is proposed to increase product and user image relevance to the White target. This is regrettable but considered prudent.

C. Target Audience

Objective - To increase awareness and trial among people most likely to be receptive to KOOL's heritage and current creative position.

Strategy - Continue the 1982 KOOL target audience principle which uses the 1975 demographic profile of 1975 smokers for smoker population shifts between 1975 and 1982. This includes variations in demographics, and KOOL franchise to maintain its position. The result is a target audience that skews male, young, and downward in relation to total smokers, to the same relative degree as in 1975.

	KOOL Target	Index to Franchise	Index to Marlboro	Index to Newport	Index to Total Smokers
Male	602	(103)	(100)	(168)	(155)
Female	402	(95)	(116)	(78)	(77)
24 or less	162	(257)	(159)	(67)	(27)
25-34	242	(59)	(69)	(89)	(92)
35+	401	(89)	(125)	(211)	(66)

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Rationale

- Consistent with revitalization principle of restoring appeal to historical sources of business.
- Similar to franchise sex skew, considerably younger as franchise inflow has recently been so weak.
- Much younger than total smoker skew but much older than Newport suggesting reasonableness.
- Similar to Marlboro.
- Younger inflow expectation for KOOL is reasonable as 1982 results prove. Inflow from 16-25 group (153) to current KOOL franchise profile.

D. Promotion

Objectives - Generate competitive trial primarily and profitable short term volume secondarily.

Strategies

- Any incentive on KOOL should be delivered with brand image message and/or should directly emanate from the brand image. This rules out things like sampling of straight packs, black and white coupon ads, etc.
- Trial incentives whose cost is in excess of variable margin will only be used after successful in-market testing. Examples are sampling, high value coupons, and high value tape-ons.
- Short term volume strategies will be used to meet competition and maintain share. As long as the cost of these strategies is less than variable margin, they need not be tested; although, testing is always desirable. Examples are \$1.00 carton, media delivered, store coupons, KJF-branded free lighter tape-on, etc.
- Permanent package display and SMP presence will occasionally be used for purposes beyond promotion incentive delivery. They cannot and should not be rationalized as purely promotion expenses.

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- Design and execute a sponsorship program that precisely fits the KOOL creative strategy.

Strategies

- To build/maintain equality in a long term marketing tool we may need to rely more heavily upon in the future.
- Publicity acquisition
- Reaching unreachables with a KOOL message
- venues
- Measurably enhancing the awareness and image of KOOL by favorably associating with popular music, artists, or
- Measurably increasing KOOL market share via:

Objectives

E. Music Sponsorship

- Permanent display and SM tools are high. They are inefficient of smokers to not the issue here.
- Report are aggressive with such programs. Long term retention those opportunities prior to the second half of 1983. Sales and in an intensely competitive environment. KOOL has tended to rise
- Short term volume strategies can be profitable and sustain share smoked. All ever bought - all smokers.
- the fact that smoker experience with KOOL is high (82% ever) profitability is likely to be impacted by immediate reward or and the fact that KOOL is a large established brand. Promotion
- Testing of trial incentives is justified due to their high cost conversion. It adds value to the product.
- Brand image linkage to trial incentives is desirable to enhance

Nationale

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- Estimate cost from changing promoter to more popular and this situation also 1984. All avenues should be explored to extend this situation. It is felt to be unacceptable to extend publicity and production. Given our declining market share in addition, \$4,300,000 is being spent on media promotion. Operations cost is estimated to be \$3,119,000, net of revenue. Given the above, the program should be continued; however, 1983 significant.
- The long term marketing tool value of such a program could be limited.
- This not measurable to date, judgment shows that some positive effect of the music sponsorship program must accrue to KOOL over time.
- National
 - Aggressively seek out revenue enhancement/message sponsors such as sale of broadcast rights, recording rights, and merchandising rights.
 - Construct program such that all operation costs (rent, overhead, free events/donations, stage identification, and artist relations) are covered by conservative revenue estimates. In other words, no cost of operations with the brand budget. Media promotion, publicity, and production expenses will be covered as brand marketing costs.
 - Link events aggressively to national and local advertising, promotion, and publicity.
 - Continue use of multi-day festivals.
 - Change name of event from KOOL JAZZ Festival. Substitution must be chosen with care to sustain press credibility and consumer equity but not at the expense of artistic fit.
 - Change performer mix from current old, black, jazz skew to younger, white, blend of jazz, pop, rock and rhythm & blues. Avoid extremes of classical or country. Quality and class are to be maintained.
 - Legend positive attitudes about KOOL.
 - Relevant to young, adult white and black audience
 - Attractive, contemporary
 - Cool
 - High quality
 - Epitome of entertainment

- Program name and content should depart from the rigid Jazz identity to communicate positively with our younger, White and Black target audience. There is no compelling reason to retain the Jazz-specific identity. Data and judgment suggest it is considerably off-strategy, and it may be defining our ad campaign imagery in the minds of consumers. We see no need to attempt to redefine the term Jazz for people.

F. Product

Objectives

- Significant preference win against Salem and Newport among our franchise and primary inflow sources in aggregate. In most cases the latter is the Salem, Newport and Low Menthol families. Non-menthol inflow source testing is being evaluated. This objective applies across all KOOL styles.
- Determine if preference objective can be met while reducing harshness attribute to no higher than parity with competitive brand set.

Strategies

- Monitor all KOOL styles except Regular, Box, and Milds 100's once a year to determine if the objective is met. If not, initiate product improvement.
- Begin product improvement on LIGHTS and ULTRA immediately to reduce harshness. Test with and without tipping color exposed.

Rationale

- KOOL LIGHTS and ULTRA convert trial to regular use at very low levels versus competition. Past blind product testing suggests harshness attribute as the possible reason. Tipping color could also contribute.

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G. Packaging

Objective - To communicate the same attributes as the KOOL creative strategy, provide a consistent trademark presentation across styles, and clearly distinguish between our Full Taste, Lights and Ultra styles.

Strategy - Initiate a family package redesign project. Program design changes over time so the franchise does not detect.

Rationale

- KOOL packages do not say "epitome of menthol," Newport and Salem packs stronger and richer than KOOL.
- KOOL packages are not as attractive as competition. We are too bland and lacking in color, style, and character.
- KOOL trademark varies in character/communication across styles. Tar distinction across KOOL styles unclear.
- Risk of radical pack change judged to be high. Higher chance of franchise outflow than competitive inflow due to pack change alone.

H. Media Spending

Objective - Spend the minimum necessary to maintain reference trend while the revitalization strategy is being improved and tested and allocate monies geographically to maximize their productivity.

Strategies

- Support KOOL with a media level equal to 65 SOA/SOM. Given 1982 estimates, this would be \$73.0 million in gross media. The 1983 media budget was \$81.1 million. If we conclude the BNT is successful, support KOOL with 150 SOA/SOM equal to \$108.1 million in 1984 media.
- Allocate monies geographically in direct proportion to KOOL family sales rather than menthol CBI.

Rationale

- KOOL has underspent media given its revitalization task. We can find no brand that reversed a declining share with less than 100 SOA/SOM spending. However, other problems with the revitalization strategy and execution must be solved before increased spending is appropriate.

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- The BBT has extended its action standard. Attitude change as measured by the lead market monitor is clearly more pronounced in the BBT than in the other two lead markets. Some additional time (3 more months) is needed to have adequate confidence in the results of this test in order to act on them.
- KOOL national share trend is better in JA's where spending is higher.
- The current geographic allocation strategy (strategy NDI) has not demonstrated any trend difference between High CBI and High NDI markets. Moreover, LIGHTS and ULTRA have been unsuccessful with this allocation scheme. It is felt that LIGHTS and ULTRA are more likely to sell well where Parent KOOL is strong and reversion to such a family BBT allocation scheme would be more consistent with revitalization.

1. KOOL line Extensions

Objective - Accelerate KOOL image revitalization to primarily increase inflow, secondarily reduce outflow, and ultimately increase market share.

Strategy - Test market a new family of KOOL line extensions. In addition to representing the epitome of smoking satisfaction and an attractive, contemporary image, this family should symbolize the epitome of quality, popularity, success, and style. They should be "cool" in a classy, fashionable sense. No changes are proposed in the current family of ten KOOL styles.

Major Tactics

- Initial styles should be Full Taste and Lights ES and 100's. Ultimately, all major KOOL styles could be included.
- All styles should be 8mm. Explore new configuration such as swinger and open-top.
- Primary package color would be dark, rich green. Gold and/or white secondary. The current KOOL logo, size and rectangular treatment should be retained.
- A line designator should be explored for image optimization. Working name "KOOL Deluxe." Alternatives are Regency, Supreme, Classics, etc.

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- Tipping should be explored for image optimization. White with green or gold printing proposed, although cork should be considered due to family, strategic fit.
- Consider denser, smoother product retaining distinctive KOOL taste character.
- Use announcement ads within current music campaign. Executional differentiation to be explored.
- Pricing should be industry standard. ?
- A special package merchandiser may be necessary and desirable for consumer and trade.
- Marketing budget to be determined. Incremental needs probably restricted to promotion and merchandising.

Rationale

- There is a consumer need for this kind of offering. Demand for KOOL has increased share at an average annual rate of 10% since 1970. Players Box appears to be an initial success, but its share is unavailable. Soft Deluxe Ultra Lights for an estimated share in excess of 0.50 and has initiated total KOOL family growth. Marlboro Box, KOOL's largest single source of business, has grown 14% since 1980 now accounting for 1/3 of the KOOL family. It is felt that the proposed KOOL offering is considerably more appealing than Newport and can pre-empt a significant amount in the menthol category. Moreover, it could be used to create our non-menthol inflow, an historical source of brand strength.
- KOOL is a credible brand to make this offering. The proposed positioning is a natural springboard from our heritage of strength, the most/best menthol, and most value. It is felt to be analogous to Corvette extending from Chevrolet. Both stand for value and quality with Corvette adding excitement and sportiveness. KOOL will perform similarly.
- The value to the brand is both in terms of total image improvement and share potential of new styles in their own right. Near term share difficult to estimate. Assuming cumulative current consumption share of KOOL family is 7.5%, new styles obtain one-third this share, and 60% of new styles' share cannibalized from current, incremental year-one share potential 0.99%. This does not consider any enhancement in appeal of current line. An alternative, even more conservative scenario would be, new styles produce 7.5% share of current Box segment less 60% cannibalization for net incremental year-one share of 0.39%.

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- The proposed line extension would enable us to accelerate the improvement of KOOL's image, without disrupting its current franchise. We judge it to be extremely risky to change the current packaging and product, given the size of KOOL's business.
- Box, tipping, and designator recommendations proposed for image optimization and justification to consumer and trade that this is a truly different and better KOOL.
- Channel of distribution (buyer attitudes and shelf space) limitations are the primary impediment to this strategy. While yet to be diagnosed, if judged insurmountable, the following alternatives should be considered for testing in priority order:
 - Special merchandising fixtures to eliminate the "real estate" problem as well as maximize consumer exposure and image value.
 - A more limited number of styles. One full taste and one LIGHTS are considered minimum desirable from brand viewpoint.
 - Revert to exact replacement strategy for current line, style for style.

J. Price/Value

Objective - Incremental market share.

Strategies:

- Test market 10-unit pack Parent and LIGHTS, KS and 100's.
- Price 50% to 60% of 20-unit.
- Soft-up now. Perhaps "Deluxe" box later.
- Available to all customers. Most likely to be accepted in low income package outlets and vending.
- Include in local media. POP.

Rationale

- Transaction cost, not value, hurting KOOL share. Smokers in very poor areas consume less and/or defer purchase due to transaction cost.

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- Losses until sold now in poor neighborhoods.
- Difficult to run temporary promotions in such areas. Coupons rejected by retailers, premium shops, etc.
- Ten's may enhance trial and/or occasional use.
- Ten's may have fashionable/popular image.
- Admittedly, a profit and consumption risk. Costs being determined now. Consumption risk must be measured in test market.
- J.N.'s test failed, we think due to premium pricing. 50% of 20's price important for consumer credibility.
- Advantage to being first with small pack.
- Set price for industry.
- Gain retail presence advantage.
- Consumer move value.