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1984
KOOL OPERATIONAL PLAN

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5 EXECUTIVE SUMMARY

Overall Marketing Objective

- Achieve 7.23% SOM, 43.4 billion units in 1984
- Stop KOOL share decline by 1986

Marketing Strategies

- Continue the revitalization strategy begun in December, 1981, with numerous strategic and executional improvements discussed later.

- Reduce spending to minimum amount necessary to sustain reference trend until these improvements are developed and validated. The thrust continues to be use of the music campaign, music sponsorship, and ancillary promotion to revitalize KOOL product and smoker images thereby increasing inflow from historical sources.

  We are not attempting to reposition KOOL, but rather to re-establish its relevance to smoker groups historically most receptive to the brand.

A. Advertising

Convince smokers that, at any tar level, KOOL is the epitome of smoking satisfaction and will satisfy their need for an attractive, contemporary image. This is possible because 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).

B. Target Audience

Prime targets are the young adults, males and females, in that order. 1984 REV weights are based on KOOL's 1975 demographic profile adjusted for the demographic shifts.

1984 KOOL Normalized REV Weights*

	I-III	IV-V	Total
Men	91	127	115
Under 25	153	208	193
25-34	100	136	124
35+	69	94	86
Women	62	93	83
Under 25	149	204	191
25-34	58	78	71
35+	43	59	53
Total	77	111	100

*Detail of REV weight derivation in Exhibit

C. Music Sponsorship

Continue with music events during 1984 to extend our advertising property with the objective of measurably increasing KOOL SOM. Music events shall pay for themselves and their format shall emanate directly from the creative strategy (young, contemporary, etc.).

D. Promotion

Primary role is to generate competitive trial for total KOOL Family and to profitably generate incremental short term volume. Extensive testing will occur during 1984, including a relaunch program with incremental promotion support.

E. Product

Achieve significant preference over Salem and Newport among the franchise and primary inflow sources. Attempt to reduce harshness on LIGHTS and ULTRA while retaining the KOOL character.

F. Packaging

Initiate exploratory packaging to communicate the epitome of smoking satisfaction across all styles, consistently with KOOL's young and contemporary creative objective. Changes shall be subtle over time as to reduce franchise apprehensions over product changes.

G. Ten's

Launch a 10-unit pack in areas with no tax penalties for smaller than 20-unit packs. Five styles (Parent, KS, and 100's; Milds KS and LIGHTS KS and 100's). Minimize premium cost to consumer while maintaining variable margin.

H. Deluxe

In conjunction with exploratory advertising and BBT-level spending, develop and test market strikingly improved KOOL packaging 1) as a replacement for current packaging, and 2) in box form as a line extension.

I. Learning Needs

Exploratory creative testing, ten's packaging and role model studies (1983). Information needs for 1984 fall into creative, promotion and line extension research.

J. Resource Allocation

Gross Media	$ 47.6MM
Promotion	
Ongoing	13.2
Testing	1.9
M&P	7.8
Total Advertising and Promotion	$ 70.5MM

K. Spending Principles

Geographical allocation by family BDI; magazine list defined by REV weighted CPM; style allocation is 30% Parent, 30% LIGHTS and 40% Family.

II. MARKETING OBJECTIVES

- Achieve national MSA share of 7.23 with total volume of 43.4 billion units in 1984.

- Stop KOOL Family market share decline by 1986 or earlier. Consumption share trend in 1984 should index (94) or better to 1983 (consumption reference trend 94). Regain menthol category leadership long term.

MARKETING STRATEGY

Continue the revitalization strategy begun in December, 1981, with numerous strategic and executional improvements discussed later.

Reduce spending to minimum amount necessary to sustain reference trend until these improvements are developed and validated. The thrust continues to be use of the music campaign, music sponsorship, and ancillary promotion to revitalize KOOL product and smoker imagery thereby increasing inflow from historical sources.

We are not attempting to reposition KOOL but rather to re-establish its relevance to smoker groups historically most receptive to the brand.

A. Advertising

Objective

To creative an image that will motivate the adult target audience to start with or switch to the KOOL Family.

Strategy

Convince smokers that, at any tar level, KOOL is the epitome of smoking satisfaction and will satisfy their need for an attractive, contemporary image. This is possible because 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).

Strategic Property

For the foreseeable future, KOOL will employ pan-racial music symbolism/imagery to communicate the strategy.

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 imagery benefits of KOOL stated above in a meaningful and compelling way to the target audience.

Specifically addressed will be:

- Smoking satisfaction from KOOL's superior menthol refreshment.

- Attractive, contemporary image to young adult Whites.
  - Cool
  - The Best

Creative Allocation Strategy

- One campaign should be continued for all tar styles. Visual or headline variance, by style, is not recommended. Allocation of styles to ads is arbitrary as no data exists on the communication effectiveness of "family" versus single style execution.

  In 1983, the allocation scheme was 20% Family, 30% Parent only, 30% LIGHTS only, and 20% ULTRA only (based on real dollars). In 1984, it is proposed that dollars allocate 40% Family, 30% Parent only, 30% LIGHTS only and no ULTRA only.

  - Tip-in test indicated that pack/product notice was greatest at 40% unaided recall with the three pack "bay window" configuration in George Tenor Sax. The ad generated 27% more interest in buying KOOL.

- One campaign should be continued for all ethnic groups with Black musicians only in Black media and White musicians only in generic media.

  To show KOOL as a brand for all people, more emphasis is needed on interaction of White musicians with KOOL imagery.

  - Recent TAT work indicates that visuals featuring White musicians were less likely to be associated with KOOL by White respondents than Black musicians exhibit.

  - Blacks named KOOL as best brand fit with visuals more frequently than Whites did.

  - As a creative execution, Tweed (Black pianist) is highly interpretive among Blacks, rather than Whites.

Rationale

- Adult 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 in must rise before starting. KOOL had consciously and erroneously walked away from this key source of business. ?

- 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 the 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 1975 and 1981. KOOL share decline began during this period along with Newport's ascent. Smoker inflow erorsion 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 legitimize 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 cf control, self-assurance, being a winner, fashionable, and confident. These needs are desirable per se and positive translations of a Black heritage/ image.

Strategy Change Rationale

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.

Exploratory Rationale

- 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 Salem. No evidence exists that the cerebral process of understanding, respect, and admiration for the serious, mature Jazz musician happens among our target audience.

Family Advertising Rationale

One campaign for all tar styles and races 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. Secondarily, 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.

B. Media/Target Audience

Objective

Provide advertising support in media vehicles most likely to reach prospects who can affect:

- Inflow restoration among KOOL's historical source of strength, the starter market.
- Stabilization of national market share ~~decline~~.

Strategies

Target Audience

Base 1984 target audience REV weights on KOOL's 1975 demographic profile adjusted for total smoker demographic population shifts 1975 to 1984.

1984 KOOL Normalized REV Weights*

	I-III	IV-V	Total
Men	91	127	115
Under 25	153	208	193
25-34	100	136	124
35+	69	94	86
Women	62	93	83
Under 25	149	204	191
25-34	58	78	71
35+	43	59	53
Total	77	111	100

*Detail of REV weight derivation in Exhibit 1.

Media Selection

- Select national books based on cost to reach REV weighted audience.
- Continue cinema advertising according to current guidelines.
- Use paint with 30 sheet as basic local media for widescale awareness generation.
- Ensure ~~adequate~~ leadership levels of support in major markets with Black media.
- Spend at fair share level in military specific national and local press.
- Provide coverage (based on local KOOL Family sales) only after all other media needs have been fulfilled (above five items).
- Based on recommended working media budget ($36.5MM), KOOL style support in 1984 is as follows:

	% of Dollars	Dollar Amount
Family of Products	40%	$14.60MM
Parent	30%	10.95MM
Lights	30%	10.95MM
Total	100%	$36.50MM

Priorities

- Utilize media categories to reflect the following priorities:
  - 4/C National Print
  - Cinema
  - 4/C Out-of-Home
  - ROP if budget permits

- Media priorities by style should reflect inflow potential of:

  - Family
  - Lights
  - Parent

  in that order.

Target Audience

Rationale

- Continued net negative ~~flow~~ position for KOOL results from deteriorating inflow for the brand.

	Total Inflow	Total Outflow	Net	Share of Smokers
1979	15.5	-28.5	-13.0	6.8
1980	16.0	-26.2	-10/2	6.3
1981	12.4	-24.2	-11.8	6.2
1982	10.5	-19.7	- 9.2	6.1

Source: Switching Study

- Although current male smokers under 25 have slipped drastically since 1979, young adult males are an appropriate target audience for KOOL.

  - Indexed to menthol, KOOL is heavily skewed male (153) and under 25 (127).
  - Fifty-eight percent of current KOOL smokers are male (with no change from 1981) and 32% are males under 35.

- Male starters under 25 indexed (95) on a fair share basis in 1982 versus total smokers.

- KOOL's share of Black smokers has slipped from 48.0% in 1979 to a current 26.3%. KOOL must continue to ~~reach~~ Blacks through ethnic media.

  (Source: ~~Black~~ Smoker Study)
  Caution: Methodology of studies varied

- The recommended REV weights are based on KOOL's 1975 demographic profile because:

  - 1975 was KOOL's highest share year (10.18% SOM).
  - This profile represents KOOL's greatest period of strength.

The profile has been adjusted for changes in the total smoker population demography tc reflect the changing profile of the cigarette category. The REV weights provide coverage of all smokers in the cigarette category, to recognize the potential of the Lights and Ultra styles to attract females and older smokers due to the profiles of the categories in which they compete.

Media Rationale

- Limited media budget recognizes/emphasizes most cost-effective, efficient reach to target audience.

- Four color in-home continues image revitalization and can be effectively REV weighted.

- ~~Slightly~~ Higher cinema CPM is offset by extreme young adult skew of movie-going audience; ad recall over six times better than our next most efficient media; and by its reach to very low readership quintiles.

- Four color out-of-Home is an economical means of reaching nearly any target audience. Paint units, on judgment, overcome clutter. Thirty sheet supports widespread awareness.

- National/local split provides reasonable local media interaction in major markets where we are developed and thus defending share.

KOOL Style Allocation Rationale

- The recommended style allocation recognizes brand style needs and strengths in relationship to category growth segments.

- Ultra only executions are not recommended due to the possible image rub off to the Family (old fashioned segment). Furthermore, the style is contradictory to the KOOL heritage and its growth will occur only when KOOL prospects seek a tar category change.

C. Music Sponsorship

Objectives

- Measurably increase KOOL market share via:

  . Enhancing the awareness and image of KOOL by favorable association with popular music, artists, or venues.

  . Reaching low readership quintile with a KOOL message.

  . Publicity acquisition

- To build/maintain equity in a long term marketing tool we may need to rely more heavily upon in the future.

Strategies

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

  . Epitome of entertainment
  . High quality
  . Cool
  . Attractive, Contemporary
  . Relevant to young, adult White and Black audiences (engender positive attitudes about KOOL).

- Construct program such that all operation costs (fees, overhead, free events/donations, stage identification, and artist relations) are covered by conservative revenue estimates. In other words, no cost of operations hits the brand budget. Media, promotion, publicity and production expenses will be covered as brand marketing costs.

- 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.

- Change name of event from KOOL JAZZ Festival to more accurately reflect contemporary program with pan-racial relevance.

- Aggressively seek out revenue enhancers/message extenders such as sale of broadcast rights, recording rights, and merchandise rights.

Rationale

- While not measurable to-date, judgment suggests that some positive effect of the music sponsorship program must accrue to KOOL over time.

- The long term marketing value of such a program can be significant.

- Given the above, the program should be continued; however, 1983 operations cost is estimated to be $3,119,000, net of revenue, In addition, $4,343,000 is being spent on media, promotion, publicity and production. Given our declining market share and budget pressure, it is felt to be unacceptable to extend this situation into 1984. All avenues should be explored to eliminate costs from changing promoter to more popular entertainers to fewer cities.

- Program name and content should depart from the rigid Jazz identity to communicate positively with 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.

D. Promotion

Overall Objective

- Generate competitive trial for all styles.
- Profitably generate short term incremental volume.

Overall Strategies

- Any incentive on KOOL should be delivered with brand image messages and/or should directly emanate from the brand image.

- Trial incentives whose cost is in excess of variable margin will only be used after successful in-market testing.

- 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.

- Permanent package display and SMP presence will occasionally be used for purposes beyond promotion incentive delivery. These cannot and should not be rationalized as purely promotional expenses.

Due to budget constraints, 1984 promotions are limited to the following programs:

NATIONAL PROGRAMS

- KMDP (including City Jams)
- First Quarter SMP
- Van Program
- Military (including Super Nights)
- Third Quarter SMP/Music Sponsorship Promotion support

a) KOOL Market Development Program

Cost: $5.6MM Payback: 1.4 years
National Theoretical $9.0MM

Tactics

The program will continue in the current 14,000 store universe with incremental call frequency, 90/180 displays, buy 10/Get one free retail offer and package tape-on trial incentives. KOOL City Jams will also continue.

Rationale

- The program has proven successful at slowing share erosion for KOOL and all other B&W brands (Exhibits 2a;b)

- Expansion is not proposed due to budget constraints.
  - The program currently covers 63% of the total universe.
  - Expansion would force the brand to do nothing but KMDP, destroying thus our strategic need for other promotion testing.

<u>KOOL City Jams</u>

Cost: $1.7MM

<u>Tactics</u>

- Employ one and two-day free music events as a continuity program in conjunction with community organizations and Black media in ten markets.

- Distribute samples as a trial device

<u>Rationale</u>

- Opportunity to sample prime target while communicating advertising message in an ~~interruptive~~ intrusive image consistent fashion.

<u>Costs</u>

<u>KMDP</u>

Retail	$3,321.6M
Consumer Incentives	1,259.0
Materials & POP	922.0
Community Involvement	175.0
Subtotal	$5,677.6
KCJ Sampling	$1,200.0
Subtotal	$6,877.6
KCJ Operations & Expenses	$ 500.0
Total	$7,377.6

b) First Quarter SMP

Cost: $1.7MM Payback: 19 months

(exhibit 3b)

Tactics

Delivery of 6.5MM KJF lighters with purchase of two packs of KOOL. Offer is supplemented with the three KJF poster self-liquidator on back on blister card.

Rationale

- Lighters provide one of the better trial incentives
- 9.5MM lighters were ordered for the fourth period 1983 SMP as trial incentives. This promotion was cancelled due to budget cuts in 1983. Due to budgetary reductions for 1984 3.0MM lighters will be used in other programs needing support.

Costs

6.5MM Lighters ($2.5MM paid in 1983)	$ 587.2
Temporary display payments	675.4
Materials	231.0
Deal Assembly (4.03/deal)	195.0
Total	$ 1,688.6
Contract Displays	3,875.0

c) KOOL Music on Tour (Van Program)

Cost: $1.2MM

Tactics

Continue current KOOL Music on Tour Van Program across U.S. with the three currently existing vans as a sampling devise and as non-traditional media. Vans will operate on regional plan with one van deployed to targeted beach program on East Coast during June, July and August. Program will include sampling, games and branded premium giveaways coordinated by the disc jockey as he plays contemporary hit music.

Rationale

- Van intercepts target audience at grass roots level with a sound and motion, physical, party/ promotion package which can be tailored (with appropriate music) to the crowd present.
- Vans create a unique intrusive advertising/ media mileiu with more depth and scope than print and point-of-purchase advertising provide.
- Van has gained a high rate of acceptance and recognition in a short time and has significant growth potential as part of the music campaign.
- Prime prospects will be effectively reached during the summer along the Eastern beaches.

Cost (Exhibit 3c)

Overhead	$ 259.9
Total Sampling Cost	597.0
Audit	50.0
Depreciation	39.0
Premiums	242.0
	$1,187.9

d) Military Programs

Cost: $400M
(EXHIBIT 3d)

Tactics

Implement aggressive premium and incentive tape-on program of branded, perceived high value items for packs, multi-packs and cartons.

Rationale

- Segment is a haven of young adult male starters and is projected to grow in 1984.
- Share/volume decline for KOOL in the Military was less than the national decline in spite of generic products' growth and resulting heavy competitive promotions.
- Generic market share is increasing steadily, making market more price sensitive and deal conscious than ever before.

KOOL Super Nights

Cost: $197M

Continue to offer a KOOL Super Nights concert program on a smaller scale due to budgetary constraints (20 shows versus 40 during 1983). Program includes concert specific publicity, P.O.P., on product incentive items, concert advertising and sampling.

Rationale

- Program reaches an audience that is highly skewed young adult male and Black, our prime target.
- Assisted by this program, volume erosion in this market has been less severe, with military contributing 3.3% of 1982 total KOOL volume versus 3.1% of total volume in 1981.

Costs

Ongoing Incentive Items and POP	$ 400.0M
KOOL Super Nights	
Promotion & POP	50.0
Incentive Items	80.0
Publicity	25.0
Sampling	42.0
Sub-total	$ 597.0
Operations & Expenses	$ 325.0
Total Military	$ 922.0

e) Music Sponsorship Program or Third Quarter SMP

Cost: $1.4MM

- These monies will be used for promotional support of a music program if one can be developed that pays for itself.

or

- Develop a continuity event consistent with brand image to induce smokers to smoke the KOOL brand styles.

1984 TESTING ELEMENTS

A major testing effort will be underway during the year to justify incremental expenditures.

a) Domestic/Non-Military

- Trade/distribution programs
  - DOT program
  - Temporary display program

- Consumer Trial/Sampling Events
  - Direct Mail
  - Vending

- Continuity programs
  - Merchandising/record club tie-in
  - Cross Ruff with major manufacturer
  - Chance game (pending BATF and/or legal resolution)

- Relaunch Program

b) Military

- Store intercepts (product)
- Store intercepts (premium)
- 5 pack/mini-carton
- Merchandising

1984 Testing Elements

a) Domestic/Non-Military

- Trade/Distribution Programs

  Objectives

  Increased volume at trade level.

Tactics

1. **Trade/Distributor DOT Program**

   Cost: $25.0M

   DOTS are awarded point values and placed in KOOL cases and on KOOL carton. Dots are collected and redeemed for prizes from a pre-selected catalogue. Distributors collect "dots" in cases, retailers punch out the "dot" from a carton flap.

   Rationale

   - Provides additional incentive for the trade to increase order base.
   - Pulls product through the warehouse and into the store.
   - Offers additional incentive for store Manager/ Distributor to focus on the KOOL brand.

2. **Temporary Display Program**

   Cost: $75.6M (Exhibit 3a)

   National Theoretical: $3.0MM for six months

   Increase frequency of temporary carton display placement to every eight weeks for six months in AA-C outlets.

   Rationale

   - B&W does not have its fair share of the carton fixture space due to RJR's 50% space clause.
   - Anticipated new B&W brands will force marginal established B&W styles off the shelf.
   - Distribution is indispensable for share growth.

- Consumer Trial/Sampling Events

  Objectives

  Gain incremental competitive trial.

Tactics

Direct Mail

Cost: $233.0M

This promotion targets menthol and non-menthol smokers and an unknown-smoker list. Consumer receives one of three test offers (free carton, $5.00 off or $3.00 off a carton) for any style KOOL. A subset of free carton responders receive - along with their free carton coupon - another bounceback offer for three additional coupons ($3.00, $2.00 and $2.00) for subsequent purchases of KOOL. Acceptance of this offer requires two proofs of carton purchases (UPC codes.)
(EXHIBIT 3F)

Rationale

- Direct mail is a successful tool to gain competitive trial. Six month net conversion of 6% was achieved with the jukebox test during 1982.

- This test attempts to reduce brand costs for future drops.

Costs

	($000)
Product	$150.0
Printing	50.0
Postage/lettershop	33.0
	$233.0

2. Vending Promotion

Cost: $50.0M

Tactics

A pack facsimile is introduced for every 10-20 KOOL packs in the vending machine. The facsimile pack, instead of cigarettes, has a prize (lighter, mini-calculator, etc.). In order to conform with lottery laws, the cash amount invested by the consumer is returned in the promotion pack. Communication of the promotion is through point-of-sale decals which also contain alternative entry without purchase.

Rationale

- Vending represents 14% of KOOL volume
- Vending volume has been decreasing over time.
- Immediate consumer gratification pulls smokers to vending machine and offers another reason to pull the KOOL lever.

• Continuity Programs

Objectives

- Induce repeat trial/repurchase among competitive smokers.
- Increase brand identification.

1. Cross Ruff with Major Manufacturer

   Cost: $75.0

   KOOL packages act as a vehicle for coupons of another manufacturer (magazines, beer, adult snack foods (peanuts), lighters, blank cassettes, etc.) selected with the aid of the 1981 SPS. For the test, KOOL will pay coupon handling charges and joint sponsor will redeem coupon.

   Rationale

   - Provides a consumer incentive with low cost to the brand.
   - Stimulates repeat purchase.
   - The brand benefits from the implied endorsement.

2. Chance Game

   Tactics

   On pack placement of game of chance with mass appeal. (Pending BATF/legal resolutions).

   Rationale

   - A successful event in other categories which have maintained their image and quality.
   - Anticipation of competitive reaction to the Simon project.

   Recommendation

   - Pursue BATF for position reversal.
   - Proceed with formal discussions and gain resolution.

3. Merchandising

Costs: (included in third quarter, 1984 SMP)

Tactics

Development of KOOL budget items (clothing, towels, etc.) to be sold through retail chains by Licensees and/or through a catalogue posted at POP or through media. Also attempt to tie-in with a record club. A coupon for a free album with purchase of one would be inserted in KOOL cartons.

Rationale

- Proliferate brand identification
- Intercepts target smokers in their lifestyles.
- The record club dimensionalizes current advertising property.

. Relaunch Program

Objective

- Increase volume and share for total Family
- Grow BDI and/or CDI in low development markets

Tactics

- Increase local/regional media in a low BDI market to achieve 100 SOA/SOM.
- Utilize promotion testing elements in a low development market and evaluate the synergistic effects of:
  - Distribution/retailer incentives (DOT program)
  - Trial incentive (lighter offer during the first quarter SMP)

  Timing: January-March, 1984

next page
  - Increase shelf space (temporary display program)

- Continuity event (free lighter with carton purchase)

  Timing: May, 1984

- Increase shelf space (temporary displays)

  ~~Timing: May, 1984~~

- Continuity event (third quarter SMP)

  Timing: July, 1984

Rationale

- Low development markets offer a growth opportunity for the brand.

  - Opportunity to expand the menthol segment in low CDI areas
  - Opportunity to gain from menthol competitors
  - Over 50% of KOOL's inflow are from the non-menthol segment

- Intense push/pull activity in one trading area will provide insight into the growth premise stated above.

- Incremental national media is not recommended due to high cut-in charges.

Costs (Recommendation stands for San Francisco TA #57)

Promotion details are provided in the non-military promotion testing section. Costs have been included in the previous promotion sections.

DOT Program	$ 25.0
Temporary Displays	75.6
Free Lighter with 2/packs (cost within first quarter SMP)	---
Free lighter with carton (exhibit 3g)	117.5
Continuity event (cost within third quarter 1984 SMP)	---
	$218.1

- Continuity event (free lighter with carton purchase)

  Timing: May, 1984

- Increase shelf space (temporary displays)

  ~~Timing: May, 1984~~ June

- Continuity event (third quarter SMP)

  Timing: July, 1984

<u>Rationale</u>

- Low development markets offer a growth opportunity for the brand.

  - Opportunity to expand the menthol segment in low CDI areas
  - Opportunity to gain from menthol competitors
  - Over 50% of KOOL's inflow are from the non-menthol segment

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Temporary Displays	75.6
Free Lighter with 2/packs (cost within first quarter SMP)	---
Free lighter with carton (EXHIBIT 39)	117.5
Continuity event (cost within third quarter 1984 SMP)	---
	$218.1

b) 1984 Testing Elements - Military

Objective

- Defend KOOL franchise in a price-sensitive and highly promotion-oriented segment.
- Generate competitive trial among starters and competitive smokers.
- Extend an image message at point of purchase relevant to the young adult male skew of this market.
- Testing in 1984 acts as a filter for proven successful programs to be fielded in 1985.

Tactics

1. Test a store sale intercept offering a free carton of KOOL with the purchase of two cartons in 5% of the commissary universe or approximately 10 stores. Part-time sales help will approach consumers as they purchase off the carton rack, emphasizing competitive smokers.

   Cost: $130,000
   National Theoretical: $2,154.5
   Payback: 1-3 months
   Timing: January-March
   (Exhibit 3H)

Rationale

- Program has been used on McGuire AFB with an increase from 15.0% to 19.0% SOM.
- Program rewards franchise, but at lesser levels than couponing and voluntary price reductions.
- Generates incremental volume in retail outlet(s) which sell the bulk of carton volume.

2. Test a store sale intercept offering a branded premium with the purchase of two cartons in four naval exchanges and/or army/air force commissaries. Part-time sales help at store level will dispense premiums with proof of purchase. P.O.P. material will advertise the offer.

   Cost: $45,000
   National Theoretical: $10,098.0
   Payback: 1-3 months
   Timing: April-September

   (EXHIBIT 36)

Rationale

- Intercept sales are proven volume generators and can be geared to paydays for best results.
- Rewards franchise and appeals to competitive smokers as items are perceived as having high value.

3. Test a mini-carton (5-pack) deal in 150 main exchanges and/or troop stores advertised as an ongoing bargain value of Buy 4/Get 1 Free.

   Cost: $50,000
   National Theoretical: $61,380.0
   Payback: 1-3 months
   Timing: January-December

   (EXHIBIT 37)

Rationale

- Manufacturing will have capability to produce mini-carton January 1, 1984.
- Addresses young adult smokers where most of them buy.
- Offers perceived consumer value at no additional cost to the brand.

- Lessens transaction cost of a full carton between paydays for young adult segment.
- Military is a captive young adult male starter market and is projected to grow again in 1984.

4. Test a KOOL cash program on one major training base. Consumer can collect 10 KOOL packs and redeem them for a $1.00 "coupon" good for 1) base theatre movie admission; 2) any music related item sold in the base exchange (stereo equipment or records) or 3) a future purchase of KOOL in the exchange.

   Part-time sales help will exchange packs for "coupons" one afternoon approximately a week before payday.

   Cost: $25,000
   National Theoretical: $27,515.0
   Payback: 1-3 months
   Timing: September-October
   (EXHIBIT 3K)

Rationale

- Should appeal to young adult audience which is typically strapped for discretionary income the week preceding payday.
- Image tie with music and entertainment remains intact.
- Will generate trial and serve as a continuity program.

Costs

Store intercept (product)	$130.0
Store intercept (premiumP	45.0
Mini-carton/5-pack	50.0
Merchandising	25.0
Total	$250.0

E. 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 B&H 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.

F. 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.

Strategies

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.

G. <u>KOOL TENS</u>

Cost: $1.2MM (including non-brand specific). 1984 expense is $811M.

<u>Objectives</u>

- KOOL family incremental volume
- KOOL family competitive trial
- Leadership position in an industry packaging segment

<u>Strategies</u>

- Launch 10 unit packaging for 5 KOOL styles
  - KOOL Filter Kings (55%)
  - KOOL Super Longs (15%)
  - KOOL Milds Kings (15%)
  - KOOL Lights Kings (7.5%)
  - KOOL Lights 100's (7.5%)

?

Try 10's [illegible] then more [illegible]

- Price to maintain current variable margins and to minimize/eliminate perceived price premium (50%-55% of 20's pack price).
- Target vending purchasers and pack purchasers
  - Lower income members of KOOL target audience
    - Blacks (especially KMDP markets)
    - Young adults
    - Other low/fixed income smokers
  - Style motivated/fashionable female
  - Occasional user (indirectly)
- Positioned as a less expensive and more convenient way to purchase KOOL, consistent with the KOOL creative positioning/strategy (KOOL, in any packaging, is a brand to be proud to smoke).
  - Conduct preliminary research to help determine most leveragable positioning variable (i.e., image, convenience, transaction cost)

<u>Tactics</u>

- Use current 10's packaging (including soft packs, 200-unit cartons, and 6M cases) modified to include UPC, name descriptor "tens" and KOOL graphics.

- Distribute in 20 states with 10's tax stamp and no tax penalty - 61.22% CSP (See Exhibit 4a and b).
  - Available (on price list) throughout that area
  - Vending: concentrate on high volume machines; provide column adaptors at no charge
  - Use zip code/census tract data along with FRS data to identify target areas
  - Explore non-traditional outlets, e.g., bars, restaurants
  - Estimated distribution 40% ACV in market area, 25% ACV all U.S.
  - Focus first on KMDP areas as well as other pockets of Black population

- Introductory tens advertising consistent with brand creative strategy.
  - Local media: ROP, OOH, posters

- Trade support to include
  - Standard introductory allowance
  - Special tax stamping allowance ($4.00 per case)
  - Consider additional trade promotion/contest to encourage participation/support

- Merchandise in special 60-pack display, self contained for retail back counter and non-traditional outlets.

- Extensive POP advertising support: posters, stickers/decals, vending tents, counter cards, plus anything else unique and intrusive we can develop.

- Use current 10's capacity (approximately 1.7 billion units per annum).
  - No incremental capital investment until consumer response is visible
  - Initial manufacturing requirements

    24MM units load-in (40M stores x 600 units/store)
    40MM units vending (80M machines x 500 units/machines)
    100MM units reserves (remainder of introductory stock)
    164MM
- Cannibalization estimated at 70%
  - 510MM units per annum expected from competitive smokers (especially Winston, Marlboro, Salem, Benson & Hedges, Newport)
- Adjust sales force call coverage/frequency as necessary during launch period, and thereafter as necessary and justified.
- Timing (See Exhibit 4c)
  - Launch week of January 30, 1984

Rationale

- Rising cigarette prices are making transaction costs an increasingly important smoking issue, especially to lower income KOOL target audience smokers.
- Competitors are responding, e.g., Newport 10's, Reynolds 12's.
  - Newport 10's test continuing, after early failures in flawed test (little in-store support, poor trade program, sampling confusion)
  - RJR 12's test continuing, with poor results (high consumer awareness of price premium, i.e., 60% of 20-pack for 70% of the price)
  - No competitor has substantial 10's on-line capacity, except perhaps Lorillard. They would be expected to follow as soon as possible (60-120 days) in as many key Black areas as their capacity allows.

- RJR is believed to have enough change parts on hand for a major response in 120-180 days. However, their interest to-date has been in 12's for vending only. We might expect a major response in 6 months, either with 10's or 12's.

- Similarly, PM is believed to have a substantial stock of change parts. The nature of their response is uncertain, depending on our success and the state of their battle against 25's. At least a 6-month lag seems likely.

. A 10's launch would preempt the competition, establishing 10's as the arena (rather than RJR 12's), and attracting the first wave of transaction price defections to KOOL (from KOOL as well as competitive brands).

. Of smaller pack options

  - 10's easiest consumer price/value comparison

  - B&W has substantial 10's capacity on-line

. Variable margin can be maintained with little or no price premium.

. Lorillard (Newport) may preempt us with 10's; RJR may launch 12's (B&W has little short term response capacity).

. 10's can both reduce brand outflow and induce switching from key competitors for economic reasons.

Costs

Packaging	
Design and Final Art	$12.0M
Cylinders	$30.0M
Merchandising/Promotion	
Displays (40M @ $3.00)	$120.0M
POP Materials	$140.0M
Display Payments (40M @ $3.00)	$120.0M
Introductory Allowance (10% on 84MM units)	$231.0M
Vending	
Machine Adaptors (80M x $1.25)	$100.0M
Column Payments (80M x $5.00)	$400.0M
Media	
Introductory ROP	$60.0M
Total	$1,213.0M

	1983	1984	Total
KOOL Brand Specific	302	411	713
Non-Specific	100	400	500
	402	811	1,213

"Tens": Assumptions and Costs

- Year 1 - 1984
- Incremental volume: 510MM units (30% of 1.7 billion total units)
- Incremental costs: $1,213M- Year 1
  $ 500M- Each year thereafter
- Two prices (1) maintain variable margin - $14.50 family variable margin
  (2) maintain price - $14.45 family variable margin
- Manufacturing implications of expansion: Expansion to 6 billion units (given cannibalization assumptions) would require conversion of 4 current packer modules. Cost would be $502M and time would be approximately 9 months to project completion.
- Financial analysis based on these assumptions is in process.

H. KOOL "DELUXE"

Cost: $5.8MM. 1984 expense is $5.6MM

Objectives

- Accelerate KOOL image revitalization to increase KOOL market share by (a) increasing starter and switching inflow, and (b) decreasing swiching outflow.
- Offer KOOL in packaging which is consistent with and supportive of the brand creative strategy and positioning.
- Provide a consistent trademark presentation across styles.
- Clearly distinguish between full taste, lights and ultra styles.

Strategies

- Develop and test market a new, strikingly improved KOOL packaging line as a replacement for current packaging, and "deluxe" box packaging as a line extension. There are two test scenarios (See Exhibit 5a for timimg).

  - I. 5 Cells

    A. Current ad campaign/current packaging
    B. Current ad campaign/replacement line
    C. Exploratory ad campaign/current packaging
    D. Exploratory ad campaign/replacement line
    F. Exploratory ad campaign/current packaging/ "deluxe" box line extension

  - II. 3 Cells (Brand Group Recommendation)

    (Assumes ad campaign decision made prior to in market packaging testing)

    A. Exploratory ad campaign/current packaging
    B. Exploratory ad campaign/replacement line
    C. Exploratory ad campaign/current packaging/ "deluxe" box line extension

- Maintain all other variables constant across the cells.
- Spend at BBT levels (140 SOA/SOM year 1) to achieve quick and comprehensive communication of the various propositions.
- Maintain product consistency across cells. Incorporate any possible product improvements in all cells as soon as possible.
- New packaging cells: (Replacement line)
  - Strikingly improved packaging
  - Current soft cup and box (1) format
  - Feature pack change advertising for 90 days
  - Work current inventory down. Pick up four weeks or less.
- "Deluxe" box line extension cell:
  - Initially 2 styles, 80mm Parent FOB and 80mm Lights FOB
  - Additional name descriptor, e.g., "deluxe", "classic", "regency", "imperial", "special", "international"
  - Dramatically different packaging, e.g., dark rich green
  - Introductory advertising for 90 days, feature line extensions in advertising for test duration
  - Standard introductory allowance (10% for 45 days)
- Promotion equivalent in all cells for 60-90 days. Use POP and instore displays.
- Action Standards:

  Evaluate the test on KOOL family share (read every six months for two years).
  - If share does not decline versus the control cell, launch the program.
  - If share declines versus the control cell but comes back to pre-test comparative levels, launch the program.

- If share declines versus the control cell and does not come back to pre-test comparative levels within two years, abort the test.
- If any cell drops precipitously and shows no signs of recovery within six months, abort that cell by reintroducing original advertising/packaging.
- If more than one cell performs well, launch that program which performs best. If two or more perform equally well, launch the one which exhibited the least initial downward variation.

Rationale

- KOOL packaging is not consistent with or supportive of the brand positioning and creative strategy. It is neutral, nor communicating the epitome of smoking satisfaction or an attractive, contemporary image.
- Research indicates that KOOL is perceived somewhat old-fashioned. KOOL packaging does nothing to dispell this notion.
- KOOL packaging is lacking in color, style and character. It is not as attractive as the competition.
- KOOL trademark treatment is not consistent across brand styles.
- Current packaging does not help make clear the tar level distinctions between styles.
- Packaging more supportive of and consistent with brand positioning and creative strategy can accelerate improvement of KOOL's imagery.
- Testing is mandated because any significant change to packaging, especially a style as important to corporate profits as KOOL Filter Kings, is a major risk.
- Direct package replacement with striking new packaging is cleanest, most simply executed pack change option, assuming that test confirms that risks are manageable.
  - Avoids trade and consumer confusion of having multiple KOOL styles at each tar level.

- Avoids dilemma created by temporary line extensions/ ultimate replacements of either (a) withdrawing a brand with smokers who chose not to switch to replacement style or (b) leaving more/smaller styles on the market than intended.

- Avoids delisting due to dilution of retail style volume or competition of more styles for existing space; and avoids added corporate/brand investment to maintain distribution.

. A permanent "deluxe" box line extension may create incremental family share and also contribute toward making overall imagery more contemporary and attractive.

- Players box seems to be an initial success.

- Benson & Hedges Deluxe Ultra Lights box has an ongoing share in excess of 0.50 and has led to total Benson & Hedges family growth.

- Newport Box has increased share at an average annual rate of 14% since 1976.

- Marlboro box has grown 12% since 1980 and now represents 7.32% SOM (Marlboro is KOOL's single greatest source of business).

Costs	Scenario I	Scenario II (Recommended)
Current Total Media	$1,750M	$1,050M
National	875M	525M
* Local	875M	525M
Test Media	5,000M	3,000M
National	2,000M	1,200M
Local	3,000M	1,800M
Cut In (400% premium)	4,500M	2,700M
Media Production	250M	200M
Total Imcremental Media	8,000M	4,850M
Packaging	188M	188M
Displays/POP*	30M	18M
Display Payments	18M	10M
Introductory Allowance (1 cell 0.5% share 7 weeks)	83M	83M
Product Pickup/Exchange (4 weeks, 2 cells in Scenario I; 1 cell in Scenario II)	1,268M	634M
	1,587M	933M
Total Incremental Promotion/Packaging	$9,587M	$5,783M

*Includes counter displays, no promotion offer

Testing Assumptions

- $100MM media spending level in test (approximately 140 SOA/SOM).
- Current $35MM media spending level.
- Current 50/50 national/local; test 40/60 national/local.

"DELUXE" ASSUMPTIONS AND COSTS

"REPLACEMENT" SCENARIO: NATIONAL THEORETICAL PLAN

- Year 1: 1985
- SOA/SOM patterned after BBT. Assume reference spending (100)

	Primary	Alternate
Year 1 (140)	$37.8MM	$63.4MM
Year 2 (125)	19.0MM	45.7MM
Year 3 (115)	12.3MM	40.8MM
Year 4 (105)	4.4MM	34.9MM
Year 5 (100)	-	32.6MM

  - Alternate assumes reference and beyond Year 5 at (65).

- Work product into distribution. Pick up 350MM units ($7MM)
- $1038MM industry spending in 1985 (7% increase over $970MM in 1984). Increases 7% per annum.
- KOOL share declines 3.3% in 1985, 2.5% in 1986, and remains stable thereafter.
- Incremental consumer promotion in first quarter Year 1. POP and displays only, no consumer offer. No other incremental promotion assumed.
- Family variable margin assumes 7% per annum increase over 1984 estimates.

"DELUXE" BOX LINE EXTENSION: NATIONAL THEORETICAL PLAN

- Spending and timing assumptions same as (A).
- "Deluxe" box styles achieve 1 share point
  - 70% cannibalization
  - 30% incremental
- Total KOOL variable margin 1.6% lower than in (A), because FOB margin is 11% lower than family average. Under this scenario, FOB accounts for 18% of KOOL family sales.

- Manufacturing implications: 6 billion capacity could be met in early 1985 with 3 production modules now on order in the BAT pool. Cost would be $11MM. 25% of volume would come from existing equipment. Approximately one-third of box capacity will be 100's. (Test capacity for 100's is under investigation.)

= Financial analysis based on these assumptions is in process.

I. RESEARCH

REMAINDER 1983

- CREATIVE EVALUATION: To evaluate several exploratory alternatives.

- TAT (10 executions)	$93,900
- Copy communication test (5 executions)	41,250
- Recall testing (5 executions)	87,000

- ROLE MODEL ASPIRATION/IMAGE STUDY: To assess KOOL's target audience's image and perceptions of role models.

- To be used as a tool for copy exploratory	$60,000

- TENS RESEARCH: To evaluate the 10's introductory proposition.

- Executional copy screen (9 executions)	$36,500
- Communication test (3 executions)	24,500

- PACKAGING EVALUATION: To assess the impact and imagery communications of new package alternatives.

- 3 executions	$75,000
Total 1983 estimated	$418,150
Remaining 1983 research budget	243,000
Additional funds needed	$175,150

NEEDS FOR 1984

- CREATIVE EVALUATION: Consumer evaluation of exploratory executions (base campaign, 10's maintenance and new line extension).

- TAT -- 20 executions	$186,300
- Communication test -- 10 executions	81,750
- Recall test -- 10 executions	172,500

- CINEMA EVALUATION: To evaluate alternate product commercials.

- In-lab diagnostic assessment of two alternate poolouts	$41,500
- In-theater test of one commercial	24,250

- ALTERNATE BACK-UP CAMPAIGN SCREEN: To evaluate 10 alternate concepts for use in developing several new back-up campaigns for further evaluation in 1985.

	$43,500
Total creative	$549,800

- PROMOTION EVALUATIONS

DIRECT MAIL TEST: To evaluate incentive offers using the B&W and outside list sources.

$75,000

PROMOTION TEST SCREEN: To screen 10 alternative concepts and/or types of incentives for promotional use.

$43,500

VAN PROGRAM EVALUATION: To evaluate consumer attitudes and reactions to the van program in two cities. The results are to be used to assess whether van expansion is warranted - pre and post wave.

Discussion

COUPON THRESHOLD TEST: To evaluate payback and KOOL conversion potential of 8 types of coupon incentives.

	$65,500
Total promotion	$184,000

- IN-MARKET TRACKING

  - New line replacement/extension: To evaluate pre and 3 post waves of consumer tracking within each market.

1. Line replacement	$208,000
2. Deluxe box line extension	208,000
Total in market	$416,000

Total 1984 research	$1,149,800

J. SPENDING PRINCIPLES

TOTAL 1984 SPENDING

Objective

Reduce total spending in 1984 to allow development/ refinement and thorough testing of strategic/executional correction in advertising and promotion.

Level Of Spending

Recommended spending for KOOL in 1984 is:

	1983	1984 Proposed
Gross Media	$61,933	$42,700
Brand Promotion	28,534	14,039
Deluxe/New Campaign	188	5,600
10-pack Test Market	302	411
M&P	7,570	7,750
Total	$98,527	$70,500
SOA/SOM	(85)	(65)
A/P	65/35	75/25 (excluding test mkts.)

Spending Rationale

- Maintains brand awareness, but prohibits full spending on what is judged to be suboptimal creative executions.
- 1984 A&P ratio exhibits a more competitive stance with the current industry climate which is skewing heavier promotion.
- Reflects current forecasted KOOL share of 7.23 in 1984.

1984 MEDIA SPENDING

Objective

Reduce spending to pre-revitalization levels to maintain reference trend while the strategy is being improved and tested; allocate monies geographically by BDI.

Strategies

- Support KOOL with a media level equal to 65 SOA/SOM. Given 1984 estimates, this would be $47.6 million in gross media. The 1983 media budget was $81.1 million.
- Allocate monies geographically in direct proportion to KOOL Family sales rather than menthol CDI.
- Ensure adequate levels of support in Black media at national and local level.
- Spend media fair share in both national and local military specific media.

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.
- The current geographic allocation strategy (category development) has not demonstrated any trend difference between high CDI and high BDI 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, thus, reversion to such a family BDI allocation scheme would be more consistent with revitalization.

- Recognizes the importance of Black segment to KOOL sales and share development.
- Recognizes high skew of young adult males and starters in the military segment.

1984 PROMOTION SPENDING

Objective

Spend greater percent of total funding for 1984 to generate competitive trial and profitable short-term volume.

Strategies

- Test trial incentives if their cost is in excess of variable margin ($.290/pack)
- Field short-term volume promotions to remain competitive and maintain share if cost is less than variable margin.

Rationale

- Testing justified on high cost of many incentive items and on ~~decreased dollars available~~. a limited budget
- Volume promotions justified on profitability of such volume and the continued need to remain competitive with Salem and Newport.

K. **RECOMMENDED BUDGET** ($ in thousands)

ADVERTISING			
Working Media	29,203		
Production	5,100		
Fees	2,175		
Subtotal		36,478.0	
Music Sponsorship		3,125.0	
George Wein	300		
Super Nights	325		
City Jams	500		
New KJF	2,000		
New Creative/Deluxe		4,850.0	
10's		60.0	
Reserves		3,100.0	
Total Advertising			47,613.0
PROMOTION			
Battle Kit	500.0		
Requisitionable Materials	500.0		
KMDP	5,652.6		
1Q84 SMP	1,688.6		
Vans	548.5		
Military	555.0		
Sampling	1,875.6		
Cylinders	50.0		
I-95, etc.	472.0		
3Q84 SMP	1,372.6		
Testing:		1,922.1	
Military	250.0		
Direct Mail	233.0		
Vending	50.0		
Dot Program	25.0		
Cross Ruff	75.0		
Lighter On Carton	117.5		
Temporary Displays	75.6		
10's	351.0		
Deluxe	745.0		
Total Promotion			15,137.0
A&P Subtotal			62,750.0
M&P			7,750.0
Total			70,500.0

III. SALES and SHARE FORECAST

KOOL 1984 PROFIT AND LOSS STATEMENT

(UNITS IN BILLIONS,DOLLARS IN MILLIONS)

BASED ON APRIL FORECAST

	1981	Change Index	1982	Change Index	1983 Reference	Change Index	1984	Change Index
Unit Sales Forecast								
Industry Volume	626.1	(101)	622.3	(99)	577.6	(93)	600.0	(104)
KOOL Volume	52.8	(97)	51.1	(97)	43.2	(85)	43.4	(100)
KOOL SOM	8.43	(95)	8.21	(97)	7.48	(91)	7.23	(97)
KOOL Parent SOS	41.9	(97)	41.2	(98)	39.1	(95)	39.2	(100)
KOOL MILDS/SL/LTS SOS	17.1	(99)	15.1	(88)	13.9	(92)	13.2	(95)
KOOL ULTRA SOS	----		10.1		6.3	(62)	5.4	(86)
Total KOOL SOS	29.5	(95)	28.5	(97)	26.5	(93)	25.7	(97)
Financial Forecast								
Gross Paid Sales	991.4	(107)	1068.0	(108)	1206.3	(113)	1234.3	(102)
Variable Margin	490.5	(116)	568.9	(116)	555.1	(98)	629.3	(113)
Advertising	26.7	(69)	84.1	(315)	54.7	(65)	47.6	(87)
Promotion	24.8	(107)	31.5	(127)	29.1	(92)	22.9	(78)
A&P	51.5	(83)	115.6	(224)	83.8	(72)	70.5	(84)
Contribution Before Returns	439.0	(121)	445.6	(102)	471.3	(106)	558.8	(119)
Industry Advertising	921.9	(119)	935.9	(102)	970.4	(104)	996.0	(103)
Industry Promotion	395.1	(119)	401.1	(102)	415.9	(104)	426.9	(103)
Industry A&P	1317.0	(119)	1337.0	(102)	1386.3	(104)	1422.9	(103)
Financial Ratios								
SOS % (Including Reserves)	3.0	(60)	9.0	(300)	5.6	(62)	4.8	(86)
SOA/SOM	36.0	(63)	109.0	(304)	75.0	(69)	66.0	(89)
SOP % (Including M&P)	6.3	(91)	7.9	(125)	7.0	(89)	5.4	(77)
SOP/SOM	74.0	(96)	96.0	(129)	94.0	(98)	75.0	(79)
CPM Advertising $	.51	(72)	1.64	(323)	1.27	(77)	1.10	(86)
CPM Promotion $	.47	(109)	.62	(131)	.67	(108)	.53	(79)
CPM A&P $	.98	(86)	2.26	(231)	1.94	(86)	1.63	(84)
A&P % Of Sales	5.19	(78)	10.82	(209)	6.95	(64)	5.71	(82)

KOOL/SEGMENT SHARE AND SOS

	1982 Actual	1983	Index	1984	Index	1985	Index	1986	Index	1987	Index	1988	Index
Category Share (Based on Aug.'82)													
MFT	15.41	15.08	(98)	14.64	(97)	14.20	(97)	13.76	(97)	13.32	(97)	12.88	(97)
MLT	10.22	9.96	(98)	9.91	(100)	9.87	(100)	9.83	(100)	9.79	(100)	9.75	(100)
MULT	3.15	3.26	(104)	3.54	(109)	3.88	(110)	4.22	(109)	4.56	(108)	4.90	(107)
Total Menthol	28.78	28.24	(98)	28.10	(100)	27.96	(100)	27.82	(99)	27.67	(99)	27.53	(99)
KOOL Share Of Market (Based on Apr.'83 through '84. 1985-1988 reference)													
Parent	6.35	5.89	(93)	5.74	(97)	5.34	(93)	5.07	(95)	4.80	(95)	4.56	(95)
Milds	1.03	.95	(92)	.92	(97)	.86	(93)	.82	(95)	.77	(94)	.74	(96)
Lights	.52	.44	(84)	.38	(87)	.48	(126)	.47	(98)	.47	(100)	.47	(100)
Ultra	.32	.21	(64)	.19	(91)	.24	(126)	.23	(98)	.24	(102)	.24	(100)
Total KOOL	8.21	7.48	(91)	7.23	(97)	6.92	(96)	6.59	(95)	6.29	(95)	6.01	(96)
KOOL Share Of Segment													
Parent	41.2	39.1	(95)	39.2	(100)	37.6	(96)	36.8	(98)	36.0	(98)	35.4	(98)
Milds	10.1	9.5	(98)	9.3	(98)	8.7	(94)	8.3	(95)	7.9	(95)	7.6	(96)
Lights	5.1	4.4	(86)	3.8	(86)	4.9	(129)	4.8	(98)	4.8	(100)	4.8	(100)
Ultra	10.2	6.4	(63)	5.4	(84)	6.2	(115)	5.5	(89)	5.3	(96)	4.9	(92)
Total KOOL	28.5	26.5	(93)	25.7	(97)	24.7	(96)	23.7	(96)	22.7	(96)	21.8	(96)

IV. SITUATION APPRAISAL - KOOL

A. Market Share

[illegible]

	[illegible]	Index vs. Year Ago	[illegible]	Index vs. Year Ago	[illegible]	Index vs. Year Ago	[illegible]	Index vs. Year Ago	[illegible]	Index vs. Year Ago	Jan.-Apr. [illegible]	Index vs. Jan.-Apr. [illegible]	[illegible]	Index vs. Year Ago
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	(95)	[illegible]	(96)	[illegible]	(97)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	(87)		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		

Key Findings

- In 1982 total KOOL SOM continued to decline, but at a slower rate than previous years. While Salem enjoyed share growth in 1981 as a result of Ultra (launched July, 1980) and Slim Lights (launched January, 1982) introductions, the brand has remained stable in 1982.

- Newport and Benson & Hedges Menthol increased share; Newport at an accelerated rate.

- KOOL 1982 estimated loading 3 billion units, actual consumption 47.8 billion, consumption share 7.97 or (95) index to 1981.

- KOOL and Salem depressed in first quarter, 1983 due to 1982 loading. Newport and B&H benefit in first quarter from lack of 1982 loading.

KOOL STYLE TRENDS - NATIONAL MSA

	1978	Index vs. Year Ago	1979	Index vs. Year Ago	1980	Index vs. Year Ago	1981	Index vs. Year Ago	1982	Index vs. Year Ago	Forecast 1983	Index vs. Year Ago
KOOL Kings	6.12	(93)	5.56	(91)	5.15	(93)	4.77	(93)	4.49	(94)	4.18	(93)
KOOL 100's	1.65	(93)	1.53	(93)	1.46	(95)	1.46	(100)	1.45	(99)	1.41	(99)
KOOL FSB	.38	(93)	.36	(95)	.34	(94)	.33	(97)	.33	(100)	.30	(94)
KOOL Regular	.13	(93)	.11	(85)	.10	(91)	.09	(90)	.08	(89)	.07	(88)
Parent Sub-Total	8.28	(94)	7.56	(91)	7.05	(93)	6.63	(94)	6.35	(95)	5.96	(94)
Milds Kings	.06	(102)	.08	(107)	.08	(101)	.08	(103)	.07	(96)	.06	(93)
Milds 100's	—	—	.06	—	.11	(183)	.12	(109)	.11	(92)	.10	(91)
KOOL/LIGHTS 85	.36	(200)	.36	(100)	.35	(97)	.31	(89)	.26	(84)	.24	(92)
KOOL/LIGHTS 100's	.35	(233)	.36	(103)	.36	(100)	.33	(92)	.25	(76)	.21	(84)
Low Tar Sub-Total	1.57	(134)	1.70	(108)	1.75	(103)	1.72	(98)	1.56	(90)	1.42	(91)
KOOL ULTRA 85	—	—	—	—	—	—	.03	—	.16	(533)	.11	(67)
KOOL ULTRA 100's	—	—	—	—	—	—	.03	—	.16	(533)	.12	(73)
ULTRA Sub-total	—	—	—	—	—	—	.06	—	.32	(533)	.22	(70)
Family Total	9.85	(98)	9.26	(94)	8.80	(95)	8.43	(96)	8.21	(97)	7.60	(93)

Key Findings

- Share decline for KOOL Parent stable.
- Parent share declines are partially offset by KOOL's low tar styles.
- However, KOOL LIGHTS has not fully replaced the share lost through the withdrawal of KOOL Super Lights.
- Milds has trended down in 1982 after four years of successive increases.
- All low tar KOOL styles have weak trends, no growth.

Revitalization Market Share Analysis

KOOL Family MSA Share - Actual

	Base	Launch Through June 1983	Index
National	8.46	7.95	(94)
Lead Markets	9.30	8.79	(95)

Key Findings

- Since revitalization KOOL share trend unchanged. Reference trend was 5-6% annual decline rate.
- Lead markets slightly outperforming national. May indicate value of time to KOOL.
- This base/launch-to-date trend probably more indicative of real KOOL dynamic than the 1982 actual/1983 forecast.

Base - National December, 1980 - November, 1981
Base - Lead Markets August, 1980 - July, 1981

Launch-to-Date - National December, 1981 - March, 1983
Launch-to-Date - Lead Markets August, 1981 - March, 1983

KOOL Family National MSA Share

	Jan.'83	Feb.'83	Mar.'83	Apr.'83	May '83 (Est.)
Share	5.59	6.86	7.14	7.84	7.80
Index to Year Ago	(62)	(80)	(92)	(97)	(98)

Key Findings

- KOOL share trend improving monthly in 1983.
- Launch-to-date share on previous page negatively affected by weak first quarter, 1983.

KOOL Family National MSA Share

	Reference	Actual/Forecast	Index
1982	7.98	8.21	(103)
1983	7.61	7.48	(98)

Key Findings

- Reference share exceeded in 1982
- However, due to loading, forecasted 1983 share less than reference. Launch-to-date trend same as reference.

KOOL Family Share Trend by Media Spending Quintiles

(Spending per Thousand POP)

Quintile	1st Half 1982	2nd Half 1982	1st Qtr. 1983	July, 1982 Mar., 1983
1. SOM	11.38	11.80	9.08	11.00
Index to Year Ago	(97)	(99)	(77)	(93)
2. SOM	8.48	8.67	6.98	8.17
Index to Year Ago	(98)	(98)	(80)	(93)
3. SOM	7.75	7.94	6.41	7.47
Index to Year Ago	(96)	(98)	(80)	(94)
4. SOM	6.68	6.72	5.24	6.29
Index to Year Ago	(97)	(97)	(75)	(91)
5. SOM	5.48	5.50	4.43	5.19
Index to Year Ago	(98)	(96)	(77)	(90)

Key Findings

- First half, 1982, beginning of revitalization strategy, no relationship between media spending and brand share trend.
- Second half, 1982, spending is related to better share trend
- First quarter, 1983, share erratic and not related to spending

[illegible]

	1978	Index vs. Year Ago	1979	Index vs. Year Ago	1980	Index vs. Year Ago	1981	Index vs. Year Ago	1982	Index vs. Year Ago	Forecast 1983	Index vs. Year Ago
Share of [illegible]	63.4	(101)	63.0	(99)	62.9	(100)	61.9	(98)	61.4	(99)	61.7	(101)
Share of [illegible] Lights	40.2	(112)	37.9	(97)	37.6	(91)	37.3	(99)	33.1	(87)	32.6	(83)
Share of [illegible] Ultra	—	—	—	—	—	—	3.9	—	10.1	—	6.3	(66)
Share of [illegible]	26.4	(98)	30.3	(96)	30.0	(96)	29.6	(96)	30.5	(96)	30.2	(93)

Key Findings

- KOOL continues to lose share of menthol segment.
- KOOL Full Taste stable, perhaps growing in declining segment.
- LIGHTS and ULTRA declining in growing segments.

Total KOOL Regional Share - MSA

	1982 Annual Share	Index vs. Year Ago	1982 Annual Share Indexed to National
Northeast	7.30	(98)	(89)
Mid-West	7.16	(97)	(88)
Central	11.50	(99)	(140)
Southeast	7.92	(96)	(96)
Southwest	9.77	(97)	(120)
West	6.10	(98)	(74)
Total U.S.	8.21	(97)	

Key Findings

- Share trend most favorable in the Central region, least favorable in the Southeast.
- The Central and Southwest regions continue to represent KOOL's greatest share development, while the Western region represents the worst share development.

- Regression runs were done between 1978 and 1982 to determine correlates of KOOL SOM.
  - Black population R^2 .643
  - Black population plus menthol CDI R^2 .764
  - No correlation between KOOL SOM and any major competitor.
  - KOOL SOA correlated most highly with Marlboro SOA R^2 .82, Salem R^2 .66, Newport R^2 .27.

KOOL Parent Regional Share - MSA

	1982 Annual Share	Index vs. Year Ago	1982 Annual Share Indexed to National
Northeast	5.93	(96)	(93)
Mid-West	5.21	(95)	(82)
Central	8.28	(97)	(130)
Southeast	6.28	(93)	(99)
Southwest	8.05	(96)	(127)
West	4.54	(95)	(71)
Total U.S.	6.35	(95)	---

Key Findings

- Same as total KOOL.

KOOL Milds Regional Share - MSA

	1982 Annual Share	Index vs. Year Ago	1982 Annual Share Indexed to National
Northeast	.75	(94)	(72)
Mid-West	1.00	(96)	(97)
Central	1.95	(98)	(189)
Southeast	.90	(94)	(87)
Southwest	.87	(97)	(84)
West	.86	(97)	(83)
Total U.S.	1.03	(96)	---

Key Findings

- Milds strong in Central region too but differs elsewhere from KOOL Parent. Stronger in the West - weaker in the Northeast.
- Trend similar to remainder of family.

KOOL LIGHTS Regional Share - MSA

	1982 Annual Share	Index vs. Year Ago	1982 Annual Share Indexed to National
Northeast	.38	(85)	(73)
Mid-West	.55	(73)	(106)
Central	.80	(82)	(154)
Southeast	.45	(83)	(87)
Southwest	.57	(76)	(110)
West	.45	(81)	(87)
Total U.S.	.52	(80)	---

Key Findings

- Lights development somewhat broader geographically than Parent.
- Trend not clear yet.

KOOL ULTRA Regional Share - MSA

	1982 Annual Share	Index vs. Year Ago	1982 Annual Share Indexed to National
Northeast	.24	---	(75)
Mid-West	.41	---	(128)
Central	.47	---	(147)
Southeast	.30	---	(94)
Southwest	.28	---	(88)
West	.25	---	(78)
Total U.S.	.32	---	

Key Findings

- Development similar to Milds

KOOL FAMILY SHARE OF MARKET

TA's	KOOL BDI	Menthol CDI	1982 SOM	Index to Year Ago	1st Qtr. 1983 SOM	Index to* Year Ago	Jan.-Apr. 1983	Index to Year Ago
National			8.21	(97)	6.57	(78)	6.89	(83)
Boston	(71)	(83)	5.50	(98)	4.14	(71)	4.37	(78)
New York	(81)	(92)	6.95	(97)	5.51	(77)	5.76	(82)
Albany	(78)	(96)	5.48	(95)	4.55	(81)	4.68	(84)
Syracuse	(71)	(80)	5.27	(89)	3.94	(74)	4.10	(79)
Buffalo	(90)	(106)	6.95	(102)	5.61	(84)	5.82	(87)
Philadelphia	(100)	(112)	8.60	(100)	8.36	(95)	8.37	(96)
Scranton	(86)	(103)	7.32	(102)	6.23	(82)	6.36	(85)
Altoona	(91)	(108)	7.82	(96)	5.51	(70)	6.13	(79)
Pittsburgh	(107)	(108)	9.57	(99)	7.41	(72)	7.72	(77)
Baltimore	(141)	(136)	10.77	(97)	7.76	(73)	8.30	(78)
Richmond	(108)	(129)	7.94	(95)	6.76	(82)	7.00	(85)
Charleston	(101)	(96)	7.80	(97)	6.19	(79)	6.40	(82)
Charlotte	(101)	(130)	6.65	(96)	5.48	(78)	5.73	(84)
Atlanta	(128)	(115)	10.78	(95)	8.80	(82)	9.21	(85)
Jacksonville	(91)	(88)	8.03	(95)	6.79	(82)	7.00	(85)
Miami	(90)	(97)	7.35	(98)	6.08	(82)	6.27	(86)
Tampa	(84)	(102)	6.53	(97)	5.33	(79)	5.59	(83)
Mobile	(104)	(96)	10.07	(98)	8.02	(75)	8.34	(78)
Birmingham	(126)	(101)	11.34	(97)	9.82	(86)	10.18	(88)
Chattanooga	(113)	(96)	9.21	(91)	8.78	(91)	9.10	(95)
Knoxville	(70)	(78)	5.96	(93)	5.37	(87)	5.50	(89)
Nashville	(109)	(91)	8.90	(96)	6.70	(73)	7.07	(77)
Memphis	(170)	(119)	14.39	(101)	11.86	(82)	12.44	(87)
New Orleans	(196)	(143)	14.46	(98)	13.05	(89)	13.32	(91)
Louisville	(158)	(139)	8.60	(98)	6.35	(71)	6.80	(78)
Cincinnati	(121)	(117)	8.81	(93)	7.23	(75)	7.59	(81)
Columbus	(116)	(103)	10.50	(102)	8.02	(74)	8.28	(79)
Cleveland	(103)	(115)	8.36	(94)	7.18	(84)	7.42	(87)
Toledo	(110)	(113)	9.38	(98)	7.93	(80)	8.16	(83)
Detroit	(251)	(173)	17.57	(105)	12.36	(72)	13.35	(79)
Fort Wayne	(121)	(120)	6.25	(92)	8.54	(90)	8.80	(90)
Indianapolis	([illegible])	(107)	8.55	(94)	7.25	(83)	7.40	(85)
Chicago	(169)	(130)	13.46	(99)	10.92	(75)	11.52	(85)
Milwaukee	(78)	(110)	6.89	(96)	5.20	(74)	5.53	(79)
Peoria	(108)	(102)	8.88	(96)	7.33	(89)	7.69	(90)
St. Louis	(141)	(125)	10.71	(98)	7.72	(72)	8.26	(73)
Des Moines	(83)	(83)	7.21	(98)	5.68	(78)	6.10	(83)
Minneapolis	(63)	(69)	5.69	(97)	4.08	(71)	4.41	(78)
Sioux Falls	(61)	(71)	5.46	(96)	4.54	(79)	4.71	(84)
Omaha	(73)	(76)	6.64	(97)	5.31	(78)	5.53	(82)
Kansas City	(90)	(90)	7.50	(94)	6.95	(88)	6.99	(89)
Wichita	(89)	(96)	6.77	(95)	6.40	(87)	6.47	(90)
Oklahoma City	(92)	(90)	6.80	(101)	5.26	(76)	5.44	(80)
Tulsa	(90)	(86)	6.65	(96)	5.69	(83)	5.88	(87)
Little Rock	(96)	(86)	8.12	(96)	6.57	(84)	6.90	(86)
Shreveport	(136)	(105)	12.34	(98)	10.44	(84)	10.95	(88)
Dallas	(86)	(80)	7.77	(93)	5.96	(74)	6.34	(77)
Houston	(120)	(112)	8.85	(99)	6.07	(70)	6.60	(76)
San Antonio	(80)	(91)	6.91	(99)	5.82	(82)	6.04	(86)
Lubbock	(78)	(80)	5.79	(94)	5.22	(86)	5.32	(89)
Albuquerque	(45)	(58)	4.90	(96)	4.31	(85)	4.41	(86)
Denver	(73)	(77)	5.85	(98)	4.69	(76)	4.87	(81)
Billings	(41)	(56)	3.62	(92)	2.99	(81)	3.14	(86)
Salt Lake City	(36)	(47)	4.21	(86)	3.45	(77)	3.62	(83)
Phoenix	(56)	(64)	5.49	(96)	4.72	(83)	4.86	(86)
Los Angeles	(68)	(70)	6.45	(98)	5.37	(80)	5.63	(86)
San Francisco	(74)	(82)	6.61	(99)	5.10	(72)	5.46	(79)
Sacramento	(63)	(69)	5.30	(99)	3.90	(69)	4.16	(76)
Portland	(48)	(65)	3.96	(97)	3.17	(72)	3.36	(83)
Seattle	(44)	(60)	4.22	(90)	3.34	(70)	3.50	(75)
Spokane	(37)	(55)	3.52	(98)	2.39	(63)	2.59	(73)
Alaska	(82)	(83)	6.25	(104)	4.62	(64)	4.85	(73)
Hawaii	(163)	(125)	21.79	(98)	20.11	(88)	20.24	(93)
Bay City	(142)	(138)	10.36	(102)	7.93	(73)	8.28	(78)
Grand Rapids	(103)	(98)	10.37	(101)	6.53	(64)	7.61	(78)

*Bias due to introduction of KOOL LIGHTS and ULTRA during the first quarter of 1982.

G.M. 7/5/83

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KOOL FILTER KINGS

	KOOL BDI	Segment CDI	1982 SOM	Index to Yr. Ago	1st Qtr. 1983 SOM	Index to Yr. Ago	Jan.-Apr. 1983 SOM	Index to Year Ago
National	(100)	(100)	4.49	(94)	3.84	(80)	3.73	(82)
Boston	(63)	(91)	2.68	(93)	2.55	(75)	2.09	(77)
New York	(97)	(126)	4.07	(94)	3.58	(78)	3.27	(80)
Albany	(81)	(111)	3.12	(91)	2.98	(82)	2.65	(82)
Syracuse	(66)	(89)	2.70	(98)	2.36	(75)	2.17	(79)
Buffalo	(94)	(113)	3.99	(96)	3.40	(85)	3.41	(87)
Philadelphia	(119)	(160)	5.57	(97)	5.68	(95)	5.17	(94)
Scranton	(90)	(133)	4.20	(98)	4.34	(85)	3.71	(86)
Altoona	(98)	(119)	4.60	(94)	3.59	(70)	3.59	(77)
Pittsburgh	(114)	(119)	5.58	(93)	4.63	(78)	4.54	(80)
Baltimore	(159)	(166)	6.67	(95)	4.93	(72)	4.95	(76)
Richmond	(112)	(134)	4.49	(91)	4.16	(84)	3.98	(87)
Charleston	(107)	(99)	4.52	(93)	3.71	(80)	3.69	(81)
Charlotte	(114)	(150)	4.10	(91)	3.49	(81)	3.52	(85)
Atlanta	(138)	(116)	6.39	(94)	5.26	(80)	5.32	(82)
Jacksonville	(91)	(83)	4.41	(91)	3.92	(84)	3.77	(84)
Miami	(98)	(88)	4.42	(96)	4.03	(88)	3.85	(89)
Tampa	(79)	(75)	3.35	(93)	3.12	(85)	3.01	(88)
Mobile	(99)	(81)	5.22	(92)	4.37	(83)	4.48	(85)
Birmingham	(140)	(103)	6.86	(95)	6.04	(86)	6.16	(88)
Chattanooga	(129)	(98)	5.71	(89)	5.41	(88)	5.43	(89)
Knoxville	(72)	(70)	3.35	(91)	3.12	(89)	3.11	(90)
Nashville	(115)	(90)	5.12	(92)	3.96	(76)	4.09	(78)
Memphis	(179)	(124)	8.31	(98)	6.96	(83)	7.15	(86)
New Orleans	(202)	(158)	8.18	(96)	8.14	(90)	7.50	(90)
Louisville	(159)	(129)	4.73	(94)	3.79	(73)	3.71	(78)
Cincinnati	(118)	(95)	4.66	(89)	4.10	(81)	4.07	(83)
Columbus	(116)	(99)	5.70	(99)	4.35	(76)	4.33	(78)
Cleveland	(106)	(117)	4.68	(92)	4.33	(87)	4.25	(89)
Toledo	(103)	(104)	4.80	(93)	4.12	(84)	4.15	(85)
Detroit	(231)	(192)	8.86	(100)	6.60	(71)	6.62	(76)
Fort Wayne	(103)	(94)	4.37	(88)	4.28	(91)	4.10	(88)
Indianapolis	(112)	(88)	4.46	(91)	3.92	(86)	3.89	(87)
Chicago	(176)	(145)	7.66	(96)	6.38	(80)	6.45	(84)
Milwaukee	(78)	(99)	3.76	(94)	2.88	(73)	2.91	(77)
Peoria	(102)	(91)	4.55	(93)	3.98	(87)	3.88	(86)
St. Louis	(145)	(111)	6.05	(96)	4.56	(73)	4.66	(77)
Des Moines	(72)	(65)	3.43	(92)	2.98	(82)	2.96	(85)
Minneapolis	(52)	(50)	2.59	(93)	2.13	(70)	1.94	(75)
Sioux Falls	(57)	(52)	2.75	(92)	2.45	(81)	2.40	(85)
Omaha	(71)	(61)	3.49	(95)	3.02	(80)	2.96	(84)
Kansas City	(83)	(67)	3.78	(91)	3.61	(90)	3.46	(88)
Wichita	(74)	(63)	3.08	(90)	3.01	(92)	2.95	(92)
Oklahoma City	(80)	(68)	3.25	(96)	2.56	(77)	2.58	(80)
Tulsa	(78)	(64)	3.15	(92)	2.85	(87)	2.84	(88)
Little Rock	(98)	(75)	4.55	(95)	3.62	(81)	3.78	(83)
Shreveport	(136)	(104)	6.78	(96)	5.89	(83)	5.88	(87)
Dallas	(80)	(66)	3.97	(92)	3.06	(73)	3.16	(77)
Houston	(112)	(94)	4.49	(99)	3.42	(69)	3.36	(74)
San Antonio	(78)	(84)	3.66	(96)	3.36	(87)	3.28	(88)
Lubbock	(70)	(65)	2.83	(93)	2.55	(87)	2.60	(90)
Albuquerque	(44)	(50)	2.65	(95)	2.43	(88)	2.39	(87)
Denver	(65)	(59)	2.87	(93)	2.36	(76)	2.41	(81)
Billings	(37)	(39)	1.82	(90)	1.55	(83)	1.62	(88)
Salt Lake City	(32)	(36)	2.06	(91)	1.81	(80)	1.80	(8-)
Phoenix	(50)	(47)	2.70	(91)	2.46	(86)	2.44	(87)
Los Angeles	(62)	(60)	3.23	(97)	3.08	(84)	2.77	(86)
San Francisco	(70)	(73)	3.33	(96)	2.92	(76)	2.67	(79)
Sacramento	(54)	(55)	2.48	(93)	2.22	(74)	1.99	(78)
Portland	(41)	(42)	1.86	(90)	1.58	(84)	1.63	(88)
Seattle	(40)	(39)	2.09	(88)	1.71	(74)	1.75	(77)
Spokane	(34)	(35)	1.76	(91)	1.26	(72)	1.36	(78)
Alaska	(67)	(72)	2.81	(98)	2.11	(65)	1.92	(70)
Hawaii	(135)	(204)	9.88	(93)	10.27	(88)	9.04	(88)
Bay City	(119)	(125)	6.76	(95)	3.68	(73)	3.70	(77)
Grand Rapids	(85)	(87)	4.68	(93)	3.03	(66)	3.36	(75)

C.M.
7/5/83

KOOL SUPER LONGS

	KOOL BDI	Segment CDI	1982 SOM	Index Vs. Yr. Ago	1st Qtr. 1983 SOM	Index Vs. Yr. Ago	Jan.-Apr. 1983 SOM	Index To Year Ago
National	(100)	(100)	1.45	(99)	1.21	(83)	1.42	(97)
Boston	(65)	(69)	.88	(98)	.69	(77)	.84	(94)
New York	(73)	(78)	1.10	(99)	.93	(84)	1.10	(99)
Albany	(61)	(69)	.76	(96)	.67	(87)	.72	(94)
Syracuse	(67)	(73)	.88	(99)	.63	(69)	.77	(86)
Buffalo	(78)	(81)	1.06	(104)	.89	(87)	1.01	(99)
Philadelphia	(80)	(93)	1.22	(100)	1.46	(122)	1.21	(101)
Scranton	(52)	(67)	.79	(101)	.71	(87)	.71	(88)
Altoona	(77)	(87)	1.16	(97)	.82	(71)	1.26	(110)
Pittsburgh	(82)	(86)	1.29	(100)	1.00	(77)	1.21	(93)
Baltimore	(111)	(120)	1.51	(99)	1.14	(77)	1.40	(95)
Richmond	(99)	(116)	1.29	(97)	1.11	(85)	1.29	(98)
Charleston	(86)	(85)	1.18	(100)	.97	(81)	1.10	(92)
Charlotte	(84)	(115)	.97	(97)	.85	(87)	.98	(101)
Atlanta	(121)	(138)	1.81	(99)	1.54	(87)	1.80	---
Jacksonville	(113)	(129)	1.77	(94)	1.55	(89)	1.73	(96)
Miami	(107)	(138)	1.55	(97)	1.25	(83)	1.45	(95)
Tampa	(117)	(139)	1.62	(98)	1.32	(84)	1.61	(101)
Mobile	(132)	(119)	2.25	(100)	1.85	(84)	1.92	(85)
Birmingham	(163)	(126)	2.26	(101)	1.96	(88)	2.32	(103)
Chattanooga	(111)	(105)	1.59	(98)	1.43	(85)	1.74	(106)
Knoxville	(68)	(76)	1.03	(94)	.92	(88)	1.07	(101)
Nashville	(116)	(95)	1.68	(98)	1.32	(78)	1.52	(89)
Memphis	(198)	(134)	2.97	(105)	2.56	(88)	3.07	(105)
New Orleans	(225)	(176)	2.94	(100)	2.73	(93)	2.93	(99)
Louisville	(129)	(108)	1.24	(98)	.94	(75)	1.20	(97)
Cincinnati	(127)	(117)	1.64	(94)	1.39	(80)	1.58	(92)
Columbus	(115)	(100)	1.84	(102)	1.49	(81)	1.53	(84)
Cleveland	(97)	(110)	1.38	(99)	1.21	(87)	1.36	(97)
Toledo	(105)	(111)	1.58	(98)	1.49	(95)	1.55	(97)
Detroit	(182)	(156)	2.26	(109)	1.72	(80)	2.29	(106)
Fort Wayne	(106)	(101)	1.43	(95)	1.39	(97)	1.50	(99)
Indianapolis	(119)	(99)	1.53	(94)	1.36	(88)	1.44	(92)
Chicago	(142)	(137)	2.00	(104)	1.66	(85)	2.06	(105)
Milwaukee	(61)	(69)	.95	(103)	.80	(81)	.96	(98)
Peoria	(99)	(95)	1.44	(100)	1.21	(90)	1.41	---
St. Louis	(139)	(128)	1.87	(102)	1.34	(73)	1.80	(98)
Des Moines	(76)	(60)	1.17	(96)	.96	(82)	1.24	(104)
Minneapolis	(68)	(43)	.77	(97)	.59	(76)	.75	(97)
Sioux Falls	(46)	(39)	.72	(97)	.60	(81)	.68	(93)
Omaha	(70)	(61)	1.12	(95)	.88	(77)	1.09	(96)
Kansas City	(107)	(94)	1.57	(96)	1.49	(93)	1.44	(90)
Wichita	(106)	(88)	1.43	(91)	1.40	(92)	1.47	(96)
Oklahoma City	(123)	(104)	1.64	(98)	1.33	(83)	1.43	(89)
Tulsa	(126)	(101)	1.65	(94)	1.45	(88)	1.57	(95)
Little Rock	(135)	(103)	2.03	(102)	1.64	(82)	2.01	(100)
Shreveport	(189)	(137)	3.04	(102)	2.54	(85)	3.13	(104)
Dallas	(139)	(115)	2.24	(95)	1.74	(78)	2.12	(92)
Houston	(191)	(163)	2.49	(101)	1.67	(69)	2.33	(96)
San Antonio	(125)	(119)	1.92	(98)	1.62	(86)	1.88	(99)
Lubbock	(127)	(104)	1.67	(91)	1.54	(91)	1.64	(98)
Albuquerque	(54)	(65)	1.05	(94)	.94	(90)	1.02	(94)
Denver	(67)	(74)	.96	(97)	.78	(79)	.92	(95)
Billings	(38)	(42)	.60	(92)	.55	(93)	.60	---
Salt Lake City	(33)	(38)	.68	(96)	.60	(86)	.66	(94)
Phoenix	(71)	(69)	1.23	(98)	1.04	(83)	1.16	(94)
Los Angeles	(78)	(91)	1.30	(97)	1.11	(85)	1.33	(102)
San Francisco	(81)	(95)	1.26	(98)	1.00	(77)	1.20	(92)
Sacramento	(71)	(77)	1.04	(98)	.75	(72)	.99	(95)
Portland	(46)	(57)	.67	(94)	.56	(83)	.70	(103)
Seattle	(42)	(57)	.71	(89)	.60	(78)	.65	(84)
Spokane	(36)	(45)	.61	(98)	.41	(65)	.53	(88)
Alaska	(54)	(67)	.73	(91)	.58	(68)	.73	(91)
Hawaii	(115)	(134)	2.73	(100)	2.68	(96)	2.62	(95)
Bay City	(119)	(106)	1.54	(104)	1.31	(87)	1.53	(99)
Grand Rapids	(86)	(77)	1.53	(103)	1.00	(68)	1.44	(101)

- 21 trading areas grew in 1982. No pattern.

G.H.
7/5/83

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KOOL MILDS

	KOOL BDI	Segment CDI	1982 SOM	Index Vs. Yr. Ago	1st Qtr. 1983 SOM	Index Vs. Yr. Ago	Jan.-Apr. 1983 SOM	Index To Year Ago
National	(100)	(100)	1.03	(96)	.87	(85)	.92	(90)
Boston	(64)	(79)	.61	(94)	.50	(83)	.52	(87)
New York	(61)	(72)	.65	(93)	.58	(89)	.60	(92)
Albany	(62)	(87)	.54	(89)	.51	(91)	.52	(95)
Syracuse	(68)	(97)	.64	(93)	.51	(81)	.53	(85)
Buffalo	(91)	(114)	.89	(106)	.77	(96)	.80	(99)
Philadelphia	(55)	(89)	.59	(94)	.69	(111)	.68	(113)
Scranton	(57)	(105)	.60	(94)	.55	(90)	.56	(92)
Altoona	(73)	(117)	.79	(92)	.61	(80)	.65	(86)
Pittsburgh	(121)	(117)	1.36	(101)	1.12	(83)	1.17	(87)
Baltimore	(138)	(123)	1.32	(96)	1.04	(80)	1.10	(85)
Richmond	(108)	(131)	.99	(95)	.91	(91)	.94	(93)
Charleston	(101)	(101)	.97	(96)	.81	(84)	.84	(86)
Charlotte	(88)	(146)	.73	(92)	.68	(94)	.71	(99)
Atlanta	(133)	(111)	1.41	(95)	1.24	(88)	1.30	(92)
Jacksonville	(65)	(95)	.72	(90)	.67	(93)	.69	(95)
Miami	(47)	(82)	.49	(92)	.43	(90)	.45	(94)
Tampa	(55)	(102)	.54	(90)	.44	(86)	.47	(89)
Mobile	(108)	(100)	1.31	(98)	1.12	(87)	1.18	(89)
Birmingham	(105)	(97)	1.18	(96)	1.06	(93)	1.10	(95)
Chattanooga	(99)	(93)	1.01	(94)	1.03	(98)	1.09	(107)
Knoxville	(74)	(88)	.79	(94)	.73	(96)	.75	(95)
Nashville	(107)	(92)	1.09	(99)	.83	(79)	.89	(84)
Memphis	(164)	(121)	1.74	(104)	1.43	(84)	1.51	(88)
New Orleans	(141)	(128)	1.30	(101)	1.17	(91)	1.20	(92)
Louisville	(164)	(159)	1.11	(99)	.85	(79)	.92	(85)
Cincinnati	(125)	(131)	1.14	(90)	.92	(79)	1.01	(87)
Columbus	(134)	(109)	1.51	(99)	1.22	(81)	1.32	(87)
Cleveland	(103)	(121)	1.04	(94)	.94	(90)	.98	(93)
Toledo	(146)	(129)	1.56	(94)	1.46	(95)	1.49	(95)
Detroit	(421)	(172)	3.70	(104)	2.81	(79)	3.05	(86)
Fort Wayne	(183)	(145)	1.75	(92)	1.61	(91)	1.68	(90)
Indianapolis	(144)	(123)	1.31	(95)	1.17	(92)	1.20	(94)
Chicago	(217)	(119)	2.16	(99)	1.89	(89)	1.97	(92)
Milwaukee	(92)	(139)	1.01	(95)	.86	(83)	.91	(86)
Peoria	(144)	(115)	1.48	(96)	1.22	(88)	1.29	(91)
St. Louis	(135)	(138)	1.28	(128)	1.06	(85)	1.12	(90)
Des Moines	(95)	(102)	1.04	(95)	.86	(83)	.92	(88)
Minneapolis	(88)	(90)	1.00	(97)	.78	(78)	.84	(85)
Sioux Falls	(88)	(97)	.98	(97)	.84	(85)	.89	(91)
Omaha	(73)	(84)	.82	(93)	.75	(90)	.78	(94)
Kansas City	(91)	(101)	.95	(92)	.92	(96)	.95	(97)
Wichita	(95)	(116)	.91	(90)	.94	(98)	.94	(98)
Oklahoma City	(87)	(96)	.81	(105)	.69	(88)	.71	(91)
Tulsa	(81)	(93)	.75	(97)	.63	(86)	.66	(90)
Little Rock	(65)	(90)	.69	(95)	.63	(95)	.67	(99)
Shreveport	(87)	(98)	.99	(99)	.96	(98)	.98	(99)
Dallas	(55)	(77)	.63	(91)	.50	(76)	.54	(83)
Houston	(61)	(101)	.56	(106)	.42	(78)	.45	(83)
San Antonio	(41)	(83)	.45	(96)	.37	(84)	.39	(89)
Lubbock	(51)	(78)	.47	(94)	.44	(94)	.45	(96)
Albuquerque	(31)	(55)	.42	(88)	.40	(95)	.42	(98)
Denver	(99)	(86)	.99	(93)	.82	(82)	.85	(86)
Billings	(50)	(71)	.55	(86)	.47	(92)	.50	(93)
Salt Lake City	(46)	(54)	.67	(96)	.59	(92)	.61	(92)
Phoenix	(56)	(65)	.68	(95)	.63	(91)	.65	(93)
Los Angeles	(65)	(61)	.77	(97)	.70	(91)	.73	(96)
San Francisco	(77)	(76)	.84	(100)	.73	(84)	.77	(90)
Sacramento	(60)	(67)	.63	(97)	.50	(78)	.52	(83)
Portland	(69)	(76)	.71	(93)	.60	(85)	.65	(9[illegible])
Seattle	(66)	(73)	.80	(89)	.66	(78)	.70	(83)
Spokane	(64)	(69)	.52	(91)	.37	(74)	.39	(78)
Alaska	(143)	(93)	1.37	(98)	1.25	(86)	1.24	(92)
Hawaii	(387)	(136)	4.81	(99)	4.46	(92)	4.65	(96)
Bay City	(240)	(163)	2.19	(96)	1.90	(89)	1.95	(90)
Grand Rapids	(168)	(111)	2.13	(96)	1.43	(70)	1.67	(8[illegible])

\- 9 trading areas grew in 1982. No pattern.

G.H.
7/5/83

KOOL SUPER LIGHTS/LIGHTS

	KOOL BDI	Segment CDI	KOOL SOM	Index Vs. Yr. Ago	1st Qtr. 1983 SOM	Index Vs. Yr. Ago	Jan.-Apr. 1983 SOM	Index To Year Ago
National	(100)	(100)	.52	(80)	.35	(53)	.37	(64)
Boston	(71)	(79)	.34	(87)	.19	(36)	.20	(47)
New York	(64)	(72)	.34	(83)	.24	(53)	.24	(62)
Albany	(73)	(97)	.32	(86)	.19	(56)	.20	(69)
Syracuse	(82)	(97)	.39	(93)	.23	(55)	.23	(61)
Buffalo	(97)	(114)	.48	(98)	.26	(50)	.29	(62)
Philadelphia	(64)	(89)	.35	(95)	.28	(57)	.29	(69)
Scranton	(85)	(105)	.45	(107)	.26	(44)	.26	(49)
Altoona	(78)	(117)	.42	(81)	.26	(54)	.26	(59)
Pittsburgh	(89)	(117)	.50	(94)	.29	(40)	.30	(49)
Baltimore	(108)	(123)	.52	(78)	.37	(59)	.39	(68)
Richmond	(90)	(131)	.42	(86)	.28	(49)	.29	(58)
Charleston	(91)	(101)	.44	(80)	.29	(53)	.30	(61)
Charlotte	(89)	(146)	.37	(95)	.22	(39)	.23	(48)
Atlanta	(98)	(111)	.52	(72)	.41	(73)	.42	(79)
Jacksonville	(83)	(95)	.48	(86)	.34	(52)	.34	(61)
Miami	(80)	(82)	.31	(82)	.18	(44)	.20	(57)
Tampa	(83)	(102)	.41	(89)	.23	(40)	.25	(50)
Mobile	(120)	(100)	.73	(97)	.36	(33)	.40	(43)
Birmingham	(103)	(97)	.58	(84)	.43	(62)	.44	(69)
Chattanooga	(82)	(93)	.42	(81)	.42	(98)	.46	(102)
Knoxville	(63)	(88)	.34	(83)	.25	(56)	.26	(65)
Nashville	(93)	(92)	.48	(81)	.30	(47)	.32	(57)
Memphis	(146)	(121)	.78	(88)	.56	(60)	.59	(69)
New Orleans	(173)	(128)	.81	(82)	.68	(72)	.69	(79)
Louisville	(177)	(139)	.61	(80)	.36	(43)	.40	(58)
Cincinnati	(137)	(131)	.63	(78)	.41	(46)	.44	(58)
Columbus	(123)	(109)	.70	(82)	.50	(51)	.50	(60)
Cleveland	(98)	(121)	.50	(75)	.31	(53)	.33	(63)
Toledo	(124)	(139)	.67	(80)	.46	(49)	.47	(57)
Detroit	(293)	(172)	1.29	(88)	.74	(51)	.83	(68)
Fort Wayne	(159)	(145)	.76	(69)	.61	(67)	.64	(74)
Indianapolis	(135)	(123)	.62	(77)	.42	(51)	.43	(60)
Chicago	(170)	(119)	.65	(83)	.62	(57)	.65	(71)
Milwaukee	(81)	(139)	.45	(65)	.29	(55)	.31	(62)
Peoria	(134)	(115)	.64	(72)	.52	(84)	.54	(90)
St. Louis	(136)	(138)	.65	(73)	.38	(56)	.42	(65)
Des Moines	(127)	(102)	.69	(79)	.42	(49)	.47	(62)
Minneapolis	(85)	(90)	.49	(69)	.29	(50)	.31	(58)
Sioux Falls	(83)	(97)	.46	(72)	.31	(47)	.31	(53)
Omaha	(97)	(84)	.35	(73)	.36	(55)	.37	(59)
Kansas City	(112)	(101)	.59	(70)	.47	(59)	.48	(70)
Wichita	(136)	(116)	.66	(75)	.53	(63)	.54	(71)
Oklahoma City	(126)	(96)	.58	(79)	.40	(59)	.40	(69)
Tulsa	(125)	(92)	.58	(77)	.40	(57)	.45	(73)
Little Rock	(77)	(90)	.41	(68)	.32	(82)	.33	(87)
Shreveport	(143)	(98)	.82	(80)	.76	(82)	.76	(87)
Dallas	(88)	(77)	.50	(69)	.41	(64)	.43	(74)
Houston	(98)	(101)	.44	(65)	.30	(70)	.31	(74)
San Antonio	(80)	(83)	.44	(79)	.30	(55)	.31	(65)
Lubbock	(90)	(78)	.42	(69)	.33	(60)	.34	(67)
Albuquerque	(56)	(55)	.39	(78)	.27	(49)	.28	(58)
Denver	(97)	(86)	.49	(74)	.38	(60)	.38	(72)
Billings	(59)	(71)	.33	(80)	.20	(45)	.21	(55)
Salt Lake City	(46)	(54)	.34	(69)	.21	(44)	.24	(59)
Phoenix	(76)	(65)	.46	(74)	.34	(62)	.36	(71)
Los Angeles	(72)	(61)	.43	(81)	.29	(47)	.32	(63)
San Francisco	(77)	(76)	.43	(86)	.27	(43)	.30	(57)
Sacramento	(74)	(67)	.39	(83)	.21	(38)	.23	(50)
Portland	(67)	(76)	.35	(95)	.22	(38)	.22	(46)
Seattle	(55)	(73)	.33	(69)	.19	(38)	.20	(47)
Spokane	(55)	(69)	.33	(85)	.18	(35)	.20	(45)
Alaska	(127)	(93)	.61	(94)	.35	(34)	.39	(44)
Hawaii	(242)	(136)	2.04	(79)	1.70	(67)	1.69	(75)
[illegible]	(202)	(163)	.93	(86)	.51	(44)	.56	(55)
Grand Rapids	(157)	(111)	1.00	(85)	.59	(50)	.67	(69)

* Only one trading area grew in 1982.

G.H.
7/5/83

679015714

KOOL ULTRA

	KOOL SOI	Segment CDI	1982 SOM	Index Vs. Yr. Ago	1st Qtr. 1983 SOM	Index Vs. Yr. Ago	Jan.-Apr. 1983 SOM	Index To Year Ago
National	(100)	(100)	.32	—	.23	(61)	.24	(73)
Boston	(85)	(96)	.25	—	.15	(44)	.16	(50)
New York	(61)	(85)	.20	—	.14	(47)	.15	(63)
Albany	(79)	(97)	.21	—	.12	(67)	.13	(76)
Syracuse	(87)	(104)	.25	—	.18	(138)	.18	(129)
Buffalo	(103)	(107)	.31	—	.20	(77)	.32	(92)
Philadelphia	(70)	(78)	.23	—	.18	(42)	.18	(53)
Scranton	(97)	(80)	.32	—	.21	(70)	.23	(85)
Altoona	(84)	(92)	.28	—	.16	(30)	.17	(65)
Pittsburgh	(109)	(83)	.38	—	.22	(29)	.23	(39)
Baltimore	(93)	(128)	.28	—	.24	(69)	.25	(86)
Richmond	(99)	(126)	.28	—	.20	(63)	.20	(71)
Charleston	(107)	(91)	.32	—	.24	(86)	.24	(89)
Charlotte	(105)	(128)	.27	—	.17	(44)	.18	(58)
Atlanta	(104)	(96)	.34	(155)	.27	(90)	.28	(97)
Jacksonville	(92)	(101)	.32	—	.25	(60)	.26	(72)
Miami	(78)	(96)	.25	—	.15	(45)	.16	(57)
Tampa	(84)	(114)	.25	—	.15	(44)	.17	(61)
Mobile	(117)	(94)	.44	—	.27	(31)	.29	(43)
Birmingham	(71)	(76)	.25	—	.22	(85)	.22	(96)
Chattanooga	(67)	(81)	.21	—	.29	(483)	.32	(457)
Knoxville	(59)	(74)	.19	—	.17	(65)	.16	(73)
Nashville	(93)	(80)	.30	—	.17	(36)	.19	(50)
Memphis	(109)	(83)	.35	—	.26	(65)	.26	(74)
New Orleans	(85)	(97)	.27	—	.25	(86)	.25	(93)
Louisville	(131)	(156)	.42	—	.29	(56)	.33	(75)
Cincinnati	(129)	(142)	.41	—	.30	(55)	.33	(73)
Columbus	(131)	(95)	.42	—	.33	(62)	.33	(69)
Cleveland	(120)	(108)	.38	(158)	.27	(59)	.28	(70)
Toledo	(163)	(115)	.52	—	.30	(35)	.31	(43)
Detroit	(241)	(152)	.77	—	.44	(60)	.47	(78)
Fort Wayne	(160)	(131)	.51	—	.50	(104)	.51	(109)
Indianapolis	(121)	(124)	.38	—	.29	(67)	.30	(81)
Chicago	(116)	(106)	.36	—	.29	(57)	.31	(78)
Milwaukee	(130)	(127)	.44	(210)	.31	(65)	.33	(73)
Peoria	(123)	(112)	.39	—	.34	(142)	.38	(152)
St. Louis	(162)	(121)	.48	(209)	.27	(57)	.29	(66)
Des Moines	(156)	(121)	.53	—	.35	(73)	.40	(78)
Minneapolis	(96)	(106)	.34	—	.26	(76)	.27	(90)
Sioux Falls	(98)	(100)	.34	—	.29	(88)	.30	—
Omaha	(102)	(95)	.36	—	.23	(72)	.24	(83)
Kansas City	(123)	(110)	.40	—	.37	(86)	.39	—
Wichita	(170)	(137)	.50	—	.42	(66)	.44	(79)
Oklahoma City	(122)	(102)	.35	—	.21	(67)	.23	(61)
Tulsa	(123)	(87)	.35	—	.27	(69)	.31	(94)
Little Rock	(89)	(79)	.29	(161)	.28	(117)	.27	(108)
Shreveport	(83)	(78)	.29	—	.23	(50)	.23	(72)
Dallas	(69)	(74)	.24	—	.21	(78)	.22	(88)
Houston	(112)	(108)	.32	(188)	.21	(78)	.23	(85)
San Antonio	(86)	(90)	.29	—	.18	(51)	.21	(70)
Lubbock	(105)	(87)	.30	—	.27	(82)	.26	(81)
Albuquerque	(56)	(69)	.24	—	.21	(81)	.20	(93)
Denver	(128)	(102)	.40	—	.32	(73)	.32	(80)
Billings	(69)	(75)	.26	—	.17	(74)	.18	(90)
Salt Lake City	(61)	(63)	.28	—	.19	(59)	.22	(79)
Phoenix	(75)	(90)	.29	—	.21	(84)	.23	(96)
Los Angeles	(55)	(75)	.20	—	.14	(48)	.16	(67)
San Francisco	(50)	(93)	.20	—	.12	(34)	.13	(46)
Sacramento	(84)	(87)	.27	—	.16	(48)	.18	(60)
Portland	(74)	(96)	.24	—	.14	(33)	.16	(67)
Seattle	(60)	(78)	.22	—	.15	(50)	.16	(59)
Spokane	(67)	(78)	.25	—	.13	(33)	.15	(44)
Alaska	(124)	(100)	.37	—	.32	(55)	.33	(66)
Hawaii	(196)	(127)	1.01	—	.96	(98)	.97	(102)
Bay City	(234)	(150)	.66	—	.65	(48)	.67	(63)
Grand Rapids	(187)	(126)	.73	—	.43	(66)	.50	(86)

G.B.
7/5/83

B. Awareness and Usage - National

Unaided Brand Awareness - January, 1983
(Among All Smokers)

	KOOL	Salem	Newport	B&H Total	Marlboro	Winston	Camel
Unaided Awareness	29%	37%	8%	15%	53%	53%	33%
Ratio Awareness to Share	3.5	4.2	3.3	3.1	2.8	4.0	6.8

Key Findings

- KOOL awareness ranks fourth of top four market share brands.
- In relation to market share, awareness similar across brands with some advantage to Reynolds.
- National comparable unaided awareness data not available prior to this period.

Usage Trends for Menthol Brands
(Among All Smokers)

	KOOL		Salem		Newport		B&H Total	
	1/83	Index*	1/83	Index*	1/83	Index*	1/83	Index*
Ever Smoked	62	(89)	65	(93)	34	(89)	57	(97)
Ever Bought	37	(88)	43	(90)	18	(95)	29	(94)
Purchased most often	7.2	(95)	9.1	(80)	2.0	(91)	5.6	(124)
Purchased most often to unaided awareness ratio	.25	N/A	.25	N/A	.25	N/A	.37	N/A
Ever Bought to Purchased most often Ratio	.20	N/A	.21	N/A	.11	N/A	.19	N/A

*Base period 3/82, unfortunately at peak of KOOL revitalization launch.

Key Findings

- A large proportion of total smokers have had experience with KOOL and Salem.
- Consumer usage of KOOL not increasing over time period. B&H most vital in this
- KOOL, Salem, and Newport equal in ability to convert awareness to purchase. B&H strongest.
- KOOL, Salem, and B&H equal in ability to retain smokers. Newport weakest.

Purchased Most Often Trend by Demographic Group
(Among All Smokers)

	KOOL		Salem		Newport		B&H Total	
	1/83	Index*	1/83	Index*	1/83	Index*	1/83	Index*
Total	7.2	(95)	9.1	(80)	2.0	(91)	5.6	(124)
Males	8.7	(115)	7.9	(94)	1.9	(83)	3.7	(116)
Females	5.7	(76)	10.4	(75)	2.1	(100)	7.5	(134)
White	5.1	(78)	8.2	(77)	1.7	(94)	5.4	(123)
Black	20.1	(92)	13.7	(86)	6.5	(105)	8.1	(104)
Under 35	10.3	(96)	11.4	(124)	4.7	(118)	4.7	(147)
35-54	6.9	(91)	8.9	(71)	0.8	(50)	5.8	(94)
55+	3.2	(94)	6.5	(50)	0.4	(133)	6.4	(173)
Full Taste	10.1	(104)	7.8	(76)	3.5	(97)	5.4	(98)
Lights	4.2	(55)	13.2	(82)	0.4	(31)	4.5	(98)
Ultra	2.6	(100)	5.7	(53)	0	0	8.8	(880)

Key Findings

- KOOL share number one among males and grew over period.
- KOOL lost severely among females and Whites.
- KOOL losses totally on Lights (KSL replacement problem?)
- Salem vitality among young adults. (new campaign?)
- Newport vitality among young and old.
- B&H vitality due to their new Ultra. Only brand in this group that grew among females and Whites.

*3/82 base period

Unaided Brand Awareness - Key Attributes**
(Among All Smokers)

	KOOL		Salem		Newport		B&H Total	
	1/83	Index*	1/83	Index*	1/83	Index*	1/83	Index*
Best Taste	12	(80)	17	(85)	4	(100)	9	(100)
Low Tar	4	(67)	8	(80)	2	(100)	4	(133)
Increasing Popularity	7	(100)	6	(120)	2	(67)	3	(100)
Appealing to young smokers	11	(92)	6	(86)	3	(60)	2	(100)

Key Findings

- KOOL best taste awareness declined over the period and continues to be lower than Salem.
- Newport and B&H were stable on the best taste measure.
- KOOL has very low awareness as a low tar and it declined since the launch quarter. Given our share of menthols, this is very low. Again, Newport held awareness on this measure. B&H grew due to Ultra.
- KOOL has the highest awareness of this group on popularity and appeal to young; however, neither measure grew over the period. Salem is leveraging the popularity measure.

* 3/82 base period
** Attributes are aided, brands are not.

<u>Advertising Penetration - Aided</u>
(Among All Smokers)

	Claimed Ad Recall		Claimed Slogan Recall		Claimed Visual Recall	
	1/83	Index*	1/83	Index*	1/83	Index*
KOOL	58	(98)	18	(100)	36	(120)
Salem	59	(88)	22	(92)	—	—
Newport	47	(100)	19	(100)	—	—
B&H Total	57	(100)	28	(90)	—	—
Marlboro	77	(100)	66	(93)	80	(103)
Winston	68	(97)	—	—	—	—
Camel	58	(97)	—	—	—	—

<u>Key Findings</u>

- Ad recall stable for most large brands. Salem down.
- KOOL slogan recall low and not growing
- KOOL visual recall growing.

* 3/82 base period

C. <u>Major Switching Dynamics - Total Brand</u>
(Waves 32 and 33, Brand Switching Study)

<u>% of Former Smokers - 1982</u>

	Total Inflow	Switch In	Starting	Total Outflow	Switch Out	Quitting	Net
KOOL	10.5	7.5	3.0	19.7	11.0	8.7	- 9.2
Salem	15.5	10.7	4.8	23.0	11.4	11.6	- 7.5
Newport	20.4	11.3	9.1	20.2	13.1	7.1	+ 0.2
B&H Men.	22.4	16.6	5.8	23.4	11.6	11.8	- 1.0
Marlboro	12.4	7.4	6.0	20.4	9.6	10.8	- 8.0
Winston	12.6	9.5	3.1	21.2	10.5	10.7	- 8.6
Total Men.	16.6	12.1	4.5	22.3	11.8	10.5	- 5.7

Key Findings

- KOOL's net negative switching position is the worst among its key competitors. Low switching-in, and more significantly low starting have caused the brand's strong negative position.
- Total KOOL has lower levels of switching than any of its major competitors.
- Outflow from KOOL is not a problem in relation to competition.

TOTAL KOOL FAMILY (% of Former Smokers)

2 Wave Avgs.	Total Inflow	Chg Index	Starters	Chg Index	Switchers In	Chg Index	Total Outflow	Chg Index	Quitters	Chg Index	Switchers Out	Chg Index
1979	15.5	(82)	7.0	(95)	8.5	(75)	28.5	(100)	11.6	(100)	17.0	(100)
1980	16.0	(103)	8.5	(121)	7.5	(88)	26.2	(92)	12.1	(104)	14.1	(83)
1981	12.4	(78)	6.2	(73)	6.1	(81)	24.3	(93)	10.8	(89)	13.4	(95)
1982	10.5	(85)	3.0	(48)	7.5	(123)	19.7	(81)	6.7	(61)	11.6	(82)

Key Findings

- Since revitalization switching-in improving
- Starting still eroding
- Quitting and Switching-out improving

KOOL SWITCHING HISTORY

		Demographics			% of Former Smokers			% of Total	
		Total Smokers	Menthol Smokers	Total KOOL	Inflows	Outflows	Net	Gains	Losses
1966	Waves 1 & 2								
	Male	57	44	57	15.4	10.2	5.2	60	54
	Female	43	56	43	10.3	8.8	1.5	40	46
	16-25	18	17	14					
	26-40	39	40	40					
	41+	43	43	45					
1967	Waves 3 & 4								
	Male	57	45	58	13.9	9.1	4.8	60	43
	Female	43	55	42	9.5	11.8	-2.3	40	57
	16-25	18	16	16	5.6	3.0	2.6	24	14
	26-40	38	40	37	8.3	7.6	.7	36	37
	41+	44	44	44	8.8	9.6	-.8	38	46
1968	Waves 5 & 6								
100's introduced	Male	56	45	59	15.0	9.8	5.2	65	47
	Female	44	55	41	7.8	10.8	-3.0	35	53
	16-25	17	15	17	6.6	4.1	2.5	21	19
	26-40	36	37	38	7.4	6.8	.6	24	32
	41+	47	43	44	11.1	8.6	2.5	38	48
1969	Waves 7 & 8								
	Male	57	45	60	13.1	16.6	-3.5	66	57
	Female	43	55	40	7.0	12.8	-5.8	34	43
	16-25	16	14	18	6.0	4.3	1.7	23	14
	26-40	36	38	36	6.8	10.6	-3.8	26	34
	41+	48	43	40	5.9	12.5	-6.6	22	40
1970	Waves 9 & 10								
	Male	55	44	61	14.0	15.5	-1.5	67	56
	Female	45	56	39	6.8	12.3	-5.5	33	44
	16-25	17	17	24	8.0	5.9	2.1	29	19
	26-40	36	36	34	5.5	9.6	-4.1	20	32
1971	Waves 11 & 12								
	Male	55	45	62	14.2	12.2	2.0	65	56
	Female	45	55	38	8.2	9.4	-1.2	35	44
	16-25	17	17	26	10.0	4.8	5.2	40	21
	26-40	37	36	33	5.1	7.3	-2.2	20	32
	41+	46	42	35	4.3	7.8	-3.5	17	34
1972	Waves 13 & 14								
KOOL MILDS introduced	Male	55	44	58	13.7	11.8	1.9	60	51
	Female	45	56	42	9.5	10.8	-1.3	40	49
	16-25	17	19	31	9.6	6.8	2.8	35	30
	26-40	37	37	31	4.4	10.8	-6.4	16	28
	41+	46	41	33	3.8	6.9	-3.1	15	30
1973	Waves 15 & 16								
	Male	54	44	58	10.7	11.9	-1.2	54	52
	Female	46	56	42	9.1	10.8	-1.7	46	48
	16-25	18	21	34	9.1	7.1	2.0	38	30
	26-40	37	36	29	3.0	6.0	-3.0	13	26
	41+	45	40	28	3.0	6.3	-3.3	13	27
'74	Waves 17 & 18								
	Male	54	44	60	11.9	13.8	-1.9	57	55
	Female	46	56	40	8.7	11.4	-2.7	43	45
	16-25	17	20	35	8.5	7.4	1.1	36	28
	26-40	37	34	29	3.5	6.1	-2.6	15	23
	41+	46	41	30	3.3	6.8	-3.5	14	29

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Year		Demographics			% of Former Smokers			% of Total	
		Total Smokers	Menthol Smokers	Total KOOL	Inflow	Outflow	Net	Gains	Losses
[illegible]	Waves 19 & 20								
	Male	53	44	61	16.2	16.6	- .4	61	56
	Female	47	56	39	10.5	12.9	-2.4	39	44
	16-25	18	18	21	12.2	10.2	2.0	46	35
	26-40	36	42	47	6.5	9.5	-3.0	24	32
	41+	46	40	32	6.3	7.7	-1.4	23	26
1976	Waves 21 & 22								
	Male	53	43	60	13.3	18.0	-4.7	60	54
	Female	47	57	40	9.0	15.4	-6.4	40	46
	16-25	17	21	32	9.2	10.4	-1.2	42	31
	26-40	36	34	32	6.4	10.9	-4.5	29	33
	41+	47	40	29	4.9	10.2	-5.3	22	31
1977	Waves 23 & 24								
KSL introduced	Male	52	43	59	13.4	16.8	-3.4	55	51
	Female	48	57	41	11.1	16.2	-5.1	45	49
	16-25	18	22	32	9.2	10.2	-1.0	38	31
	26-40	37	36	37	8.2	12.6	-4.4	34	38
	41+	45	38	32	5.6	8.5	-2.9	23	26
1978	Waves 25 & 26								
	Male	52	44	59	11.8	16.4	-4.6	59	51
	Female	48	56	41	8.1	15.8	-7.7	41	49
	16-25	19	23	31	7.4	10.8	-3.4	30	29
	26-40	38	35	35	6.4	11.3	-4.9	26	30
	41+	43	37	29	4.8	7.8	-3.0	19	21
1979	Waves 27 & 28								
	Male	51	42	60	10.2	18.7	-8.5	60	58
	Female	49	58	40	7.3	13.1	-5.8	40	42
	16-25	17	20	27	5.8	9.6	-3.8	39	27
	26-40	38	36	38	6.4	11.5	-5.1	42	32
	41+	45	40	32	4.6	9.2	-4.6	30	26
1980	Waves 29 & 30								
	Male	51	41	59	8.9	15.4	-6.5	59	55
	Female	49	59	41	6.3	12.6	-6.3	41	45
	16-25	15	20	24	5.0	8.1	-3.1	28	26
	26-40	39	40	43	6.3	11.0	-4.7	35	36
	41+	45	39	31	3.7	8.3	-4.6	20	27
	Waves 31 & 32								
1981	Male	49	39	58	8.5	11.2	-2.7	50	53
	Female	51	61	42	8.5	10.2	-1.6	50	47
	16-25	17	21	23	6.1	5.1	-1.0	39	24
	26-40	38	40	47	6.6	8.8	-2.1	39	41
	41+	45	39	30	4.3	7.5	-3.1	25	39
	Waves 32 & 33								
1982	Male	48	38	58	5.2	10.6	-5.4	50	54
	Female	52	62	42	5.3	9.1	-3.8	50	46
	16-25	16	19	19	3.0	4.7	-1.7	29	24
	26-40	38	41	49	4.7	8.7	-4.0	44	44
	41+	46	40	32	2.9	6.3	-3.4	27	32

Key Findings

- Smoking population and menthols growing more female
- Age of smoking population and menthols quite stable
- KOOL sex skew stable over the long term, increasingly male versus total smokers
- KOOL franchise aging
- Inflow problem worse among men

Fair Share of Switching
(Waves 32-33 Switching Study)

	Starters	Switching In	Total Inflow	Quitters	Switch Out	Total Outflow
KOOL	(79)	(53)	(59)	(88)	(77)	(82)
Salem	(127)	(74)	(85)	(116)	(79)	(94)
Newport	(221)	(72)	(103)	(66)	(84)	(76)
B&H Menthol	(142)	(107)	(115)	(110)	(75)	(89)
Marlboro	(158)	(44)	(68)	(107)	(67)	(83)
Winston	(83)	(67)	(70)	(108)	(74)	(88)
Camel	(74)	(70)	(70)	(78)	(64)	(70)
Merit	(125)	(148)	(143)	(114)	(79)	(93)

Key Findings

- Growing brands seem to be leveraging starters
- KOOL's fair share of inflow is the poorest among major competitors.
- B&H and Merit are the most popular brands to switch to.
- KOOL's outflow remains at par with competitors.

Inflow Analysis by Age - Fair Share

WAVES:	Share of Current 31/32	Share of Current 32/33	Share of Inflows / Share of Current 31/32	Share of Inflows / Share of Current 32/33	Share of Starters / Share of Current 31/32	Share of Starters / Share of Current 32/33
Newport						
16-24	7.74	8.19	61	82	88	110
25-34	2.33	2.07	90	75	147	148
35-44	1.09	1.17	44	83	0	107
45-54	0.49	0.41	84	68	172	0
55+	0.27	0.24	154	152	0	0
TOTAL	2.05	1.97	85	103	164	221
Marlboro						
16-24	37.28	39.12	69	68	115	112
25-34	21.16	20.99	46	39	90	80
35-44	12.00	12.81	70	62	116	93
45-54	7.61	7.64	92	80	210	172
55+	5.15	4.76	104	78	125	120
TOTAL	15.65	15.71	71	78	155	158
KOOL						
16-24	8.10	6.41	76	65	96	82
25-34	9.54	9.46	51	47	85	61
35-44	4.73	4.83	61	67	94	117
45-54	4.19	4.49	49	37	120	23
55+	4.10	4.17	83	75	94	78
TOTAL	6.26	6.07	64	59	105	79
Salem						
16-24	8.83	8.33	88	91	112	94
25-34	9.49	10.01	76	87	121	157
35-44	9.62	9.87	77	79	127	159
45-54	8.67	8.92	87	98	116	181
55+	8.71	8.95	83	75	82	109
TOTAL	9.12	9.41	80	85	114	127

Source: Switching Study waves 31, 32, and 33 Share of Inflows includes switchers-in plus starters but excludes switchers-within a brand family.

Key Findings

- KOOL inflow weak across all age groups and getting weaker.
- Newport and Marlboro leveraging young adult starters and getting stronger.
- Salem strong across all starter age groups except under 25.

Major Switching Dynamics - Total Brand (cont'd)

- KOOL declining starter position is associated with changing sex, age, and tar segment destination of industry starters.

Starter Sex (% of Total Industry Starters)

	1971	1975	1979	1981	1982
Male	58%	56%	55%	46%	45%
Female	42%	44%	45%	54%	55%

Starter Age (% of Total Industry Starters)

	1971	1975	1979	1981	1982
Less than 25	52%	40%	38%	33%	41%
26 to 40	20%	26%	30%	35%	33%
41+	28%	34%	32%	32%	26%

Starter Tar Segment Destination (% of Total Industry Starters)

	1971	1975	1979	1981	1982
Full Taste	85%	80%	69%	52%	44%
Lights Ultra	15%	20%	31%	48%	56%

Sources of Gains and Losses - (Total Brand Waves 32 and 33)

GAINS AND LOSSES AS % OF FORMER SMOKERS

	KOOL			SALEM			NEWPORT			B&W MENTHOL			TOTAL MENTHOL		
	Gains	Losses	Net	Gains	Losses	Net	Gains	Losses	Net	Gains	Losses	Net	Gains	Losses	Net
Starters/ Quitters	3.0	8.7	-5.7	4.8	11.6	-6.8	8.5	7.1	+1.4	5.8	11.8	-6.0	13.0	11.3	+1.7
NMFT	2.3	1.8	+0.5	1.8	1.5	+0.3	2.3	2.5	-0.2	2.0	0.4	+1.6	1.4	1.2	+0.2
NM LTS	0.4	1.2	-0.8	0.8	1.3	-0.5	0.4	1.2	-0.8	0.6	0.4	+0.2	0.8	1.2	-0.4
NM Ultra	0.2	0.6	-0.4	0.3	1.0	-0.7	—	0.2	—	0.2	0.8	-0.6	0.3	0.8	-0.5
Total NM	2.9	3.6	-0.7	2.9	3.8	-0.9	2.7	3.9	-1.2	2.8	1.6	+1.2	2.5	3.2	-0.7
MFT	2.0	2.7	-0.7	3.5	2.7	+0.8	2.7	4.0	-1.3	8.4	2.6	+5.8	4.5	2.7	+1.8
M LTS	1.3	2.6	-1.3	2.3	2.6	-0.3	1.5	4.6	-3.1	3.2	4.8	-1.6	3.8	4.2	-0.4
M Ultra	0.6	2.0	-1.4	1.2	2.2	-1.0	—	1.7	—	0.8	2.6	-1.8	1.2	3.0	-1.8
Total Menthol	3.9	7.3	-3.4	7.0	7.5	-0.5	4.2	10.3	-6.1	12.4	10.0	+2.4	9.5	9.9	-0.4
Former Smokers		(1717)			(2611)			(481)			(499)			(3970)	

Key Findings

- KOOL inflow weak among starters and menthol smokers. KOOL still competitive in draw from non-menthol.
- KOOL outflow not a problem to any destination, in relation to competition.

TOTAL SWITCHING GAINS/LOSSES
AS % OF FORMER SMOKERS

(Waves 32-33 Switching Study)

	Gains From:				Losses To:			
	KOOL	Salem	Newport	B&H Menthol	KOOL	Salem	Newport	B&H Menthol
KOOL	---	1.3	0.6	0.3	---	2.4	0.5	0.4
Salem	1.6	---	0.4	0.4	0.9	---	0.4	0.7
Newport	1.6	2.0	---	0.0	2.0	2.2	---	1.2
B&H Menthol	1.4	3.4	1.2	---	1.2	2.2	0.0	---
Marlboro	0.3	0.5	0.2	0.0	0.5	0.6	0.2	0.1
Winston	0.8	0.6	0.1	0.0	0.6	0.3	0.2	0.1
Camel	0.4	0.3	0.1	0.0	0.1	0.2	0.1	0.2
Merit	0.8	1.7	0.8	0.2	0.1	1.4	0.1	0.2

- KOOL has net loss to Salem, gain from Newport, loss to B&H Menthol.

AS % OF TOTAL GAINS/LOSSES

	Gains				Losses			
	KOOL	Salem	Newport	B&H Menthol	KOOL	Salem	Newport	B&H Menthol
KOOL	---	12.7	5.5	3.3	---	12.1	2.4	2.1
Salem	10.1	---	2.7	2.7	3.8	---	1.7	2.8
Newport	7.8	9.7	---	0.0	9.8	10.8	---	5.9
B&H Menthol	6.3	15.2	5.4	---	5.1	9.4	0.0	---
Marlboro	2.8	4.4	1.6	0.0	2.5	2.8	1.1	0.7
Winston	6.1	4.5	0.5	0.0	2.7	1.4	0.8	0.3
Camel	3.2	1.9	0.6	0.0	0.5	1.0	0.5	1.0
Merit	2.6	5.7	2.6	0.6	0.3	5.5	0.3	0.6

D. Total KOOL Demography vs. Key Competition

- Age (% of Franchise)

TOTAL KOOL DEMOGRAPHY VS. KEY COMPETITION
(Switching Study Waves 32 and 33)

	24 or Less	Index to Total Smokers	25-34	Index to Total Smokers	35+	Index to Total Smokers
KOOL	14%	(108)	41%	(158)	45%	(74)
Salem	12	(92)	28	(108)	60	(98)
Newport	54	(415)	27	(104)	19	(31)
B&H Menthol	14	(108)	26	(100)	61	(100)
Marlboro	33	(254)	35	(135)	32	(52)
Total Smokers	13	—	26	—	61	—

Key Findings

- The greatest percentage of KOOL smokers is in the 35+ age group, although relative to total smokers, it is strongest in the 25-34 year old category. KOOL's one-time strong skew in the under-25 year group has been surpassed by Newport.
- Newport continues to be the youngest of the major menthol brands.

- Sex (% of Franchise)

TOTAL KOOL DEMOGRAPHY VS. KEY COMPETITION
(Switching Study Waves 32 and 33)

	Male	Index to Total Smokers	Female	Index to Total Smokers
KOOL	58%	(121)	42%	(81)
Salem	40	(83)	60	(115)
Newport	46	(96)	54	(104)
B&H Menthol	27	(56)	73	(140)
Marlboro	60	(125)	40	(77)
Total Smokers	48	---	52	---

Key Findings

- KOOL is the only menthol brand with a male skew, directionally similar to Marlboro.
- Benson & Hedges Menthol is the most female.
- Salem and Newport continue to share a female skew.

- KOOL Family Demographics (% of Franchise)

TOTAL KOOL DEMOGRAPHY VS. KEY COMPETITION
(Switching Study)

	1975	1982	Index
Males	61	58	(95)
16-24	23	7	(31)
25-34	16	24	(152)
35+	22	26	(118)
Females	39	42	(108)
16-24	11	7	(64)
25-34	14	17	(120)
35+	14	18	(132)

Key Findings

- The KOOL franchise has become more female since 1975.
- The age composition of KOOL's franchise has shifted toward the 35+ year old age group.

- Income (% of Franchise)

TOTAL KOOL DEMOGRAPHY VS. KEY COMPETITION
(Switching Study Waves 32 and 33)

INCOME

	$10,000	Index to Total Smokers	$10,000-$19,999	Index to Total Smokers	$20,000 $29,999	Index to Total Smokers	$30,000 & Over	Index to Total Smokers
KOOL	14.0	(130)	33.5	(117)	24.0	(98)	28.5	(79)
Salem	11.3	(105)	28.8	(100)	25.3	(103)	34.6	(96)
Newport	11.8	(109)	26.9	(94)	25.9	(106)	35.4	(98)
B&H Menthol	10.7	(99)	28.4	(99)	25.3	(103)	35.6	(99)
Marlboro	11.1	(103)	28.8	(100)	26.5	(108)	33.6	(93)
Total Smokers	10.8	---	28.7	---	24.5	---	36.0	---

Key Findings

- Relative to total smokers, KOOL becomes less developed as income increases.
- Income distribution for Salem and Newport is relatively flat.
- Benson & Hedges is a more upscale brand.

I. KOOL Family Lead Market Analysis

Major Trends for Total KOOL

	Base Period (1st half '81)	Post Period (1982)	Index
MSA Share	9.19	8.79	(96)
Share of Smokers	7.6	7.0	(92)
Unaided Brand Awareness	49	53	(110)
Serious Trial	8.6	13.6	(158)
Ratios			
Awareness to Share	6.4	7.6	(118)
Awareness to Trial	17.6	25.7	(146)

Key Findings

- Overall awareness and trial up, share down.

Notes:

1) Unless noted otherwise, data in this section is among all smokers.
2) Lead markets are Little Rock, Atlanta, Milwaukee TA's.
3) Started August, 1981. Pre July, 1981. Post January-February, 1983.
4) Data weighted to reflect national smoker proportions.

Where is Share Down?

Major Trends for Total KOOL by Lead Market
(Indices to Base Period)

	Atlanta	Milwaukee	Little Rock
MSA Share	(95)	(98)	(99)
Share of Smokers	(71)	(106)	(125)
Unaided Brand Awareness	(100)	(104)	(117)
Serious Trial	(133)	(158)	(225)
Ratio of Awareness to Trial	(135)	(152)	(200)

Key Findings

- Business problem for KOOL in Atlanta
- Milwaukee and Little Rock more dynamic on all measures.

What Happened in Atlanta?

Selected Image Trend Differences Among Lead Markets
(Indices to Base Period)

	Atlanta	Milwaukee	Little Rock*
For Young People	(88)	(100)	(119)
For Females	(127)	(82)	(100)
For Blacks	(100)	(87)	(92)
Satisfying	(81)	(112)	(103)
Lot of Tobacco Taste	(63)	(121)	(133)
Refreshing Menthol Taste	(98)	(111)	(97)
Lot of Menthol Taste	(94)	(92)	(123)
Jazz Festival Present	Yes-large	Yes-small	No
KOOL BDI	128	78	96
Menthol CDI	118	118	89

*BBT market 150 SOA/ SOM compared to 100 in other markets.

Key Findings

- KOOL image in Atlanta trended less young, more female, relatively more Black than other markets.
- KOOL product image eroded in Atlanta, improved in other markets.
- Atlanta has been strongest KOOL market.

What About Media Spending?

Lead Market Spending ($000) Total Year 1982

Brand	Aggregate Gross Media	Aggregate SOA	Aggregate SOA/SOM
KOOL	$2,561.7	9.9	106
Salem	2,060.6	8.0	81
Newport	729.0	2.8	90
B&H Total	1,720.3	6.7	120
Marlboro	1,925.8	7.5	52
Winston	1,254.8	4.9	33
Merit	2,028.0	7.9	136

Key Findings

- Total KOOL outspent all major competitive brands in lead markets.
- While total KOOL SOA was greater than major competitive brands, Merit far exceeded the same brands in SOA/SOM.

SOA - Key Competitive Brands by STA Indexed Against National SOA
(Total Year 1982)

		Atlanta		Milwaukee		Little Rock	
Brand	National SOA	STA SOA	Index	STA SOA	Index	STA SOA	Index
KOOL	7.9	8.5	108	9.3	118	22.5	285
Salem	7.5	9.3	124	6.6	88	6.8	91
Newport	2.1	1.5	71	4.8	229	1.2	57
B&H Total	7.3	7.5	103	5.9	81	5.3	73
Marlboro	8.4	4.6	55	11.5	137	4.2	50
Winston	6.3	5.0	79	3.8	60	9.8	156
Merit	7.5	8.4	112	6.9	92	9.8	131

Key Findings

- Total Salem has a higher SOA in Atlanta than total KOOL, while the situation is reverse in Milwaukee and Little Rock.
- KOOL clearly outspent in Atlanta. Even more dramatic in relation to share of market. SOA/SCM in 1982 = Atlanta 81, Milwaukee 118, Little Rock 321.

Major Trends for Total KOOL by Sex

(Indices to Base Period)

	Males	Females
Share of Smokers	(84)	(111)
Unaided Brand Awareness	(100)	(113)
Serious Trial	(170)	(143)
Ratio of Awareness to Trial	(170)	(126)

Key Findings

- Business problem for KOOL is among men.
- Trial among men not the problem. Awareness and retention after trial are problems.

What Happened Among Males?

Selected Image Trend Differences
Males versus Females In Lead Markets
(Indices to Base Period)

	Males	Females
For Young People	(96)	(105)
For Someone Like Me	(87)	(109)
Satisfying	(86)	(117)
Lot of Tobacco Taste	(75)	(136)
Refreshing Menthol Taste	(94)	(114)
Lot of Menthol Taste	(89)	(122)

Key Findings

- Serious, consistent pattern of product image erosion among males, not females.
- Major difference in trend on "for someone like me" males to females.
- Slight tendancy for men to see brand less "for young people" than females.

Lead Market Analysis (cont'd)

- KOOL has a problem with low tar styles.

18 Month Monitor Ratios

	Serious Trial to Unaided Brand Awareness	Share of Smokers to Serious Trial
Family		
KOOL	26	51
Salem	22	75
Parent		
KOOL	16	63
Salem	15	46
Lights		
KOOL	133	18
Salem	85	88
Ultra		
KOOL	74	5
Salem	72	26

Key Findings

- All KOOL styles convert awareness to serious trial as well as Salem.
- KOOL Parent converts serious trial to share of smokers better than Salem.
- KOOL LIGHTS and ULTRA very weak versus Salem in converting serious trial to share of smokers.

KOOL Lead Market Share of Smokers by Style

	Base Period	Post Period	Index
Family	7.6	7.0	(92)
Parent	4.7	5.2	(111)
KSL/LIGHTS	1.3	0.9	(69)
ULTRA	0	0.1	N/A
Milds	1.4	0.7	(50)

Conversion Among Non-Franchise Triers
18 Months - Brand Families

	KOOL	Salem	Newport	B&H
Total Triers - Last 6 Mos. (1 stick or more)	403	468	221	386
Serious Triers - Last 6 Mos. (1 pack or more)	35%	34%	33%	36%
Conversion % of Total Triers	0.7	1.5	1.4	4.1
Conversion % of Serious Triers	2.1	4.4	4.2	11.5

Key Findings

- KOOL business problem is totally among low tar styles.
- Conversion clearly a problem/weakness for KOOL.
- KOOL Parent is relatively healthy.

Summary of Sources of KOOL Trial
18 Month Lead Market Monitor

	Family	Parent	Lights	Ultra	Milds
Menthol	51.9%	39.7%	61.3%	64.2%	67.2%
Non-Menthol	48.1%	60.3%	38.7%	35.8%	32.8%
F.T.	48.9%	49.2%	48.1%	58.9%	51.3%
Hi-Fi	48.1%	48.9%	48.7%	32.6%	46.3%
B&W	19.9%	7.8%	26.4%	46.4%	30.9%
KOOL Family	15.1%	4.9%	19.2%	27.4%	22.3%

- Parent trial more from non-menthol; line extensions drawing more from menthol.
- B&W and KOOL specific cannibalization is least for Parent and most for Ultra.

KOOL 18 Month Lead Market Monitor Smoker Image Summary
(% Agreeing) 18 month/pre Indices by Segment

	TOTAL	BLACK	WHITE	MALE	FEMALE	21-25	21-34	35+
For Young People	100	103	100	96	106	122	117	86
For All Races	107	113	104	103	110	107	107	106
For Females	100	83	107	100	94	73	92	110
For Old Fashioned People	73	60	80	89	67	40	86	57
For Male	83	97	78	86	79	84	93	69
For Someone Like Me	93	87	96	87	109	91	92	97
For Active, Energetic People	91	117	82	91	88	75	85	92

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- KOOL's image has not significantly changed since the introduction of the revitalization strategy.

- Directionally KOOL evidences an increase across all segments for "a cigarette for all races" and decreases for "a cigarette for old'fashioned people" and "a cigarette for males."

- Some directional erosion of KOOL image seen in measures "for someone like me" and "for active, energetic people." The former is particularly troublesome among men, the latter among Whites.

KOOL 18-Month Lead Market Monitor
Product Image Summary (% Agreeing)

	18 MO. RATING (TOP 2 BOX)			18 MO./PRE INDEX *		
	PARENT %	LIGHTS %	ULTRA %	PARENT %	LIGHTS %	ULTRA %
Satisfying Cigarette	39	45	36	96	115	113
Has Refreshing Menthol Taste	61	65	56	101	118	126
Harsh Cigarette	39	24	18	99	104	120
Lot of Tobacco Taste	30	29	36	96	88	163
Lot of Menthol Taste	67	55	42	102	131	100
Best Menthol Brand	26	20	15	NA	NA	NA

* KOOL line extension versus 6 Months

- Parent exhibits little change in product imagery.

- LIGHTS and ULTRA image improving versus pre-period; however, this may be meaningless as they were non-existant in pre-period. Changes observed may be normal or "noise."

- Absolute image of LIGHTS most satisfying and refreshing of KOOL Family.

F. **Product Performance** - (Monitor Results Summaries)

1. **KOOL LIGHTS Kings** - (vs. Bright Kings)

Field Date: 1982

Sample: Menthol Lights/Ultra and non-menthol Lights/Ultra smokers

Products: KOOL LIGHTS Kings with white tipping Bright Kings with white tipping.

Preference Summary

	Total Menthol	Menthol Lights	Menthol Ultra	Total Non - Menthol	Non-Men. Lights	Non-Men. Ultra
KOOL LIGHTS	53+++	54+++	51+	42+++	43+++	40+++
Bright	39	38	40	22	23	21
No Preference	8	8	9	36	34	39

Attribute Summary (Total Smokers)

- Significant differences versus Bright: No as strong, less menthol, better menthol taste, more satisfying, more pleasant aftertaste.
- Marginal difference: More smooth

2. **KOOL Milds Kings**

Field Date: 1980

Sample: KOOL and KOOL Milds

Products: KOOL Milds Kings with white tipping
Salem Lights Kings

Preference Summary

	Total Smokers	KOOL Milds	KOOL
KOOL Milds	43	41	47+
Salem Lights	41	42	39
No Preference	16	17	14

Attribute Summary

- Significant difference versus Salem Lights: More Strength, harsher.

3. KOOL Kings - (versus Salem Kings)

Field Date: 1980

Sample: KOOL and Salem Smokers

Products: KOOL with white tipping

Preference Summary

	Total KOOL	KOOL Male	KOOL Female	KOOL Black	KOOL White	Salem
KOOL	43	45	41	43	43	48
Salem	43	42	45	41	45	44
No Preference	14	13	14	16	12	8

- No Significant differences

Attribute Summary (Total Smokers)

- Significant differences: KOOL versus Salem = None
- Marginal differences: Stronger, more satisfying

4. KOOL 100's (versus Salem 100's)

Field Date: 1982
Sample: KOOL and Salem Smokers
Product: KOOL with cork tipping

Preference Summary

	Total KOOL	KOOL Male	KOOL Female	KOOL Black	KOOL White	Salem	Total Smokers
KOOL	48++	46+	50++	44	52+++	39-	45
Salem	40	40	40	45	36	47	43
No Preference	12	14	10	11	12	14	12

+++/--- Significant Difference
++/-- Marginal Difference
+/- Directional Difference

Attribute Summary (Total Smokers)

- Significant differences: KOOL versus Salem, more strength, easier draw, less smooth.
- Marginal differences: Better menthol taste, more satisfying.
- Directional differences: More menthol taste.

5. KOOL LIGHTS Kings (versus Salem Lights, Merit Menthol, Newport Lights)

Field Date: 1982
Sample: KOOL and competitive full taste and Hi-Fi smokers
Product: KOOL with cork tipping, regardless of competitive brand.

Preference Summary

	KOOL FT	Competitive FT	KSL/KL	Competitive Lights	Total Smokers
KOOL	47+++	37-	43	37--	42
Competitive	37	44	45	46	42
No Preference	16	19	12	17	16

+++/--- Significant Difference
++/-- Marginal Difference
+/- Directional Difference

Attribute Summary (Total Smokers)

- Significant differences versus competitive lights: More strength, less smooth, more menthol, less pleasant aftertaste.
- Marginal Differences: Worse menthol taste.

6. KOOL LIGHTS 100's (vs. Salem Lights 100's and Merit 100's)

Field Date: 1981

Sample: KOOL and competitive full taste and hi-fi smokers

Product: KOOL with white and KOOL with cork tipping

Preference Summary

	Total KOOL	Total Competitive	Competitive Full Taste	Competitive Lights	Total
KOOL	47+++	48+++	48++	48+	46+++
Competitive	37	38	39	37	38
No Preference	16	14	13	15	16

+++/--- Significant difference
++/-- Marginal Difference
+/- Directional difference

Attribute Summary (Total Smokers)

- Significant differences vs. competitive Lights: More strength, more menthol.
- Marginal differences: More satisfying, easier to draw, better aftertaste
- Directional differences: Less smooth, better menthol taste.

7. KOOL ULTRA Kings (versus Menthol Ultra: Salem, Merit, Triumph, Carlton, True, Now)

Field Date: 1982

Sample: KOOL and competitive smokers - all tar segments

Product: KOOL with cork and KOOL with white tipping

Preference Summary

	Total KOOL	Total Competitive	Total Full Taste	Total Lights	Total Ultra	Total
KOOL	50+++	39-	45++	48++	30-	44++
Competitive	33	44	39	37	42	39
No Preference	17	17	16	15	28	17

+++/--- Significant difference
++/-- Marginal difference
+/- Directional difference

Attribute Summary (Total Smokers)

- Significant difference versus competitive Ultras: More satisfying, easier to draw, less smooth.
- Marginal differences: Better menthol, more strength
- Directional differences: More Menthol

8. KOOL ULTRA 100's (versus Menthol Ultras: Salem, Triumph, Carlton, Now)

Field Date: 1982

Sample: KOOL and competitive smokers - all tar segments

Product: KOOL with cork tipping

Preference Summary

	Total KOOL	Total Competitive	Total Full Taste	Total Lights	Total Ultra	Total
KOOL	54+++	42	51+++	42	36	45++
Competitive	32	42	34	45	40	40
No Preference	14	16	15	13	24	15

+++/--- Significant difference
++/-- Marginal difference
+/- Directional difference

Attribute Summary (Total Smokers)

- Significant differences versus competitive Ultras: More strength, more satisfying, easier to draw, less smooth.
- Marginal differences: Better menthol taste, less menthol taste.

Key Findings

- All KOOL styles have achieved at least preference parity among total smokers. KOOL LIGHTS 100's and both KOOL ULTRA styles have achieved marginal to significant preference.

- Each KOOL style delivers against the epitome of menthol taste promise versus its menthol segment competitors. All styles score directional to significant differences on more menthol taste and/or better menthol taste.

- All four new styles achieved significant preference versus competitive Lights and Ultras among KOOL Family smokers. Assuming smokers give their own family line extensions first consideration when they desire a lower tar product, the performance of new styles should contribute toward reducing KOOL defections to menthol low tar styles.

- The new styles perform well versus competitors among competitive Full Taste and Lights smokers - the key inflow sources for these styles.

- KOOL LIGHTS Kings achieved significant preference versus Bright Kings among menthol Lights/Ultra smokers as well as non-menthol Lights/Ultra smokers.

Summary of KOOL Harshness Ratings
(Seven point scale, harshness 1 - smoothness 7)

Products	Smokers	KOOL Score	Competitive Score
KOOL 100's vs. Salem 100's	KOOL and Salem	3.76***	4.07
KOOL Milds Ks vs. Salem Lights	KOOL and KOOL Milds	4.00***	4.20
KOOL LIGHTS KS vs. array Comp. Lights	KOOL and comp. full taste and low tar	3.82***	4.04
KOOL LIGHTS 100's vs. array Comp. Lights	Same as above	4.10*	4.17
KOOL ULTRA KS. vs. array Comp. Ultra	KOOL and comp. all segments	3.92***	4.22
KOOL ULTRA 100's vs. array Comp. Ultra	Same as above	3.81***	4.09

Key Findings

- Versus major competition among composite samples, all KOOL styles except Parent KS rated significantly harsher. This includes KOOL franchise. Result is more dramatic among exclusively competitive smokers.

C. Creative Testing

Copy Testing (Tip-in Test - February 7, 1983 and April 11, 1983)

Objective: Determine the KOOL Music Campaign's intrusiveness and establish a benchmark against which all future KOOL executions can be evaluated.

Executions: Single page executions on February 7:

- George Sax - White model
- Soprano Sax - White model
- Wayne Tweed Piano - Black model

Spread executions on April 11

- Carlos and Funk - Black and White model

INDIVIDUAL EXECUTIONS - PROVEN RECALL

	Wayne Tweed %	George/ Sax %	Soprano/ Sax %	Avg. of 3 Executions %	Avg. of 2 Nationally Run Executions* %
Total	30.2	36.0	32.2	32.8	34.1
Race					
Black	33.1	36.6	29.9	33.2	33.3
White	28.3	35.5	35.5	33.1	35.5
Gender					
Male	28.1	45.4	28.7	34.1	37.1
Female	32.4	26.6	35.6	31.5	31.1
Age					
Under 25	31.0	41.4	32.0	34.9	36.9
35 & Over	29.5	30.9	32.0	30.8	31.5
Style					
Menthol	38.4	29.7	34.6	34.2	32.2
Non-Menthol	23.6	41.0	30.2	31.6	36.6

Norm established menthol single page ⟶ 21.1

⟵ significantly greater than lower score at the 95% level of confidence (two tail test)

*George Sax/Soprano Sax

Key Findings

- Visual playback is stronger than copy playback, communicating scenery more effectively than the cigarettes.
- Copy playback focuses primarily on the headline, with less communication of product-benefits.

Copy Point Playback (February 7 Tip-In)
(Selected Mentions)

	George Sax	Soprano Sax	Wayne Tweed
(Base: Total Recallers)	(167)	(166)	(168)
	%	%	%
Scenery (net)	95	98	98
Refer to man	91	96	96
Good looking/cool/into music/serious in taste	5	5	12
Refer to instruments	89	92	92
Dark Background	18	24 →	11
Bar/Nightclub	1	-	4
Cigarettes (subnet)	49 →	20 →	24
Three pack	45	-	-
Two pack	-	13	23
Different types	14	10	3
Copy (net)	70	← 83	78
Headline (subnet)	40	58	49
There's only one way to play it"	32	37	38
Play it KOOL	1	[illegible]	7
KOOL Lights	-	16	-
Subhead (subnet)	18	10	20
Product-Related Ideas (subnet) (e.g. tar/nicotine/smooth/light)	14	← 23 →	7

→ Significantly different from lower percentage at the 95% level of confidence

Proven Recall Scores (April 11 Tip-In)

	Carlos/ Funk	Nationally Run*
Total	32.4	34.1
Race		
Black	30.3	33.2
White	35.5	35.5
Sex		
Male	36.3	34.1
Female	28.5	31.5
Age		
Under 25	36.3	34.9
35 and Over	28.7	30.8
Style		
Menthol	$\boxed{40.9}$	34.2
Non-Menthol	25.5	35.6

Note: Boxed numbers indicate menthol recall significantly greater than non-menthol score at the 95% level of confidence.

Key Findings

- Carlos and Funk had a recall score of 32.4%. This is at parity with both the norm for established menthol spreads (36.2%) and with the two nationally running ads that have been tested (George Sax and Soprano Sax).

- Carlos and Funk is significantly more intrusive among menthol smokers than non-menthol. It is equally intrusive among all remaining sub-groups.

Music Form Study
January, 1983 Final Report

Purpose

- To determine the forms of music conveyed by past, current and exploratory KOOL executions.*
- To assess whether the music form changes when the KOOL name/copy is placed on pictures of musicians.
- To determine which of five musical forms (Jazz, Rock, Rhythm and Blues, Classical or Country and Western) are most appealing to consumers and what imagery is associated with these forms.

Conclusions

- In total, current executions tend to convey Jazz to consumers.
- Trumpets and saxophones are strong conveyors of Jazz.
- Percussion and keyboard executions convey wider forms of music than wind instruments do.
- Consumers tend to interpret music forms depicted by vocalists more broadly than those depicted by musicians.
- White models tend to be perceived as portraying a wider range of music than Blacks, who tend to communicate Jazz, Soul, and Rhythm and Blues.

  * (Exploratory executions include stage lighting, multiple performers, vocalists, females, depiction of smoking.)

- The exploratory was more dispersed in music form communication, as expected, with less Jazz and Classical and more Rock and Country.
- The introduction of the KOOL identity has no significant effect on the music form communication of a picture.
- Jazz has a quality image in that it is perceived more strongly than other music types (except Classical) as "successful people like and the best musicians play." Rock is poorest in these areas.
- Jazz does appear to be relevant to people in general in that it ranks number one or two out of five among all age groups on the measures "for someone like me and people I know like."

- Jazz does appear to have much more relevance to Blacks than Whites. On the same measures as in point five, it ranks number four among Whites and number one among Blacks.

- Jazz tends toward a middle-ground or ambiguous age image among all age groups. It ranks number four out of five as "for younger people" but it also ranks, on average, number three out of five as "for older people." We interpret this as a reasonably neutral issue for Jazz, neither young nor old.

- Jazz does appear to have a Black image. Among all age groups it ranks number four as "for White people" and number two as "for Black people."

Creative Implications/Ensuing Actions

Implications	Actions Taken
- Black models heighten communication of Jazz music, which is a music form that appears to have more relevance to Blacks than to Whites.	- Use White models in generic media and Black models in Black media for remainder (6 months) of 1983.
- Appeal of campaign can be broadened by depicting less Jazz specific situations.	- Limit use of brass instruments. Pursue percussion, piano, and guitar instrumentation at May shoots.
- The name, "KOOL JAZZ Festival" could be improved upon to more accurately portray the quality of the event and increase appeal among youth and Whites.	- Name exploratory in progress.

KOOL JAZZ FESTIVAL STUDY
February, 1983 Final Report

Purpose

- To determine the extent to which consumers' attitudes/behavior toward KOOL have changed pre versus post festival.

- To determine the extent to which the festival itself has broadened KOOL cigarette's appeal among key smoker groups.

Selected Findings

- Overall, KOOL cigarette total brand/advertising awareness, trial, usage, and imagery did not significantly increase.

- Unaided post-festival awareness increased three times from pre-levels. Increases were significant across all demographic segments, particularly better educated respondents and those under 35 years of age.

- Overall opinion of the festival was very positive among attendees.

- Attendees tended to be more male, under 35, Black, college educated than non-attendees and had incomes under $15,000 than non-attendees.

- Attendees were more likely than non-attendees to consider KOOL as a brand for: all races, someone like me, active and energetic people, self-confident people. Also, it was more strongly considered as: one of the best menthol brands, a satisfying cigarette to smoke, and having a refreshing menthol taste.

- Within the White segment, KOOL brand awareness was significantly increased after the festival. Relative to KOOL smokers, this segment also tends to be female and college educated with incomes of $15,000 or more.

- Respondents in the pre-festival wave were significantly more likely than respondents in the post-festival wave to consider KOOL a brand for young people.

Creative Implications/Ensuing Actions

Implications	Actions
- Assuming awareness is key to inducing trial, the festivals offer a viable means to expand the KOOL franchise. However, brand awareness must also be increased.	- Link the KOOL brand with the festivals in every way possible. This is being pursued via cigarette property visuals and packs appearing wherever the festivals are promoted (except broadcast) and in-event sampling.
- The KOOL JAZZ Festivals may present a way to increase positive brand awareness within an opportunity segment for KOOL: White, youthful and female.	- Schedule festival advertising to efficiently reach this segment as well as traditional KOOL target. Utilization of non-traditional media achieves this.
- Profile of attendees suggests KOOL's revitalized image is reflected by the audience with the exception of race.	- Year II of events which aren't Soul, Rhythm and Blues oriented (as KJF had traditionally been) and talent with broader appeal is planned to draw a less Black-skewed audience.
	- Current exploratory to rename festival (and expand appeal beyond Jazz, which Music Form research indicates has relevance to Blacks) should act to increase relevance to Whites.

VARIANCE SHEET

BROWN & WILLIAMSON - LOUISVILLE

AT THE TIME OF REPRODUCTION THE
FOLLOWING NOTATIONS WERE MADE:

( ) DOCUMENT COPIES ARE IN THE SAME SEQUENCE AS THEY APPEARED IN THE ORIGINAL.

( ) DUPLICATE DOCUMENTS APPEARED IN THE ORIGINAL.

( ) PAGE NUMBER(S) MISSING IN THE ORIGINAL.

(✓) POOR QUALITY ORIGINAL.

( ) OVERLAY ITEM COULD NOT BE REMOVED WITHOUT DAMAGE TO THE ORIGINAL.

( ) NO DOCUMENTS WERE FOUND WITHIN THE ORIGINAL:

- ( ) FILE FOLDER.
- ( ) REDROPE EXPANDABLE FILE.
- ( ) HANGING FILE.
- ( ) ENVELOPE.
- ( ) OTHER (SPECIFY) ____________________.

( ) OTHER ______________________________

____

______________________________.

OVERVIEW OF T.A.T. ANALYSES OF MUSIC CAMPAIGN

INTERVIEWS CONDUCTED	PURPOSE	VISUALS TESTED	SELECTED FINDINGS	
February, 198[illegible]	To Determine: ● Ability of music theme to encompass universe of [illegible] & potential users. ● Reactions to proposed musical instruments among key target audiences. ● Perceptions of the music represented by the instruments and appeal of each kind of music. ● Implications of perceptions & attitudes for image of [illegible] brand.	● 6 executions ● Emphasis on instruments ● Few visual cues relating to musicians' physical qualities or place (with exception of Wayne [illegible] piano).	● Reaction of respondents to the musical theme of the advertising was generally positive; it elicited deep imagery. ● Music was seen as a universal language which bridges the gap between countries, cultures and attitudes. ● Music is an important and integral part of the lives of most people. ● People have special feelings about the music that was popular when they were young. ● The younger the respondent, the more important it is to him that his music be contemporary. Older respondents are more eclectic in their taste.	● People of all ages appear to have a special feeling about jazz. It is eternal, transcends generations and is the poor man's/Black man's classical music. ● People use music to change or reflect their mood. ● Young people in particular use music to identify with a peer group. ● People feel deep respect for accomplished musicians. ● Visuals where the models appear stiff and formal and either physically or emotionally distant from their audiences were less effective in involving consumers. ● Many respondents understood the slogan, "There's only one way to Play It" in terms of the instruments, the phrase suggesting a quest for "the right way."
December, 198[illegible]	To Determine: ● Ability of visual to exemplify "the best", "cool" ● Level of emotional involvement communicated by visual ● Perceptions of place, audience, mood, music, musician ● Influence of variables e.g. smoking cues, wardrobe, multiple musicians ● Response differences by demographics ● Understanding of headline	● 15 executions ● Solo, duo, and group shots ● Varied lighting & cues	● Emotional involvement appears to be a critical response to elicit before key features of "coolness" and "[illegible] is the best" can be established. ● The most effective visuals establish a total experience of being there, listening, having fun and thoroughly enjoying one's self. ● The most involving visuals reduce the barrier between audience and performer(s) and capture the moment when the musician is at one with his music and audience. ● Conservative wardrobing tends to lessen successful, professional image to White models, while it increases such an image to Black models.	● When performing together, Black musicians seem to enhance credibility of White musician. ● Heavily cued executions tend to be read too literally to create [illegible] fantasy. ● Several musicians tend to weaken effectiveness of headline, create confusing "clutter" which dilutes their own camaraderie and audience involvement.
April, 198[illegible]	To Determine: ● Extent of emotional involvement and communication of creative strategy of 5 potential and 1 currently running executions.	● 6 executions ● Visuals judged to fall within currently defined property. ● Visuals believed to exude "cool" attitude and involve consumers emotionally. ● Broader instrumentation presented e.g. flute, country guitar.	PENDING ANALYSIS	

B. Promotion Results Summary

1. First Quarter SMP - 1982

Consumer:

- Buy One Pack/Get One Free on LIGHTS and ULTRA.
- Point of purchase displays in all stores.

Trade: Structured introductory allowance $290,000
Cost: $5.9MM

Objective

- Generate competitive trial and conversion of competitive smokers.

Key Results/Conclusions

- Achieved 54% level of competitive smoker trial.
- Conversion rate determined to be 7%.
- Equal split between Lights trial and Ultra trial.
- Equally successful in converting males and females.
- Payout .25 years.

2. KOOL Direct Mail Test Summary

Objectives

- The overall objective of the KOOL Direct Mail piece was to generate trial among competitive menthol smokers and to convert triers to the KOOL franchise.

- The research objective was to determine the efficiency/conversion rate of one versus two versus three direct mail coupon offers.

Strategies

- First mailing (juke box) consisting of an offer for a free carton coupon and/or a free blank cassette.

- Respondents to the free carton offer receive a second mailing (poster), along with the coupon they requested. This mailing offers another free carton coupon.

- Respondents to the second free carton offer receive a third mailing (harmonica case), along with the second free carton coupon. The third mailing offer a $2.00 off a carton coupon.

KOOL DIRECT MAIL TEST RESULTS

	Package #1				Package #2			Package #3	
	Pre-Promotion Wave*	1st Interview** Control	1st Interview** Test	Recontact Interview***	1st Interview Control	1st Interview Test	Recontact Interview***	Control	Test**
Total Trial	18	14	34	31	19	30	36	14	30
Smoke KOOL Most Often	6	6	17	11	11	17	14	6	20
Trial With Purchase	4	3	15	10	5	16	13	6	19
Trial with No Purchase	9	6	21	9	3	17	9	1	10
Share of Carton Volume	3	5	16	13	10	19	14	6	24

* 2 weeks prior to promotion mailout
** 3 weeks after a sufficient response to promotion
*** 4 months after initial post-wave interviewing

Key Findings

- All three promotional pieces resulted in increased KOOL trial and purchase.
- Despite some slippage in KOOL trial and usage after 4 months, many competitive menthol smokers continue to try and smoke KOOL.
- One mailing offers the shortest payout period as shown below:

Package #1	72 weeks
Packages #1 and 2	109 weeks
Packages #1, 2 and 3	132 weeks

- Although the two promoted styles were Lights and Ultra, the direct mail pieces also resulted in additional trial/usage of Parent and Milds.
- Responders to the first promotion did not appear to be skewed heavily by age, sex or race. However, in the subsequent promotional efforts, the program had a disproportionate appeal among Blacks, males, light smokers (1/2 pack or less per day), 55 years of age or older and those with little formal education.

I. KOOL Heavy Spending Test (HST)

Objective

Assess the upside sales and share potential for KOOL assuming a strong leadership media spending posture. 12.5% IRR requires +.07 share increment year one, +.18 year two.

Strategy/Rationale

1. Spend at $127.5MM national annual rate in media in Year One; and at $113.3MM national annual rate in Year Two.

   - Meaningfully different from on-going budget.

2. Spend to achieve the following SOA/SOM ratios in subsequent years.

Year	SOA/SOM Ratio
1	150
2	125
3	115
4	105
5 and beyond	100

3. Started December, 1981, in Little Rock trading area.

Measurement Methodology

St. Louis (TA 36) and Cleveland (TA 28) are being monitored as controls due to their high share trend correlation with Little Rock and their similar introductory timing. Based on their historical relationship to Little Rock, control market shares are used to predict expected test share assuming no heavy spending.

KOOL Family Share Increment

	Objective	Actual	Index
Year One	.07	.15	(214)
Year Two	.18 (annual)	.24 (1st 5 mos.)	(133)

Pre-Post Methodology

	Base		Test Period	
	Aug.'80-July'81	Dec.'81-May'82	June'82-Nov.'82	Dec.'81-Apr.'83
Test	8.36	8.05	8.43	7.87
Index vs. Base	—	(96.3)	(98.2)	(94.1)
Control	9.89	9.53	9.76	9.26
Index vs. Base	—	(96.4)	(96.9)	(93.6)
% Difference		-0.1	+1.3	$\boxed{+0.5}$

J. KOOL Market Development Program

- Program to build on KOOL strength in inner city (Black) neighborhoods.
- Increased call frequency to reduce O-O-S, permanent display, and trade deal.
- Tested April, 1981 Houston trading area.

Results

		Year I				Year II			Year III
	% of TA Volume	Base	1st Half	2nd Half	Year I	1st Half	2nd Half	Year II	Apr.,'83
Houston	27	8.83	9.12	8.70	8.92	8.35	8.27	8.31	8.18
Index vs. Base	—	—	(103)	(99)	(101)	(95)	(94)	(94)	(93)
National	100	8.65	8.46	8.41	8.44	7.75	7.87	7.81	7.84
Index vs. Base	—	—	(98)	(97)	(98)	(90)	(91)	(90)	(91)

- Brand grew year one
- Outperformed national year two. Successful test.
- Added two more test markets April, 1982
- Improved our sales execution
- Supported now by new music campaign

Results

	% of TA Volume	Base	Year I 1st Half	Year I 2nd Half	Year I Year I	Year II Apr.'83
Memphis	20	14.26	13.75	13.94	13.83	14.15
Index vs. Base	—	—	(96)	(98)	(97)	(99)
Detroit	22	16.80	16.39	16.90	16.61	16.29
Index vs. Base	—	—	(98)	(101)	(99)	(97)
National	100	8.44	7.75	7.87	7.81	7.84
Index vs. Base	—	—	(92)	(93)	(93)	(93)

- KMDP markets outperforming national. Successful again.
  - . In spite of small % TA coverage
- Memphis and Detroit trend improving with time.
- Expanded March 1, 1983 in fourteen markets. Also successful to date (2 mos.).
- Consumer trial incentives and free music concerts added in expansion markets.

	Base Mar.'82 Feb.'83	Year I Mar.'83	Year I Apr.'83	Year I Mar.'83 Apr.'83
1983 11 KMDP Markets	8.09	7.52	8.21	7.84
Index vs. Base		(93)	(101)	(97)
National	7.86	7.14	7.84	7.47
Index vs. Base		(91)	(100)	(95)

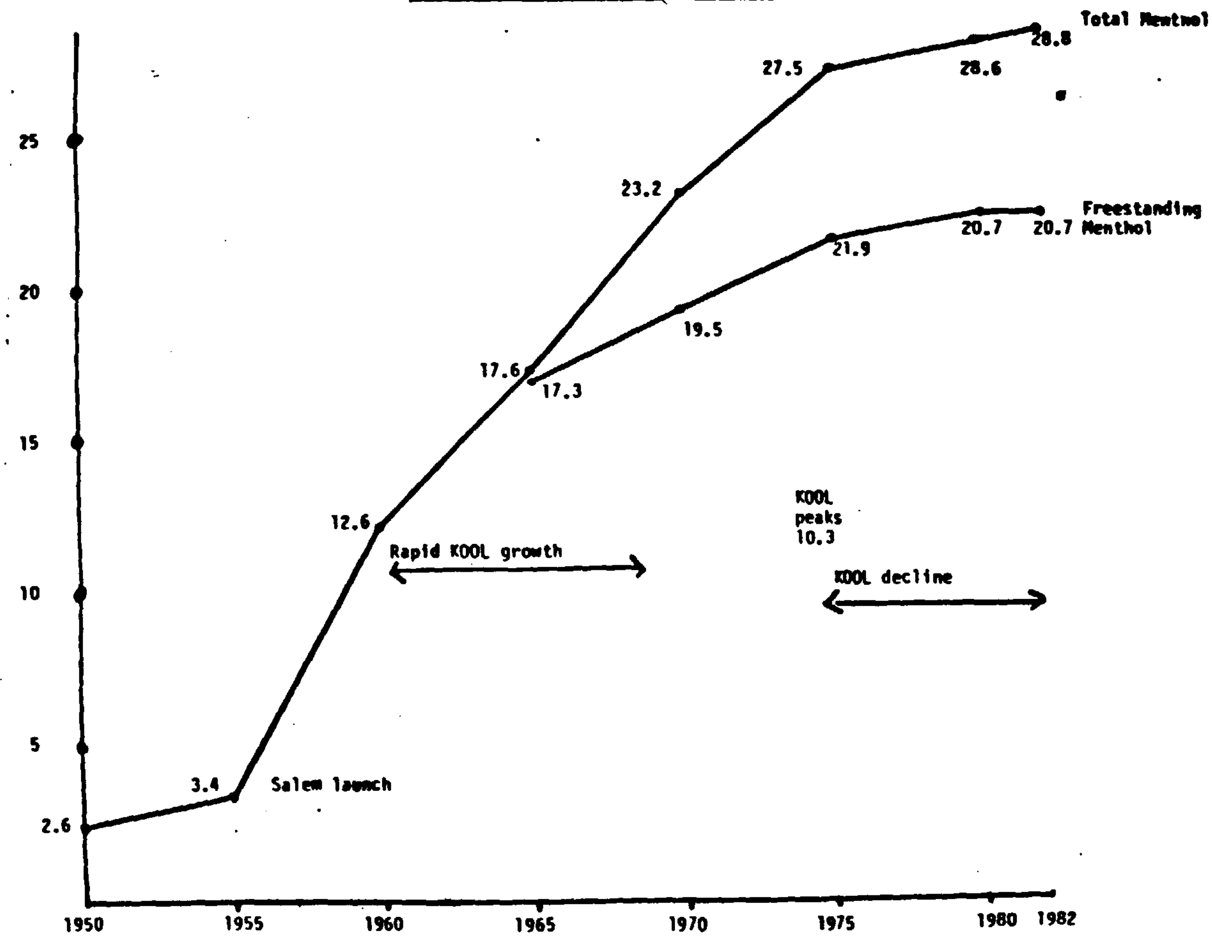
X. Why Isn't The Menthol Market Growing?

Background

- Menthol market historically very small until Salem takes it off "drug counter" with filter tip (female) and "refreshing" taste imagery (1956).

- KOOL makes menthol even more acceptable by:
  - More menthol → extra coolness benefit solving smokers' problems (1962)
  - Male endorsement making it socially acceptable for men to smoke menthol
  - Growth in Black community and the young Black/young White bond re-rejection of established middle class values in late 1960's and early 1970's.
- Menthol growth flattens after 1975 when:
  - Low tar revolution accelerates
  - KOOL turns downward

MENTHOL SHARE HISTORY 195 -PRESENT



Menthol is no longer growing because:

- No menthol is espousing a category development story as KOOL did during the 1960's.
- No menthol has effectively drawn men in as KOOL did in the 1960's.
- Its implied health overtones in the 1960's has been upstaged by explicit low tar stories
- Its "smoothing" taste characteristics are less relevant since the entire industry has lowered its tar delivery and now non-menthols arent's as strong or harsh.
- There is a natural physiological "cap" to accepting its taste characteristics.

The present condition

- Menthol market is female, Black and younger.

	1982	(s.s.) 1975
. % Female	62%	56%

. Over 60% of Blacks smoke menthol (Black s.s. 1980)
. Menthol penetration is highest among younger women and young men.

Menthol Share of Smokers	Under 29	30-39	40-49	50+	Total
Women	44.0	39.7	34.4	31.2	37.4
Index	(118)	(106)	(92)	(83)	(100)
Men	29.7	24.4	21.5	23.4	25.2
Index	(118)	(97)	(85)	(93)	(100)

- Menthol market has been stable (modest growth) since 1975 (MSA share of volume.

	1975	1982
Share	27.5	28.8
Index	(100)	(105)

A Look at Inflow Components

- Starters down dramatically as source of inflow for menthol. Male starters suffer the worst.

	Menthol Starters (% of Total Industry F.S.)			
	1970	1975	1979	1982
Total	6.0	7.0	2.0	1.4
Index	(100)	(117)	(33)	(23)
Men	3.4	3.9	0.9	0.5
Index	(100)	(115)	(26)	(15)
Women	2.6	3.1	1.1	0.9
Index	(100)	(119)	(42)	(35)

- Switchers down but not as dramatically, but men most recent casualties.

	Net Switch-In to Menthol (% of Total Ind. F.S.)			
	1970	1975	1979	1982
Total	2.9	2.0	1.9	1.2
Index	(100)	(69)	(66)	(41)
Men	N/A	N/A	1.1	0.5
Index			(100)	(47)
Women	N/A	N/A	0.9	0.7
Index			(100)	(78)

A Further Look at Menthol Starters

- Starters are down dramatically, but total industry starters are down even more; so menthol is still getting better than its "fair share" of starters.

Menthol Share	1970	1975	1980	1982
Starters	23.8	33.1	34.9	36.6
Smokers	24.6	30.0	30.6	31.5
Index	(97)	(110)	(114)	(116)

Hypotheses Still Appearing to Have Merit

- From the dramatic decline of starters and non-menthol switchers to menthol since 1975, particularly men, it appears that menthol may not be growing because KOOL, specifically, has lost efficacy at:
  - Selling a menthol versus non-menthol superiority position
  - And, providing imagery/product sell to bring men into the category

What is the Effect of Tar Level on Menthol?

- Does menthol penetration decrease as cigarettes get lower in tar? (e.g. milder less need to smooth taste?)
  - No!

MSA Menthol Share by Segment

	1979	1982
Total Menthol	28.8%	28.8%
FTM	27.9%	27.1%
LM	31.3%	31.5%
UM	25.8%	29.6%

- Perhaps, these product segments are menthol biased because of women?

  . No!

	1979			1982		
	M	W	T	M	W	T
FT	23.3	33.9	27.9	23.4	34.5	28.4
L	30.9	41.3	36.7	28.9	42.2	36.6
U	25.5	29.9	28.3	26.9	35.7	32.7
Total	25.4	36.1	30.6	25.2	37.4	31.6

- Women have a higher, not lower, propensity for menthol in low tar versus full taste (men do as well).

Hypothesis Not Appearing to have Merit

- On the surface, it does not appear that menthol relevance is adversely affected by the lower tar/milder phenomenon.

  In fact, it appears that menthol might be more relevant as a tobacco taste surrogate at lower tar levels.

What is the Effect of Sex?

- If the category is getting more female, and there is higher menthol penetration among women, why hasn't menthol increased yet?

  . Menthol penetration of smokers has increased from 30.6% in 1979 to 31.6% in 1982 (S.S.)

  . But, share of volume has remained constant - 28.8% in 1979 to end 1982.

  . Women consume less, so increases in the menthol category will slow as the category sex skew becomes more female

Why Isn't the Menthol Market Growing?

- We suspect that the key to accelerating menthol growth is finding a means once more to legitimize menthol for men, specifically White men.

  . We do know that other than KOOL, (possibly Newport), there is no menthol whose product characteristics and imagery are specifically positioned against male smokers.

  . We suspect that menthol in general probably carries with it some feminine imagery, particularly in the White male community. Effective marketing to the White male will have to deal with this.

  . We have no research data on the subject of physiological preferences pro/con menthol

  . We believe such research could be very insightful and conceivably actionable in trying to understand if and how thementhol market can be expanded.

  . We suspect that comparable research pointed out certain desirable and undesirable characteristics of menthol that lead to Northwind and Bright. We believe Bright might have identified a legitimate product gap but currently is missing on the creative presentation of it.

L. Profit Contribution

KOOL HISTORY

	Contribution Before Returns ($MM)	Gross Paid Sales ($MM)	Contribution as % of Sales
1975	190.7	728.9	26.2%
1976	219.3	761.5	28.8
1977	239.6	806.7	29.7
1978	293.6	854.3	34.4
1979	334.8	946.1	35.4
1980	362.1	923.5	39.2
1981	439.0	991.4	44.3
1982	445.6	1,068.0	41.7
1983 Est.	430.3	1,155.8	37.2

M. Black Smoker Share

Black Smoker Share
(Source - Black Smoker Studies)

	1980	1982	Index
Total KOOL	28.5	26.9	(94)
Parent	22.5	22.6	(100)
Milds	3.2	2.4	(75)
KSL/LIGHTS	2.8	1.6	(57)
ULTRA	--	0.3	(N/A)
Total Salem	12.3	11.2	(91)
Total Newport	5.0	8.3	(166)

Key Findings

- Total KOOL share of smokers declining, although less than Salem.
- Parent stable, low tar styles weak similar to total U.S.
- Newport strong.

Black Smoker Unaided Brand Awareness
(Top 3 Mentions)

	1980	1982	Index
KOOL Parent	54.8	52.9	(97)
Salem Parent	39.5	36.2	(92)
Newport Parent	11.7	17.9	(153)
KOOL LIGHTS	--	2.0	(N/A)
KOOL Milds	3.9	2.4	(62)
Salem Lights	3.7	4.6	(124)
KOOL ULTRA	--	0.3	(N/A)
Salem Ultra	0.1	0.1	(100)

Key Findings

- KOOL awareness flat, as is Salem.
- Newport increasing
- Low tar KOOL not salient.

Black Smoker Brand Imagery
(Competitive Smokers - Top Box)

	KOOL	B&H	Salem	Newport
For Young People	27.1	18.9	28.9	18.7
All Races	53.6	50.5	53.7	47.1
Female	21.3	28.1	22.1	19.5
Male	28.3	15.9	18.6	14.5
Old Fashioned	13.9	12.2	15.8	11.5
Like Me	20.1	14.1	16.9	10.0
Active	19.5	14.6	16.0	13.1
Successful	18.9	17.4	16.7	12.8

Key Findings

- Salem image as young as KOOL
- Newport image not as young as KOOL and Salem
- KOOL image the most male
- KOOL less old fashioned than Salem but more than B&H and Newport
- Overall, KOOL image similar to total market. No major concerns except for old fashioned and young.

N. **Hispanic Smoker Share**

Hispanic Smoker Share
(Source - 1982 Hispanic Smoker Study)

	Total Market	Puerto Rican	Cuban	Texas Mexicans	California Mexicans
KOOL	6.0	14.7	2.1	8.1	3.1
Salem	10.8	7.7	12.4	26.9	7.4
Newport	4.3	18.3	—	—	0.6
B&H Men.	2.4	1.1	5.0	6.2	3.0

Key Findings

- Salem largest Hispanic menthol
- KOOL largest menthol among no sub-group
- Best KOOL share among Puerto Ricans and Texas Mexicans

O. National Advertising Spending

ADVERTISING SPENDING ($ Millions)

	1979	Index vs. Year Ago	1980	Index vs. Year Ago	1981	Index vs. Year Ago	1982	Index vs. Year Ago	Forecasted 1983	Index vs. Year Ago
KOOL										
Gross Media	36.1	(84)	30.3	(116)	19.9	(66)	74.2	(373)	63.2	(75)
SOA	6.4	(86)	4.3	(102)	2.2	(49)	7.9	(359)	6.5	(77)
SOA/SOM	47	(89)	31	(109)	26	(31)	96	(369)	87	
SOSA/SOS*	36	(67)	41	(117)	19	(69)	89	(307)	71	
Salem										
Gross Media	60.9	(133)	63.4	(156)	57.3	(92)	70.9	(123)	70.0	(100)
SOA	6.8	(105)	9.2	(135)	6.2	(67)	7.5	(121)	7.1	(96)
SOA/SOM	77	(107)	105	(136)	71	(66)	85	(120)		
SOSA/SOS*	57	(100)	88	(154)	82	(93)	79	(96)		
Newport										
Gross Media	10.0	(100)	10.0	(100)	22.0	(211)	19.3	(85)	25.0	(100)
SOA	1.3	(71)	1.6	(94)	2.5	(156)	2.1	(84)	2.6	(113)
SOA/SOM	106	(88)	86	(81)	113	(131)	87	(77)		
SOSA/SOS*	79	(69)	72	(91)	130	(181)	79	(67)		
B&W Menthol										
Gross Media	12.4	(112)	13.7	(110)	16.8	(123)	4.7	(28)	20.7	(220)
SOA	2.3	(78)	2.0	(95)	1.8	(90)	0.5	(28)	1.3	(220)
SOA/SOM	111	(74)	100	(90)	88	(88)	23	(26)		
SOSA/SOS*	84	(79)	85	(101)	102	(119)	24	(26)		
Total Mkt.	221.7	(133)	238.2	(137)	237.0	(99)	290.7	(126)	341.7	(118)

Source: Corporate Media Overview - May, 1983

* Segment is total menthol
Segment spending straight, not impact dollars.

All music sponsorship not included.

Key Findings

- Total KOOL spending and share of advertising (SOA) were higher than any other major menthol in 1982.
- KOOL SOA will not exceed SOM in 1983.

F. **Distribution**

ACV and NED INDEX versus YEAR AGO and EXPECTED DISTRIBUTION
KOOL - 1982

	1982 SOM	1982 ACV	1981 ACV	1982 to 1981 ACV Index	Actual NED 1982	NED 1981	1982 to 1981 NED Index	Expected 1982 NED	Actual to Expected NED Index
KOOL Kings	4.49	99.7	99.7	(100)	91	92	(97)	92	(99)
KOOL Longs	1.43	99.1	98.6	(101)	84	79	(109)	78	(110)
KOOL Box	0.33	80.4	81.2	(99)	53	55	(96)	64	(83)
KOOL Regular	0.08	53.5	56.4	(95)	46	49	(94)	50	(92)
KOOL Milds	0.92	98.1	97.7	(100)	75	76	(99)	85	(88)
KOOL Milds 100's	0.11	84.2	87.9	(96)	63	68	(93)	58	(109)
KOOL LIGHTS/KSL KS	0.26	93.0	94.6	(99)	67	72	(93)	62	(108)
KOOL LIGHTS/KSL 100's	0.26	94.5	94.1	(100)	66	70	(94)	62	(106)
KOOL ULTRA	0.16	92.2	—	—	58			57	(102)
KOOL ULTRA 100's	0.14	92.1	—	—	57			57	(100)

Source: NSA Source: FRS Source: Audits & Surveys

Key Findings

- Authorized ACV relatively constant
- NED was lost on all brands except KOOL 100's
- Specifically LIGHTS did not replace KSL distribution
- O-O-S serious across most styles as NED less than authorized ACV
- Overall, KOOL NED is at par with industry norms given share. Milds KS major exception

ACV by SALES AREA

	[illegible]		[illegible]		[illegible]		[illegible]		[illegible]		[illegible]	
	1982	Index vs. Year Ago	1982	Index vs. Year Ago	1982	Index vs. Year Ago	1982	Index vs. Year Ago	1982	Index vs. Year Ago	1982	Index vs. Year Ago
KOOL Kings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KOOL Longs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KOOL Box	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KOOL Regular	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KOOL Milds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KOOL Milds 100's	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KOOL LIGHTS/KSL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KOOL LIGHTS/KSL 100's	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KOOL ULTRA	[illegible]	—	[illegible]	—	[illegible]	—	[illegible]	—	[illegible]	—	[illegible]	—
KOOL ULTRA 100's	[illegible]	—	[illegible]	—	[illegible]	—	[illegible]	—	[illegible]	—	[illegible]	—

Key Findings

- ACV distribution in the Southeast dropped for the smaller styles.
- KOOL experienced increased distribution in the Central area.
- Milds 100's lost ACV in the coastal areas (Northeast, Southeast and West).

ACV BY CLASS

	AA		A		B		C		D		E	
	1982	Index Vs. Year Ago	1982	Index Vs. Year Ago	1982	Index Vs. Year Ago	1982	Index Vs. Year Ago	1982	Index Vs. Year Ago	1982	Index Vs. Year Ago
KOOL Kings	[illegible]	(100)	100	(101)	99.5	(100)	100	(100)	100	(102)	97.1	(106)
Longs	[illegible]	(104)	100	(104)	99.5	(100)	99.1	(100)	100	(101)	[illegible]	(99)
Box	87.3	(102)	86.5	(100)	86.7	(99)	79.2	(97)	68.3	(96)	36.5	(103)
Regular	63.7	(96)	63.8	(95)	61.4	(96)	64.8	(97)	31.0	(98)	40.6	(103)
KOOL Milds	98.3	(101)	99.3	(101)	99.8	(100)	99.4	(101)	86.6	(104)	78.6	(103)
Milds 100's	87.5	(96)	83.6	(96)	89.8	(97)	87.6	(96)	73.0	(93)	38.2	(96)
KOOL Lights/SL	95.2	(101)	96.2	(101)	97.1	(100)	97.6	(100)	89.7	(99)	36.5	[illegible]
Lights/SL 100's	97.6	(103)	97.8	(103)	98.1	(101)	97.6	(101)	89.7	(104)	21.3	(61)
KOOL Ultra	83.4		95.3		96.2		95.7		84.5		21.5	
Ultra 100's	83.4		96.7		96.2		95.6		84.5		21.5	

Key Findings

- Milds 100's and KOOL Regular lost distribution across the board
- KSL distribution was not replenished by LIGHTS in 'E' stores

Q. 1983 Image Study - Selected Tables

Average Inferred Importance Values
(All Smokers)

*Good Tasting	19.6	Winner	2.3
*Satisfying	18.5	Proper	2.1
*Proud to Smoke it	14.3	Wishes Not...	2.1
*Smooth Tasting	13.1	Pleasant	2.0
Me	12.3	Enjoyable	1.8
*Rich Tasting	11.7	Masculine	(1.8)
*Natural Tasting	11.1	Old Fashioned	(1.4)
*Full Flavored	11.0	Slow	1.2
*Refreshing	10.6	Dry Wit	(1.1)
*Harsh Tasting	(10.5)	Bland	(1.0)
*High Tar	(9.4)	Considerate	1.0
*No Aftertaste	8.1	Lazy	1.0
Black People	(6.0)	Secure	(.8)
*New Brand	5.7	Fashionable	(.7)
*Quality Tobacco	5.3	Elegant	.6
Popular	3.2	Leader	.5
Delicate	2.6	Chic	(.3)
Relaxed	2.6	Rugged	(.3)
*Firmly Packed	2.5	Disciplined	.2
Older People	(2.5)	Sexy	.1

* Product Attributes

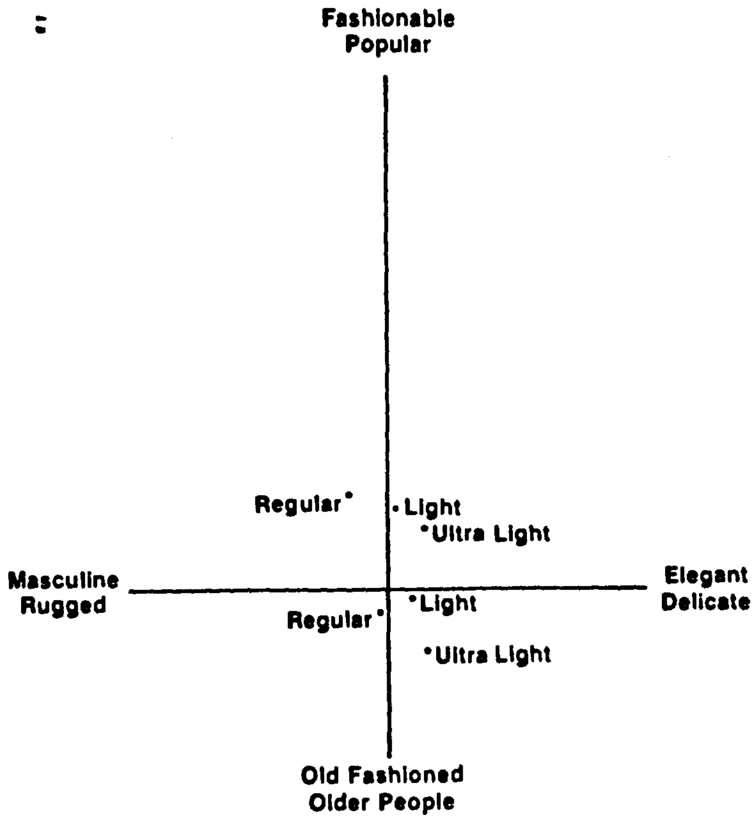
( ) Attributes with negative influence

Key Findings

- After the conventional product benefits, proud to smoke, for someone like me, and popular are important attributes among all smokers. Harsh tasting and for Black people are important too but negatively correlated with movement toward ideal. Fashionable, elegant, masculine, old fashioned, rugged and sexy not very important (per se), although it is not known how much they drive the measure "for someone like me."

CATEGORY

TAR LEVELS
(FRANCHISE IN YELLOW) - ALL SMOKERS



<u>KEY FINDINGS</u>

- LIGHTS IMAGE MORE FASHIONABLE/POPULAR THAN REGULAR
- ULTRA IMAGE MORE OLD FASHIONED

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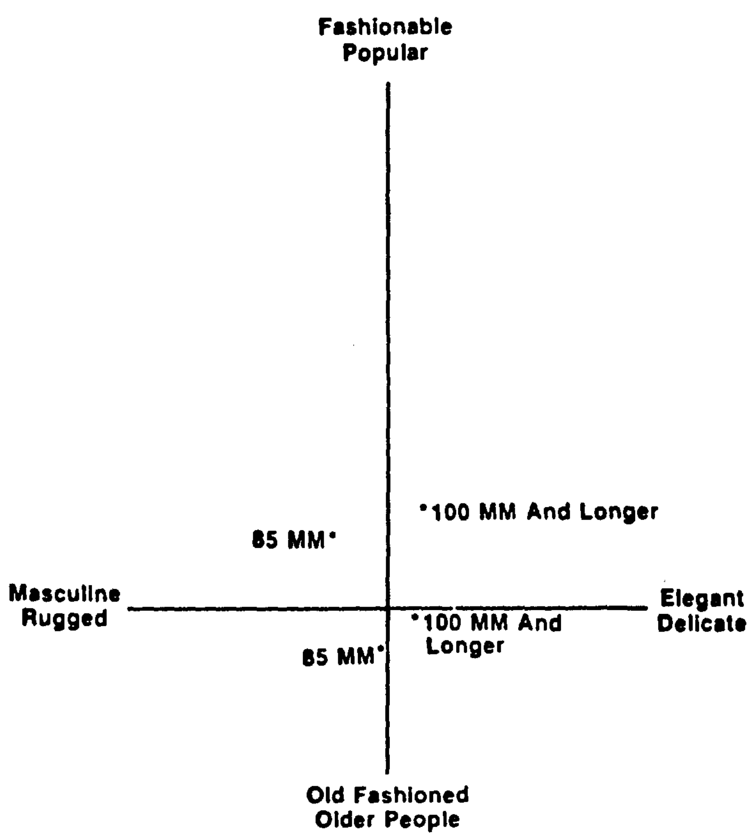
CATEGORY

STYLE LENGTHS
(FRANCHISE IN YELLOW) - ALL SMOKERS

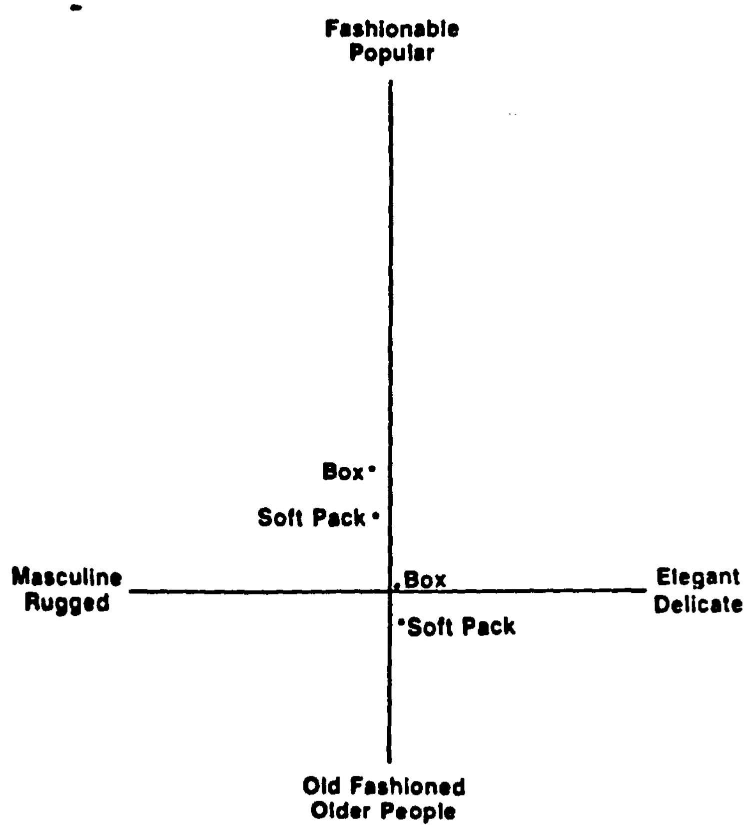


KEY FINDINGS

- 100'S IMAGE MORE FASHIONABLE/POPULAR THAN 85'S

CATEGORY

PACKAGING STYLE
(FRANCHISE IN YELLOW) - ALL SMOKERS

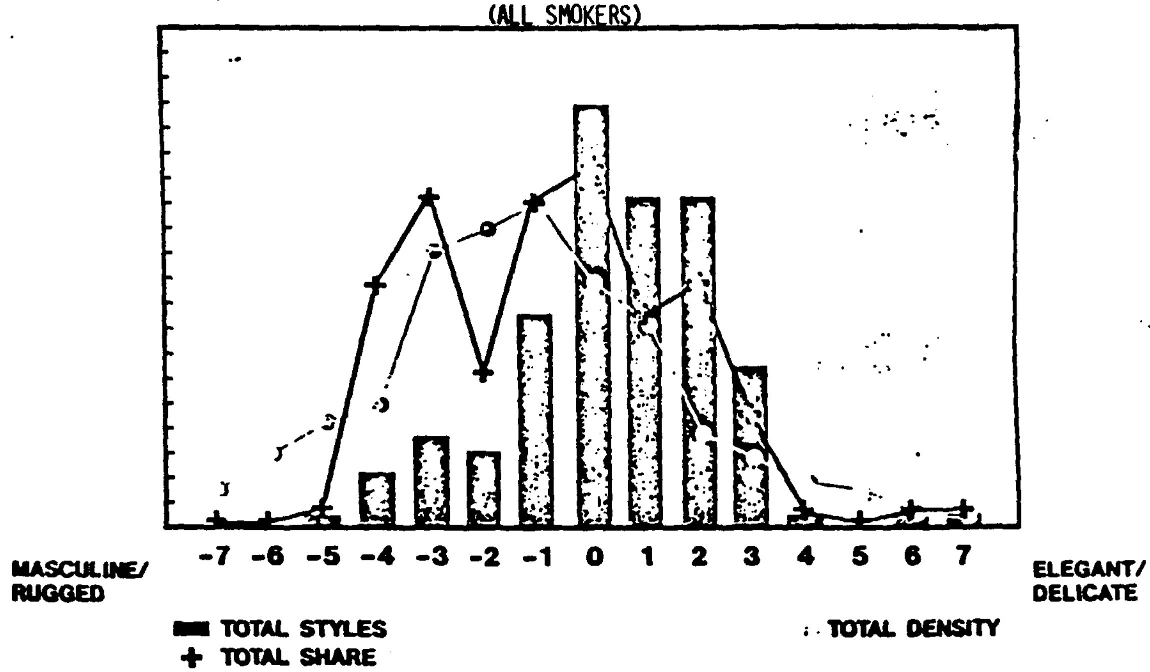


KEY FINDINGS

- BOX IMAGE MORE FASHIONABLE/POPULAR THAN SOFT PACK

IDEAL DENSITY DISTRIBUTION

(ALL SMOKERS)



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KEY FINDINGS

- AN INDUSTRY OPPORTUNITY EXISTS AT BOTH ENDS OF THIS ATTRIBUTE.

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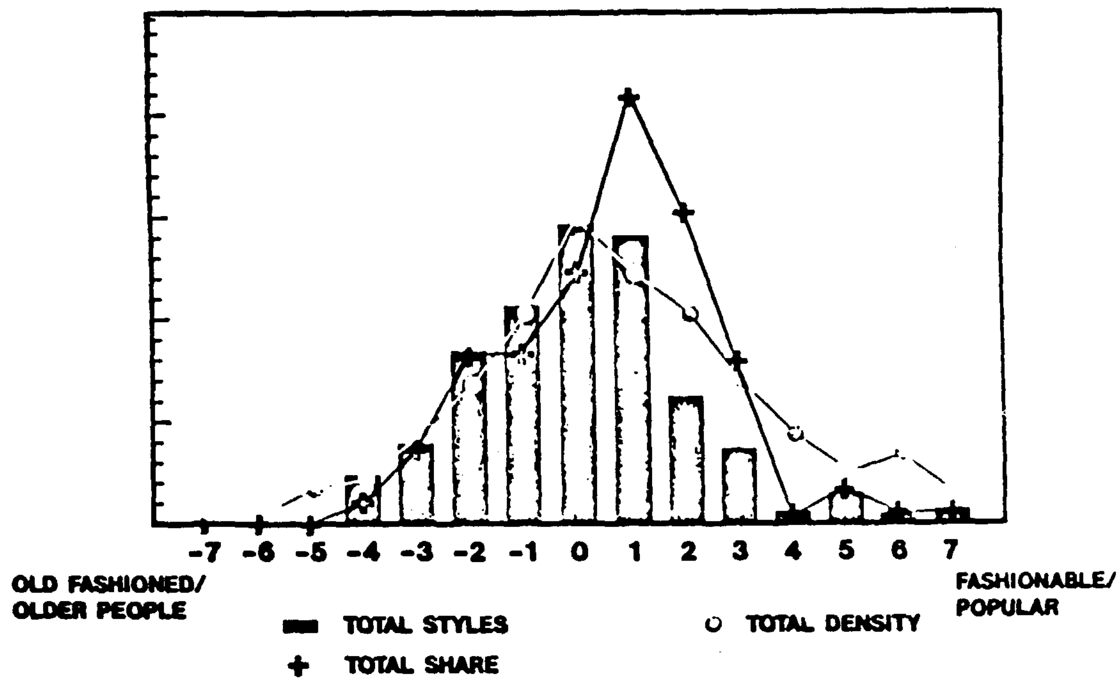
IDEAL DENSITY DISTRIBUTION



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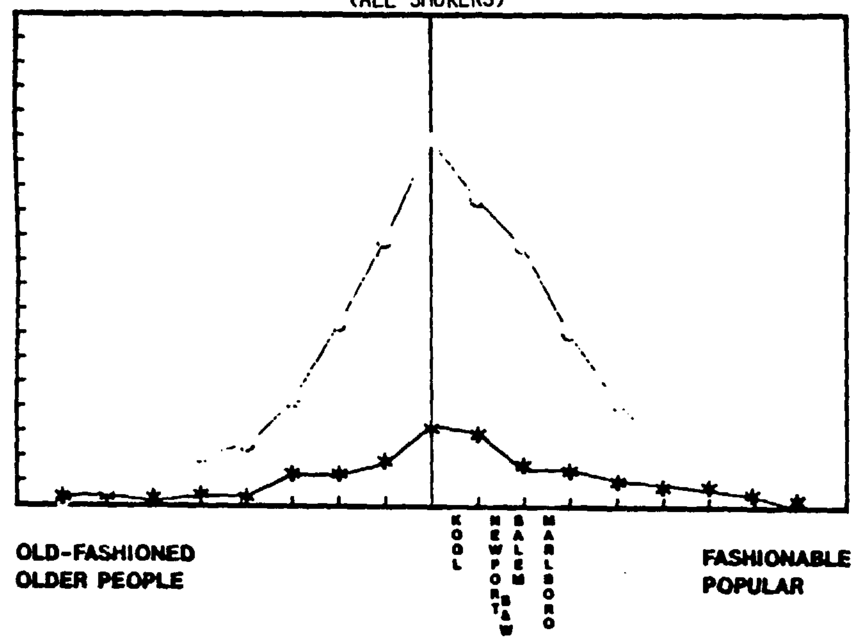
KEY FINDINGS

- AN INDUSTRY OPPORTUNITY EXISTS AT FASHIONABLE/POPULAR ATTRIBUTE

IDEAL DENSITY DISTRIBUTION

(ALL SMOKERS)



KEY FINDINGS

- KOOL LESS FASHIONABLE/POPULAR THAN NEWPORT, SALEM, MARLBORO, B&H
- KOOL AT MID-POINT OF VOLUME POTENTIAL ON THIS ATTRIBUTE

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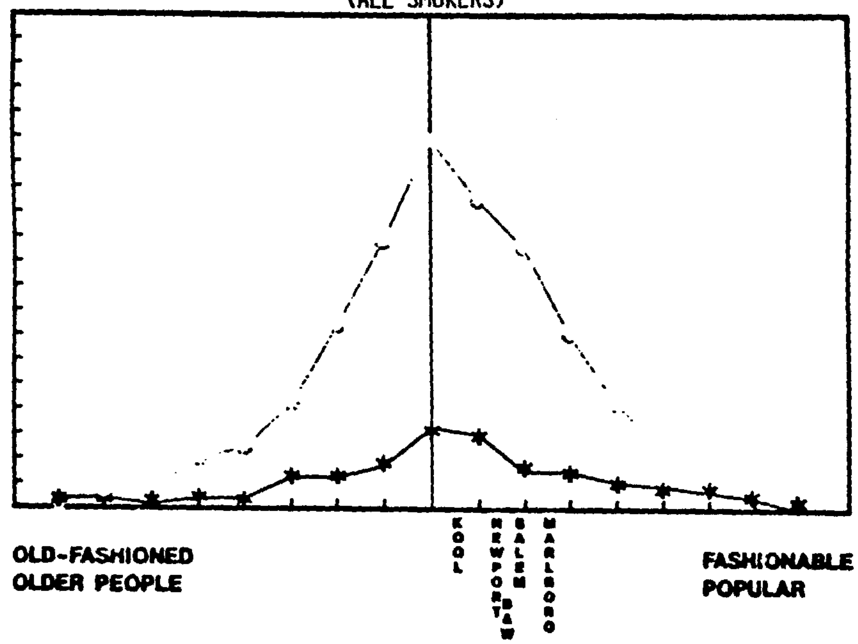
IDEAL DENSITY DISTRIBUTION

(ALL SMOKERS)



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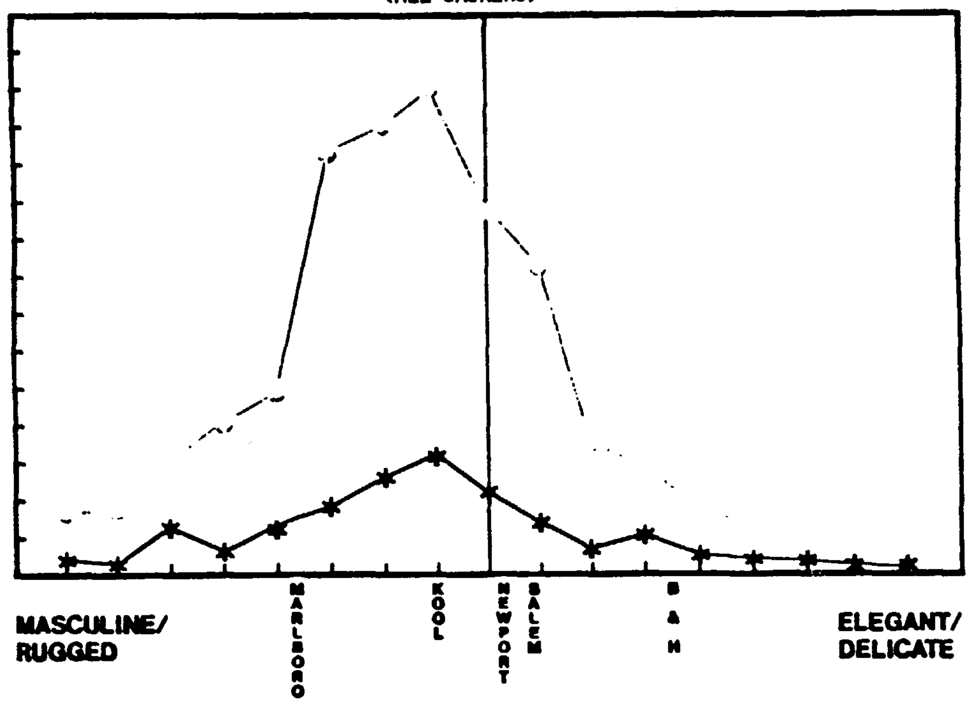
KEY FINDINGS

- KOOL LESS FASHIONABLE/POPULAR THAN NEWPORT, SALEM, MARLBORO, B&W
- KOOL AT MID-POINT OF VOLUME POTENTIAL ON THIS ATTRIBUTE

IDEAL DENSITY DISTRIBUTION

(ALL SMOKERS)



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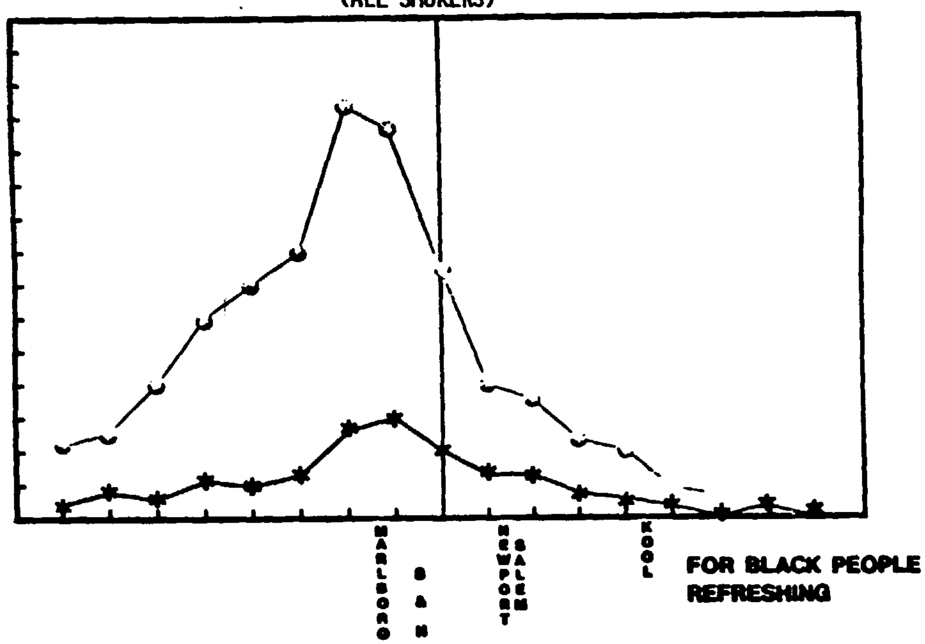
KEY FINDINGS

- KOOL MOST MASCULINE MENTHOL FOLLOWED BY NEWPORT THEN SALEM
- KOOL WELL POSITIONED FOR INI``TRY VOLUME ON THIS ATTRIBUTE

IDEAL DENSITY DISTRIBUTION

(ALL SMOKERS)



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KEY FINDINGS

- KOOL MOST BLACK OF ALL FOLLOWED BY SALEM, NEWPORT AND BELAIR
- KOOL REMOVED FROM IDEAL POINT OF MOST INDUSTRY VOLUME ON THIS ATTRIBUTE

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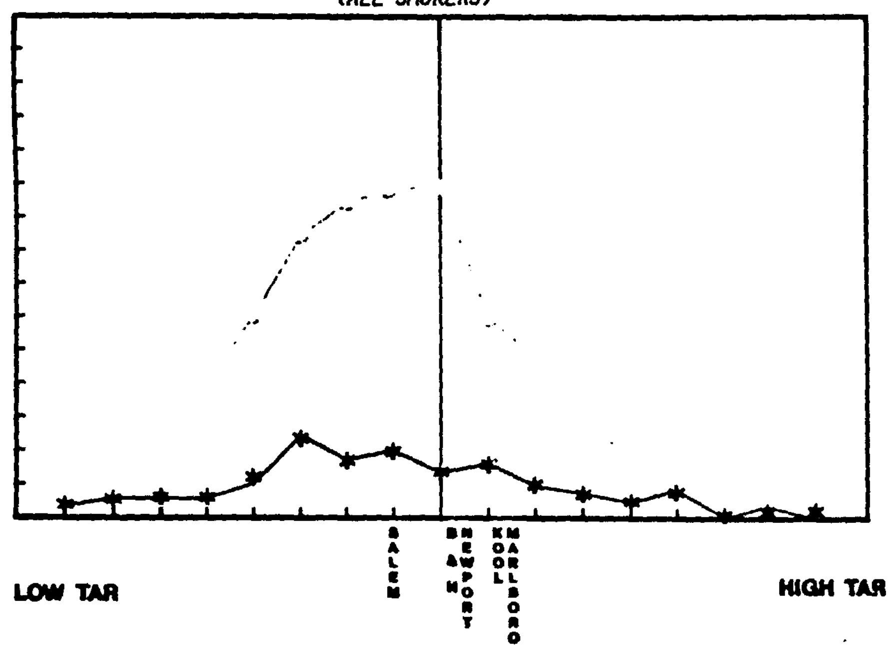
IDEAL DENSITY DISTRIBUTION

(ALL SMOKERS)



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KEY FINDING

- KOOL, NEWPORT, MARLBORO, WINSTON, AND B&H CLUSTER TOGETHER AS HIGH TAR PRODUCTS AMONG ALL SMOKERS. SALEM LOWER.

PRIMARY SMOKERS - SELECTED ATTRIBUTES/IMAGE OF OWN BRAND

KOOL	Rank	Salem	Rank	Newport	Rank	Marlboro	Rank
Satisfying	(1)	Smooth Tasting	(1)	Satisfying	(1)	Good Tasting	(1)
Good Tasting	(2)	Satisfying	(2)	Full Flavored	(2)	Satisfying	(2)
Refreshing	(3)	Good Tasting	(3)	Good Tasting	(3)	Full Flavored	(3)
Full Flavored	(4)	Refreshing	(4)	Refreshing	(4)	Rich Tasting	(4)
Rich Tasting	(5)	Rich Tasting	(5)	Rich Tasting	(5)	Smooth Tasting	(5)
For Black People	(26)	For Black People	(32)	For Black People	(31)	For Black People	(37)
Harsh Tasting	(37)	Harsh Tasting	(40)	Harsh Tasting	(40)	Harsh Tasting	(39)
Is Sexy	(29)	Is Sexy	(27)	Is Sexy	(19)	Is Sexy	(27)
High Tar	(9)	High Tar	(23)	High Tar	(14)	High Tar	(13)
Delicate	(34)	Delicate	(18)	Delicate	(28)	Delicate	(33)
Rugged	(22)	Rugged	(31)	Rugged	(30)	Rugged	(19)
Masculine	(27)	Masculine	(37)	Masculine	(29)	Masculine	(22)
A Leader	(20)	A Leader	(26)	A Leader	(17)	A Leader	(17)
A Winner	(19)	A Winner	(28)	A Winner	(18)	A Winner	(20)

Source: 1983 Image Study Attribute Rankings

Key Findings - Primary Smokers

- The product image equities of major menthols are generally similar. Major exceptions are:
  - Smooth taste more salient for Salem than KOOL or Newport. Full flavored the opposite.
  - High tar most salient for KOOL.
- KOOL product image more similar to Newport and Marlboro than Salem. Refreshing major difference to Marlboro.
- Attribute "Is Sexy" most salient among Newport franchise; similar across other brands.
- Attribute "For Black People" most salient among KOOL franchise, similar across other brands.
- Attribute "Harsh Tasting" similar across all these brands, slightly more salient for KOOL franchise.
- KOOL and Marlboro more similar to each other than to Salem and Newport on attributes "Delicate and Rugged."
- KOOL, Marlboro, and Newport more similar to each other than to Salem on attributes "Masculine, A Leader, and A Winner."

NON-FRANCHISE - SELECTED ATTRIBUTES/IMAGE OF MOST DISLIKED BRAND

KOOL	Rank	Salem	Rank	Newport	Rank	Marlboro	Rank
High Tar	(1)	High Tar	(2)	High Tar	(4)	High Tar	(1)
Harsh Tasting	(2)	Harsh Tasting	(3)	Harsh Tasting	(35)	Harsh Tasting	(2)
For Black People	(3)	For Black People	(4)	For Black People	(15)	For Black People	(15)
Is Firmly Packed	(4)	Is Firmly Packed	(1)	Is Firmly Packed	(3)	Is Firmly Packed	(3)
Is Masculine	(5)	Is Masculine	(30)	Is Masculine	(33)	Is Masculine	(4)
Is Old Fashioned	(6)	Is Old Fashioned	(21)	Is Old Fashioned	(7)	Is Old Fashioned	(9)
Is Popular	(14)	Is Popular	(6)	Is Popular	(32)	Is Popular	(20)
A Leader	(26)	A Leader	(10)	A Leader	(36)	A Leader	(25)
Elegant	(27)	Elegant	(20)	Elegant	(39)	Elegant	(38)
Delicate	(33)	Delicate	(25)	Delicate	(2)	Delicate	(32)
Lazy	(23)	Lazy	(36)	Lazy	(8)	Lazy	(16)
Someone Like Me	(29)	Someone Like Me	(38)	Someone Like Me	(13)	Someone Like Me	(30)

Source: 1983 Image Study Attribute Rankings

Key Findings - People Who Dislike Brand

- Similar perceptions across disliked brands are high tar and firmly packed.
- KOOL and Salem similar to each other for "Harsh Tasting," "For Black People," and "High Tar."
- KOOL and Marlboro similar to each other for "Harsh Tasting," "High Tar," "Firmly Packed," "Masculine," "Old Fashioned," "A Leader," "Delicate," and "Someone Like Me."
- KOOL and Newport similar to each other for "High Tar," "Firmly Packed," and "Old Fashioned."
- KOOL different from Salem and Newport for "Masculine."
- Salem different from KOOL and Newport for least "Old Fashioned," most "Popular," most "A Leader," least "Lazy," and least "For Someone Like Me."
- Newport different from KOOL and Salem for least "Harsh Tasting," least "Black," least "popular," least "Elegant," most "Delicate," least "Lazy," and most "For Someone Like Me."
- Overall, KOOL and Marlboro images similar except KOOL more for Black people.
- Overall, Newport image least polarized of this group, i.e., most for someone like me, least Black and lazy.
- Overall, Salem image appears attractive except for low masculinity, high Black, and high old fashioned.

KOOL

(Mean Ratings After Removing Brand And Attribute "Effects")

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	Franchise		Non-Franchise
1.81	High Tar	1.40	Black People
1.26	Black People	1.18	High Tar
.71	Not New	1.01	Not New
.68	Harsh Tasting	.90	Harsh Tasting
.67	Not Elegant	.64	Has Aftertaste
.62	Refreshing	.57	Not Good Tasting
.61	Not For Older People	.52	Not Natural Tasting
.61	Wishes To Smoke	.49	Not For Me
.46	Not Dry Wit	.42	Not Satisfying
.43	Not Considerate	.40	Not Proud To Smoke it
.42	Rugged	.36	Wishes To Smoke
.38	Not Proper		

KEY FINDINGS

- KOOL FRANCHISE IMAGE SALIENCE (EQUITY) STRONG, BLACK, RUGGED, REFRESHING, NOT ELEGANT, SOMEWHAT OF A MAVERICK.
- NON-FRANCHISE IMAGE SIMILAR W[illegible]H EXPECTED UNATTRACTIVE PRODUCT CHARACTEP

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Exhibit 1

1984 KOOL TARGET AUDIENCE REV WEIGHTS

Step #1 Develop age/sex profile based on 1975 KOOL skew vs. total smokers.

PROFILE INDICES
KOOL VS. TOTAL SMOKERS INDEX - 1975

	TOTAL SMOKERS 1975	KOOL SMOKERS 1975	DEMOGRAPHIC PROFILE INDEX
MALES	53.67%	61.39%	
UNDER 25	10.14	22.64	(223.27)
25-34	14.17	15.87	(112.00)
35+	29.36	22.88	(77.93)
FEMALES	46.33	38.61	
UNDER 25	8.64	16.39	(189.70)
25-34	11.89	8.64	(72.67)
35+	25.80	13.58	(52.64)
TOTAL	100.00	100.00	

Step #2 Factor age/sex profile by KOOL consumption.

	Age/Sex	X	Volumetric	=	Age/Sex/Volume
MALES	114				
UNDER 25	223		82		183
25-34	112		106		119
35+	78		107		83
FEMALES	83				
UNDER 25	190		94		179
25-34	73		95		69
35+	53		96		51

Ex 1 (cont)

1984 KOOL TARGET AUDIENCE REV WEIGHTS

Step #3 Factor age/sex/volume indices by KOOL ISP.

KOOL ISP (1982 SMRB)

	I-III	IV-V	Total
KOOL	25.1%	74.9%	100%
TOTAL SMOKERS	31.4%	68.6%	100%
INDICES	80	109	

AGE/SEX/VOL X ISP = REV WEIGHTS (NON-NORMALIZED)

	AGE/SEX/VOL	REV WEIGHTS (NON-NORMALIZED) I-III	IV-V	TOTAL
MALES				
UNDER 25	183	146	199	183
25-34	119	95	130	119
35+	83	66	90	83
FEMALES				
UNDER 25	179	143	195	179
25-34	69	55	75	69
35+	51	41	56	51

Ex 1 (cont

NON-NORMALIZED KOOL TARGET AUDIENCE BY AGE/SEX/VOL/ISP
(REV WEIGHTS X SMRB '82 TOTAL SMOKERS %)

Step #4

	I-III	IV-V	TOTAL
MEN	14.27	43.40	57.67
UNDER 25	3.69	13.47	17.16
25-34	4.46	12.38	16.84
35+	6.12	17.55	23.67
WOMEN	8.79	29.17	37.96
UNDER 25	2.93	12.97	15.90
25-34	2.32	6.10	8.42
35+	3.54	10.10	13.64
TOTAL	23.06	72.57	$\boxed{95.63}$

Reasons why not necessary to add to 100% are:

a) KOOL ISP held constant wherein TOTAL Smoker ISP has minor variation by age/sex.

b) KOOL indices for age/sex/vol taken from S.S whereas SMRB total smoker distribution is slightly different.

c) REV weights are valid because they reflect relative values one index vs. another.

Ex 1 (cont)

NORMALIZED KOOL TARGET AUDIENCE BY AGE/SEX/VOL/ISP

Step #5 Normalized to equal 100% (Raw #'s ÷ .9563)

	I-III	IV-V	TOTAL
MEN	14.94	45.36	60.30
UNDER 25	3.86	14.08	17.94
25-34	4.67	12.94	17.61
35+	6.41	18.34	24.75
WOMEN	9.20	30.50	39.70
UNDER 25	3.07	13.56	16.63
25-34	2.43	6.38	8.81
35+	3.70	10.56	14.26
TOTAL	24.14	75.86	100.00

Ex 1 (cont)

1984 KOOL NORMALIZED REV WEIGHTS

Step #6 Final normalized REV weights (normalized KOOL ÷ total smokers SMRB)

	I-III	IV-V	TOTAL
MEN	91	127	115
UNDER 25	153	208	193
25-34	100	136	124
35+	69	94	86
WOMEN	62	93	83
UNDER 25	149	204	191
25-34	58	78	71
35+	43	59	53
TOTAL	77	111	100

Ex 1a (~~cont~~)

1982 SMRB
TOTAL SMOKERS

AGE/SEX	I-III	IV-V	TOTAL
MEN	16.50	35.79	52.29
UNDER 25	2.53	6.77	9.30
25-34	4.69	9.52	14.21
35+	9.28	19.50	28.78
WOMEN	14.90	32.81	47.71
UNDER 25	2.05	6.65	8.70
25-34	4.22	8.13	12.35
35+	8.63	18.03	26.66
TOTAL	31.40	68.60	100.00

Ex 2a

KMDP TEST RESULTS

TEST DESCRIPTION: Incremental call frequency in black inner city markets, 90-180 display, get 1 free carton with purchase of 10 trade offer, and package tape-on trial incentives.

NATIONAL EXPANSION COSTS: $6.5 million for twelve months in currently identified universe of 12,800 outlets.

PAYOUT OBJECTIVES: 1.4 years based on results of Houston test.

GEOGRAPHIC SCOPE: Houston (27% of TA volume), Memphis (20% of TA volume), Detroit (22% of TA volume) black neighborhoods. Program expanded to 11 additional cities in March, 1983.

START DATE: Houston: April, 1981; Memphis and Detroit: April, 1982; Boston, New York, Philadelphia, Baltimore, Richmond, New Orleans, Chicago, Dallas, Los Angeles, San Francisco, Hawaii: March, 1983.

TOTAL KOOL

	% Of TA Volume	Base	YEAR I 1st Half	YEAR I 2nd Half	YEAR I Year I	YEAR II 1st Half	YEAR II 2nd Half	YEAR II Year II	YEAR III	Jan.-Apr. 1982
		Apr.'80 Mar.'81	Apr.'81 Sep.'81	Oct.'81 Mar.'82	Apr.'81 Mar.'82	Apr.'82 Sep.'82	Oct.'82 Mar.'83	Apr.'82 Mar.'83	Apr.'83	
Houston SOM Index Vs. Base	27	8.83	9.12 (103)	8.70 (99)	8.92 (101)	8.35 (95)	8.27 (94)	8.31 (94)	8.16 (93)	6.60 (75)
National SOM Index Vs. Base	100	8.65	8.46 (98)	8.41 (97)	8.44 (98)	7.75 (90)	7.87 (91)	7.81 (90)	7.84 (91)	6.89 (80)

	% Of TA Volume	Base	YEAR I 1st Half	YEAR I 2nd Half	YEAR I Year I	YEAR II	
		Apr.'81 Mar.'82	Apr.'82 Sep.'82	Oct.'82 Mar.'83	Apr.'82 Mar.'83	Apr.'83	Jan.'83 Apr.'83
Memphis SOM Index Vs. Base	20	14.26	13.75 (96)	13.94 (98)	13.83 (97)	14.15 (99)	14.38 (101)
Detroit SOM Index Vs. Base	22	16.80	16.39 (98)	16.90 (101)	16.61 (99)	16.29 (97)	13.35 (79)
National SOM Index Vs. Base	100	8.44	7.75 (92)	[illegible] (93)	7.81 (93)	7.84 (93)	6.89 (82)

	Base	YEAR I		
	Mar.'82 Feb.'83	Mar.'83	Apr.'83	Mar.'83 Apr.'83
1983 11 KMDP Markets Index Vs. Base	8.06	7.52 (93)	8.21 (101)	7.84 (97)
National Index Vs. Base	7.86	7.14 (91)	7.86 (100)	7.47 (95)

ASSESSMENT: Significant improvement of share trends through tests. Small scope of test able to improve share trend of total TA.

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KMDP TEST RESULTS

TOTAL B&W SHARE

	Base	Year I	Year II	Year III	
	Apr.'80 Mar.'81	Apr.'81 Mar.'82	Apr.'82 Mar.'83	Apr.'83	Jan.'83 Apr.'83
Houston Index Vs. Base	13.07	13.35 (102)	12.47 (95)	12.00 (92)	10.13 (78)
National Index Vs. Base	13.69	13.87 (101)	12.77 (93)	12.31 (90)	11.27 (82)

	Base	Year I	Year II	
	Apr.'81 Mar.'82	Apr.'82 Mar.'83	Apr.'83	Jan.'83 Apr.'83
Memphis Index Vs. Base	19.63	18.81 (96)	18.75 (96)	17.10 (87)
Detroit Index Vs. Base	22.22	21.51 (97)	20.44 (92)	17.07 (77)
National Index Vs. Base	13.87	12.77 (92)	12.31 (89)	11.27 (81)

	Base	Year I		
	Mar.'82 Feb.'83	Mar.'83	Apr.'83	Mar.'83 Apr.'83
1983 11 KMDP Markets Index Vs. Base	12.26	11.09 (90)	11.96 (98)	11.49 (94)
National Index Vs. Base	12.88	11.42 (89)	12.31 (96)	11.83 (92)

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Exhibits 3a - 3

PROMOTION COSTS AND PAYBACKS

Exhibit 3a

KMDP

14,000 stores, 78 assignments

80% display and promotion penetration

$8.00 wholesale carton price

Consumer	
Consumer incentives ($.25 each x 11,200 stores x 200 units x 2 times/year)	1,120.0
Rep sampling	139.0
Retail	
Permanent POP	797.0
Temporary POP	100.0
BIOGIF (300 cartons/month/rep)	2,246.4
Display payments	1,075.2
Community Involvement	
Memberships	75.0
Festival participation	100.0
Subtotal	5,652.6
KOOL City Jams (10 shows)	500.0
KCJ sampling	1,200.0
Subtotal	1,700.0
KMDP Total	$7,652.6

Ex 3b

FIRST QUARTER 1984 SMP

Items: 6.5MM lighters

Costs

6.5MM lighters ($2.5MM paid in 1983)	$ 587.2
Poster Offer	0
SMP Payments	675.4
SMP Materials ($344.0M paid in 1983)	231.0
Deal Assembly	195.0
Subtotal	1,688.6
M&P	3,875.0
1984 Total	5,563.6
1983 Total	2,844.0
Promotion Total	$8,407.6M
30% Misappropriation	1,950.0
40% Franchise	2,600.0
Net Competitive Trials	1,950.0
Duplication (1.3/person)	450.0
Net Competitive Triers	1,500.0
2% Conversion	30.0
One Time Incremental Volume	78MM units
One Time Incremental Variable Margin	$1,131.0M
Net Cost:	$7,276.6M
One Year Incremental Volume	306MM units
One Year Incremental Variable Margin	$4,437.0M
Payback	19.4 months
Two Year Breakeven Conversion	1.6%
Gross Cost/M Units	$ 107.79
Net Cost/M Units	$ 93.29

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Ex. 3C

VANS

Three Vans

Overhead		$291.5
Depreciation	39.0	
Salary	82.5	
Driver expenses/day ($75 x 3 x 330 days)	74.9	
Gas and maintenance	52.5	
CMC	50.0	
Incentives		$257.0
Premiums	242.0	
Costumes	15.0	
Sampling		$632.0
Product (600M samples)	582.0	
Audits	50.0	
Total		$1,187.9

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Ex 3d

MILITARY

Consumer Incentives		$400.0
Testing Propositions		250.0
B3G1F carton offer	$100.0	
Store set sale	45.0	
B3G2F w/$2.00 bounceback	80.0	
Continuity/self liquidator	25.0	
KOOL Super Nights (21 shows)		198.6
POP, posters, brochures	$ 50.0	
Incentives	80.0	
Publicity	25.0	
Sampling (77M packs)	42.0	
Coupon redemption (8% @ 25¢/pack)	1.6	
Promotion Total		$848.6
Sponsorship (Advertising)		325.0
Total Military		$1,173.6

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THE DOCUMENT BEING FILMED.

Ex 3e

TEMPORARY DISPLAYS

3,650 AA-C outlets, 60% participation

$11.50 average payment

4.5 cartons/display

3 x in 6 months

Costs: $75,600

Incremental Volume: (45 cartons x 2,200 stores)	19.8MM
Variable margin @ $14.50/M (19.8MM x $14.50/M	$287.100
Breakeven	5.2MM units

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Ex 3f

DIRECT MAIL TEST

Assumption

This analysis assumes that it costs $.75 to mail an offer to one person. That is, printing, name selection and postage are held fixed at $.75. This is a realistic assumption and one which is necessary to calculate the payback.

Two year incremental variable margin is $295.80 (1.4 ppd x 730 days x $.290).

For comparability, it is assumed each offer is sent to 30,000 people.

Coupon redemption is held constant at 80%.

Free Carton Offer

30,000 names @ $.75	$ 22,500
12,000 (40%) responders @ $.35	4,200
9,600 redeemers @ $7.75	74,400
	$101,100

$101,100 ÷ $257.54 = 392.6 required converters
392.6 ÷ 9,600 = 4.1% two-year conversion %

$5.00 Off Offer

30,000 names @ $.75	$ 22,500
6,000 (20%) responders @ $.35	2,100
4,800 redeemers @ $5.00	24,000
	$ 48,600

$48,600 ÷ $257.54 = 188.7 required converters
188.7 ÷ 4,800 = 3.9% two-year conversion %

$3.00 Off Offer

30,000 names @ $.75	$ 22,500
4,500 (15%) responders @ $.35	1,575
3,600 redeemers @ $3.00	10,800
	$ 34,875

$34,875 ÷ $257.54 = 135.4 required converters
135.4 ÷ 3,600 = 3.8% two-year conversion %

Ex 3F

Direct mail test (cont)

Free Carton Offer with Backend

30,000 names @ $1.00*	$ 30,000
12,000 (40%) responders @ $.35	4,200
9,600 (80%) redeemers @ $7.75	74,400
1,440 (15%) responders @ $.35	490
1,152 (80%) redemption @ $3.00	3,456
864 (60%) redemption @ $2.00	1,728
576 (40%) redemption @ $2.00	1,152
	$115,426

$115,426 ÷ $257.54 = 448.2 required converters
448.2 ÷ 9,600 = 4.7% two-year conversion %

*Includes printing of backend piece

Ex 39

LIGHTER ON CARTON

	Test	National
Items	235M	9.5MM
Costs Lighters @ $.47 each)	$117.5M	$4465.0M
30% Misappropriation	70.5M	2850.0M
30% Franchise	70.5M	2850.0M
Competitive Purchases	94.0M	3800.0M
2% Conversion	1.88M	76.0M
One Time Incremental Volume	18.8MM	760M
One Time Incremental Variable Margin	272.6M	$11.0MM
Net Cost	0	0
One Year Incremental Volume	19.2MM	775.2MM
One Year Incremental Variable Margin	$278.1M	$11.24MM
Payback (in Months)	-	-
Two Year Breakeven Conversion	0	0
Gross Cost Per M Units	$6.25	$5.88
Net Cost Per M Units	0	0

Ex 3 h

B2GIF CARTON STORE INTERCEPT

MILITARY COMMISSARIES

(NATIONAL)

	000's Units	In 000's
# of Deals (380 Coupons x 169 Stores x 6 periods)	385.3	
# of Cartons	1,155.9	
COSTS		
385,300 x $5.52 redemption ($5.37 avg. cost + $.15 handling)		$2,126.9
Part-Time Sales Hours @ $5.00		19.8
P.O.P.		7.8
Total		$2,154.5
Misappropriation @ 5%	57.8	
Franchise Use @ 20%	219.6	
Competitive Trial @ 80%	878.5	
Competitive Triers @ 3.0	292.8	
Conversion @ 5%	14.6	
Incremental Volume	527,340.0 ~~175,700.0~~	
Incremental Margin @ $2.90 x 2 ctn.		$5,097.6 ~~$2,547.7~~
Net Cost		0
1 Year Incremental Volume	149,212.0 ~~154,760.0~~	
1 Year Incremental Margin		$2,159.3 ~~$2,244.0~~
Payback		1-3 mos.
2 Year Breakeven Conversion %	1.77%	~~[illegible]~~
Gross Cost/000 Units		~~$1.0~~ $12.26/00C
Net Cost/000 Units		0

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Ex 3 i

BRANDED PREMIUM WITH 2 CARTON PURCHASE

MILITARY COMMISSARIES/EXCHANGES

(NATIONAL)

	000's Units	000's $
# of Deals	5,000.0	
# of Cartons	10,000.0	
COSTS		
5,000,000 Branded Premiums @ $2.00		10,000.0
Part-Time Sales Hours		79.2
P.O.P.		18.8
Total		$10,098.0
Misappropriation @ 5%	500.0	
Franchise Use @ 35%	3,325.0	
Competitive Trial @ 65%	6,175.0	
Competitive Triers @ 3.0	2,058.0	
Conversion @ 5%	103.0	
Incremental Volume	~~1,235,000.0~~ 2,470,000.0	
Incremental Margin @ $2.90 × 2 ctn.		~~$17,907.5~~ $35,815.0
Net Cost		0
1 Year Incremental Volume	1,091,800.0	
1 Year Incremental Margin		$15,831.1
Payback		1-3 mos.
2 Year Breakeven Conversion %	1.7%	
Gross Cost/000 Units		~~$1.0~~ $8.18/00
Net Cost/000 Units		0

Ex 3 j

MINI-CARTON

MILITARY EXCHANGES

(NATIONAL)

	000's Units	000's $
# of Mini-Cartons	611,040.0	
COSTS		
Special Carton Configuration @ $.10		$61,104.0
Media Costs		182.4
Display (End Cap @ 3 Months)		83.6
P.O.P.		10.0
Total		$61,380.0
Misappropriation @ 10%	61,104.0	
Franchise Use @ 70%	384,955.0	
Competitive Trial @ 30%	164,981.0	
Competitive Triers @ 3.0	54,994.0	
Conversion @ 2.5%	1,374.9	
Incremental Volume	16,498,100.0	
Incremental Margin @ $1.45		$239,222.5
Net Cost		0
1 Year Incremental Volume	~~14,573,940.0~~ 14,051,478.0	
1 Year Incremental Margin		~~$211,322.1~~ $203,347.8
Payback		1-3 mos.
2 Year Breakeven Conversion %	.8%	
Gross Cost/000 Units		~~$100.45~~ $3.72/000
Net Cost/000 Units		0

Ex 3 k

KOOL CASH PROGRAM

MILITARY TRAINING BASE

(NATIONAL)

	000's Units	000's $
# Packs	500,000.0	
# Deals	250,000.0	
COSTS		
Cash Back For KOOL*		$25,000.0
Handling @ $10/$1.00		2,500.0
P.O.P.		15.0
Total		$27,515.0
Misappropriation @ 5%	12,500.0	
Franchise Use @ 40%	95,000.0	
Competitive Trial @ 60%	142,500.0	
One-On-One Slippage @ 2 x for Net Comp.	285,000.0	
Competitive Triers @ 30.0	9,500.0	
Conversion @ 2.5%	237.5	
Incremental Volume	5,700,000.0	
Incremental Margin @ $.29		$82,650.0 ~~$85,500.0~~
Net Cost		0
1 Year Incremental Volume	2,427,250.0 ~~2,517,500.0~~	
1 Year Incremental Margin		$35,126.3 ~~$36,503.8~~
Payback		1-3 mos.
2 Year Breakeven Conversion %	.08%	
Gross Cost/000 Units		$4.83/000
Net Cost/000 Units		0

*10 packs = $1.00 in KOOL cash

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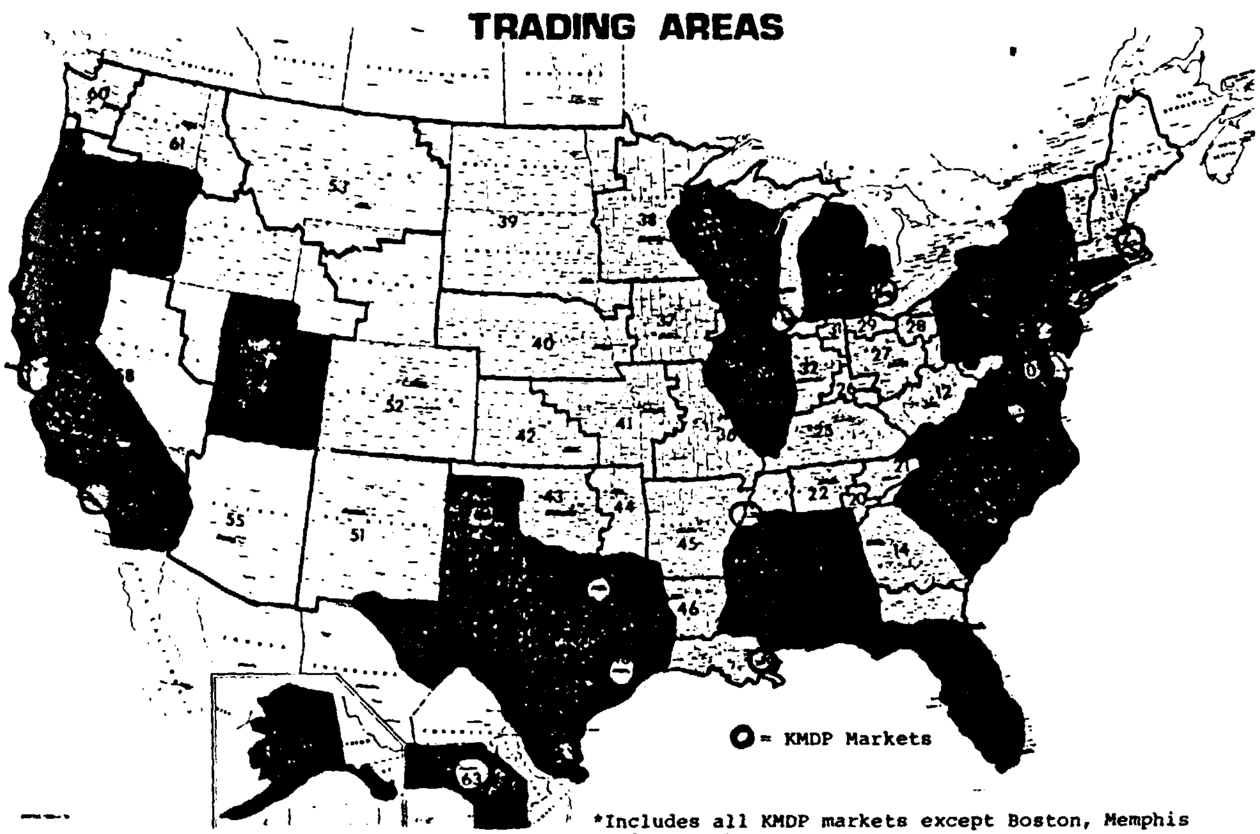
Exhibit 4a

TEN'S ROLLOUT AREA*
(States which have no tax penalty on 10's)



*Includes all KMDP markets except Boston, Memphis and New Orleans

Exhibit 4b

TEN'S ROLLOUT AREA

STATE	CSP
North Carolina	3.59
Virginia	2.70
South Carolina	1.40
Maryland	1.90
Utah	.36
Mississippi	1.05
Oregon	1.28
Illinois	5.12
Pennsylvania	4.95
New York	7.66
Alaska	.19
California	9.32
Alabama	1.57
Texas	6.01
Wisconsin	1.90
Hawaii	.28
New Jersey	3.13
Rhode Island	.48
Florida	4.29
Michigan	4.38
Connecticut	1.23
	62.79

CURRENT KMDP

(Boston, MA)
New York/Newark, NJ
Philadelphia, PA
Washington/Baltimore, MD
Detroit, MI
Chicago, IL
Richmond, VA
(Memphis, TN)
(New Orleans, LA)
Dallas, TX
Houston, TX
San Francisco/Oakland, CA
Los Angeles, CA
Hawaii

( ) Not in 10's rollout area

Exhibit 4c

"[illegible]" PROJECT CHART

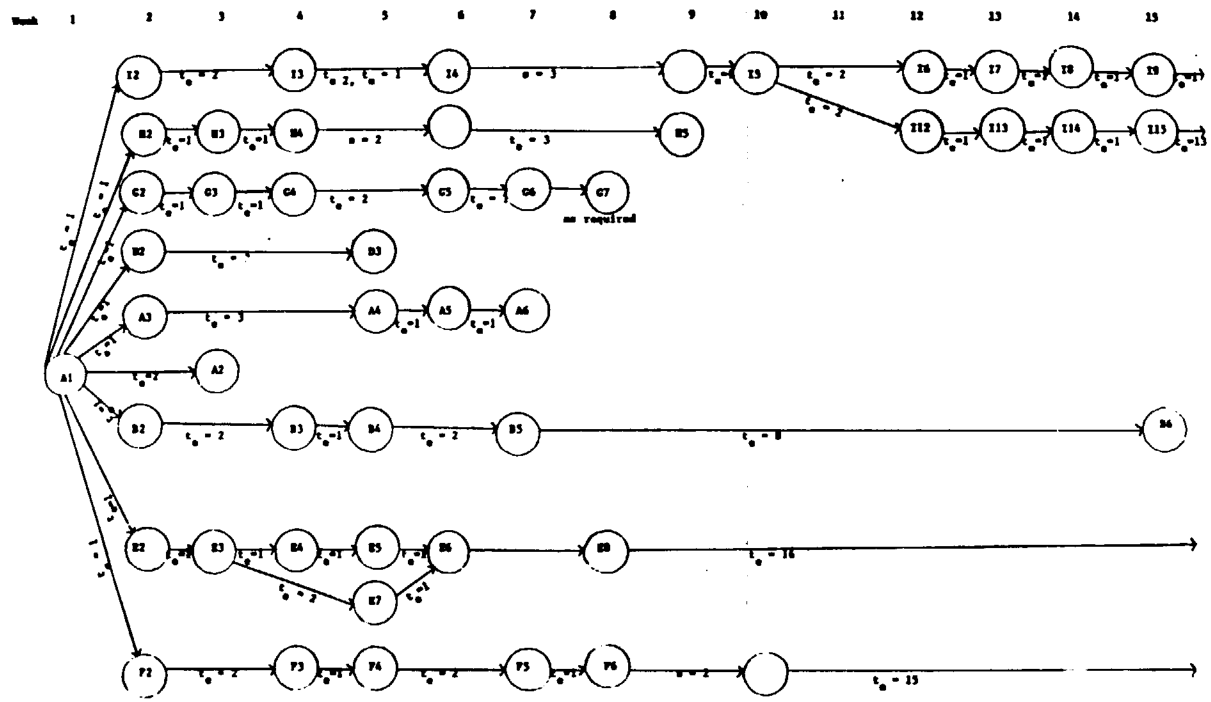


Exhibit 4- (cont'd)

"TIME" PROJECT CHART

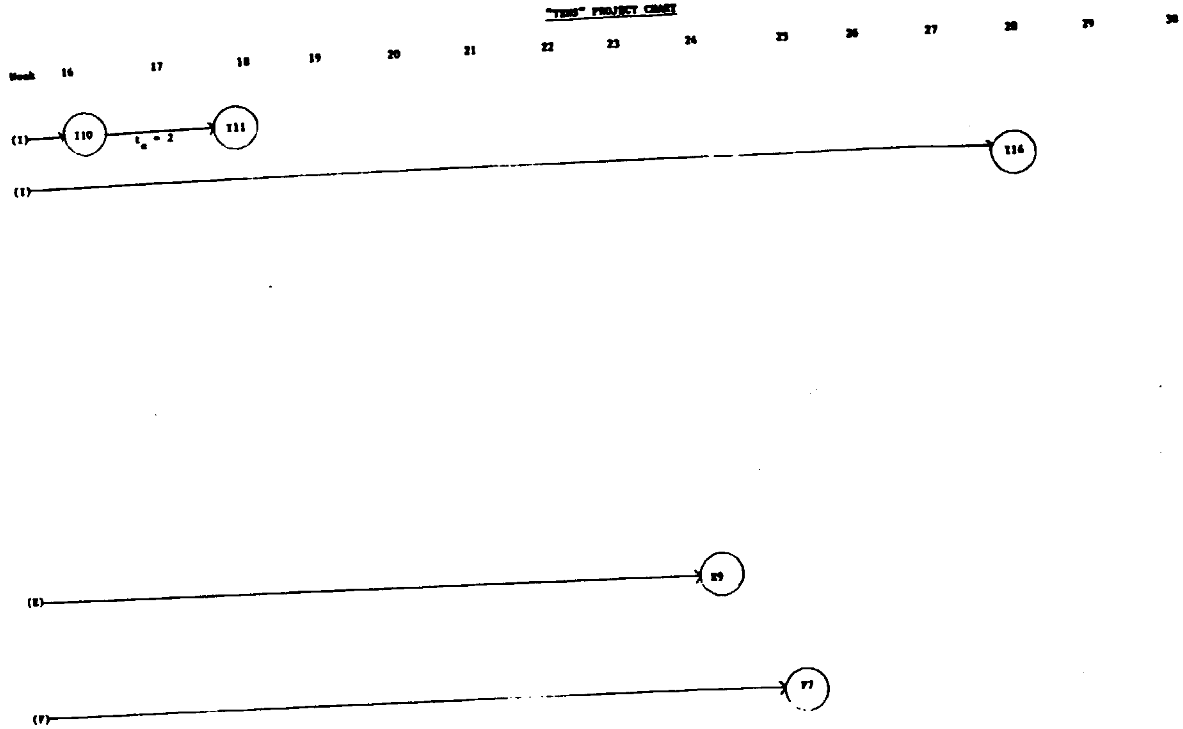


Exhibit 4d

TENS

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
A. Market selection	1. Project approval	Blott	1	0	1
	2. MMDR, if necessary	Finley	2	1	3
	3. Target audience/geography guidance to MF&A and FRS management	Finley	1	1	2
	4. Geography (based on demo-graphics) reccomendations to Brand Group	Lajti/Kopp Doug Johnson	3	2	5
	5. Approval by Brand Group	Finley Schreiber	1	5	6
	6. Communicated to Sales	Finley	1	6	7

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Exhibit 4e

TENS

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
B. Packaging	1. Project approval	Blott	1	0	1
	2. Final brief to designer	Finley	1	1	2
	3. Design work	Beasley	2	2	4
	4. Brand/Marketing approval	Domantay Blott	1	4	5
	5. Final art	Beasley	2	5	7
	6. Materials ready for production	Beasley	8	7	15

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Exhibit 4f

TENS

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
D. Manufacturing	1. Project approval	Blott	1	0	1
	2. Guidance to Manufacturing	Finley	1	1	2
	3. Manufacturing plan to Brand Group - Scheduling - Capacity - Etc.	Dant	3	2	5

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Exhibit 4g

TENS

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
E. Distribution/ Trade Promotion	1. Project approval	Blott	1	0	1
	2. Guidance to Sales	Finley	1	1	2
	3. Distribution, merchandising & trade promotion concepts	Sharp, Butler Middleton	1	2	3
	4. Brand Management approval	Finley Schreiber Reid	1	3	4
	5. Distribution merchandising and trade promotion plan for PPL inclusion	Sharp	1	4	5
	6. Brand Group approval	Finley Schreiber	1	5	6
	7. Sales force call coverage/ frequency guidelines	Butler/ Middleton			
	8. Sales work plan/distribution guidelines and procedures	Sharp	2	6	8
	9. Display tray/materials	Sharp	16	8	24

Exhibit 4h

TENS

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
F. Consumer Promotion	1. Project approval	Blott	1	0	1
	2. Guidance to promotion staff	Finley	1	1	2
	3. Promotion concepts to Brand Group	Veatch	2	2	4
	4. Brand Group approval	Finley Schreiber	1	4	5
	5. Promotion plan developed/ PPL written	Veatch/	2	5	7
	6. PPL approved		1	7	8
	7. Preparations made/ materials designed and produced	Veatch Finley	15	8	23

Exhibit 4i

TENS

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
G. Media	1. Project approval	Blott	1	0	1
	2. Guidance to media	Finley	1	1	2
	3. Media principles	Coleman	1	2	3
	4. Brand Management approval	Finley Schreiber Reid	1	3	4
	5. Media plan developed	Coleman	2	4	6
	6. Brand Management approval	Finley Schreiber Reid	1	6	7
	7. Execute plan	Coleman			

Exhibit 4j

TENS

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
H. Consumer Research	1. Project approval	Blott	1	0	1
	2. Guidance to MRD	Finley	1	1	2
	3. Design research to assess positioning alternatives	Brand	1	2	3
	4. Brand Group approval	Schreiber	1	3	4
	5. Execute research plan evaluate	Brand	3	4	7

Exhibit 4k

TENS

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
I. Creative	1. Project approval	Blott	1	0	1
	2. Guidance to agency	Finley	1	1	2
	3. Creative concepts	C&W	2	2	4
	4. Materials for testing	C&W	2	4	6
	5. Brand Management approval	Domantay	1	6	7
	6. ROP tissues prepared	C&W	2	7	9
	7. ROP tissues approved	Finley Schreiber Reid	1	9	10
	8. ROP keylines prepared	Finley Schreiber Reid	1	10	11
	9. ROP keylines approved	Finley Schreiber Reid	1	11	12
	10. Final proofs approved	Finley	1	12	13
	11. ROP appears	C&W	2	13	15
	12. OOH tissues prepared	C&W	2	7	9
	13. OOH tissues approved	Finley Schrieber Reid	1	9	10

Exhibit 41

TENS

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
I. Creative (Continued)	14. OOH keylines prepared	Finley Schreiber Reid	1	10	11
	15. OOH keylines approved	Finley Schreiber Reid	1	11	12
	16. OOH printed	C&W	13	12	25

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Exhibit 4m

TENS

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
J. Vending	1. Project approval	Blott	1	0	1
	2. Guidance to special markets	Finley	1	1	2
	3. Vending plan detail to Brand Group	Rozek	2	2	4
	4. Brand Group approval	Finley Schreiber	1	4	5
	5. Preparations made, materials designed and produced	Rozek Veatch Finley			
	6. Implement plan	Rozek			

Exhibit 5a

"DELUXE" PROJECT CHART

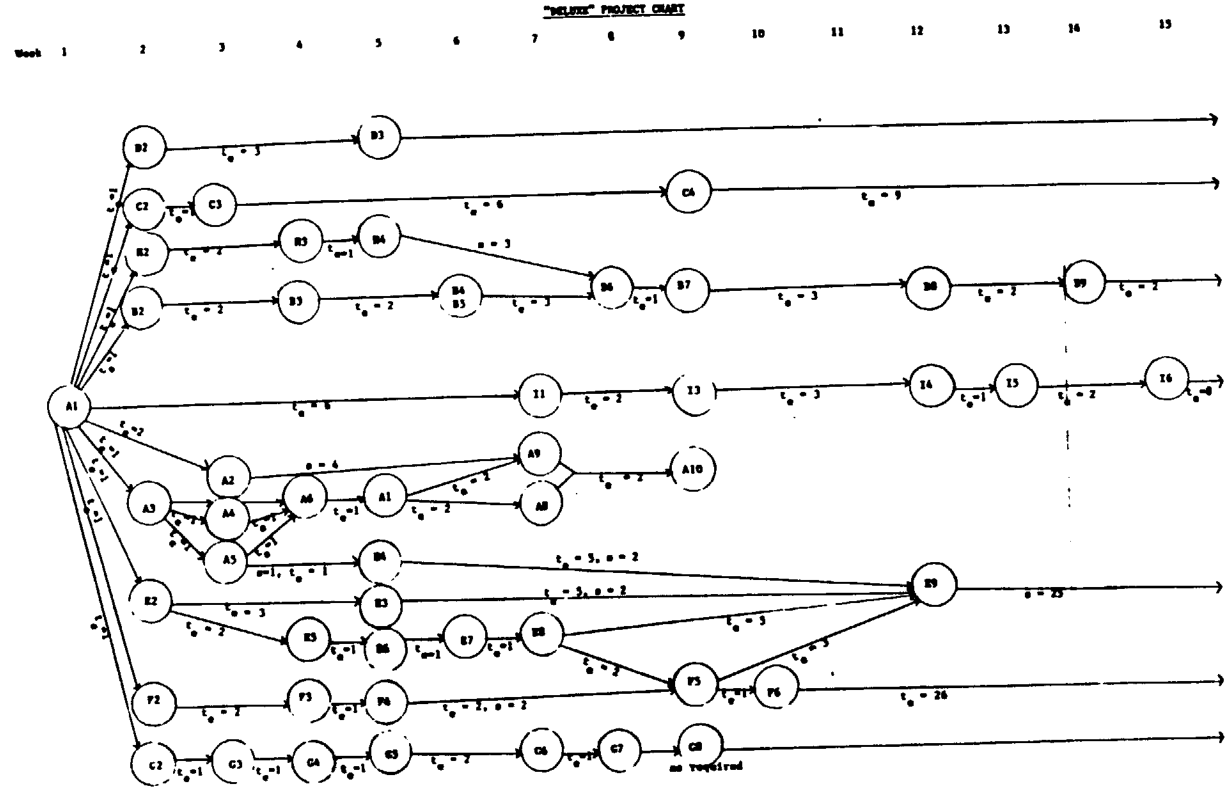

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Exhibit 5a (cont'd)

"DELUXE" PROJECT CHART

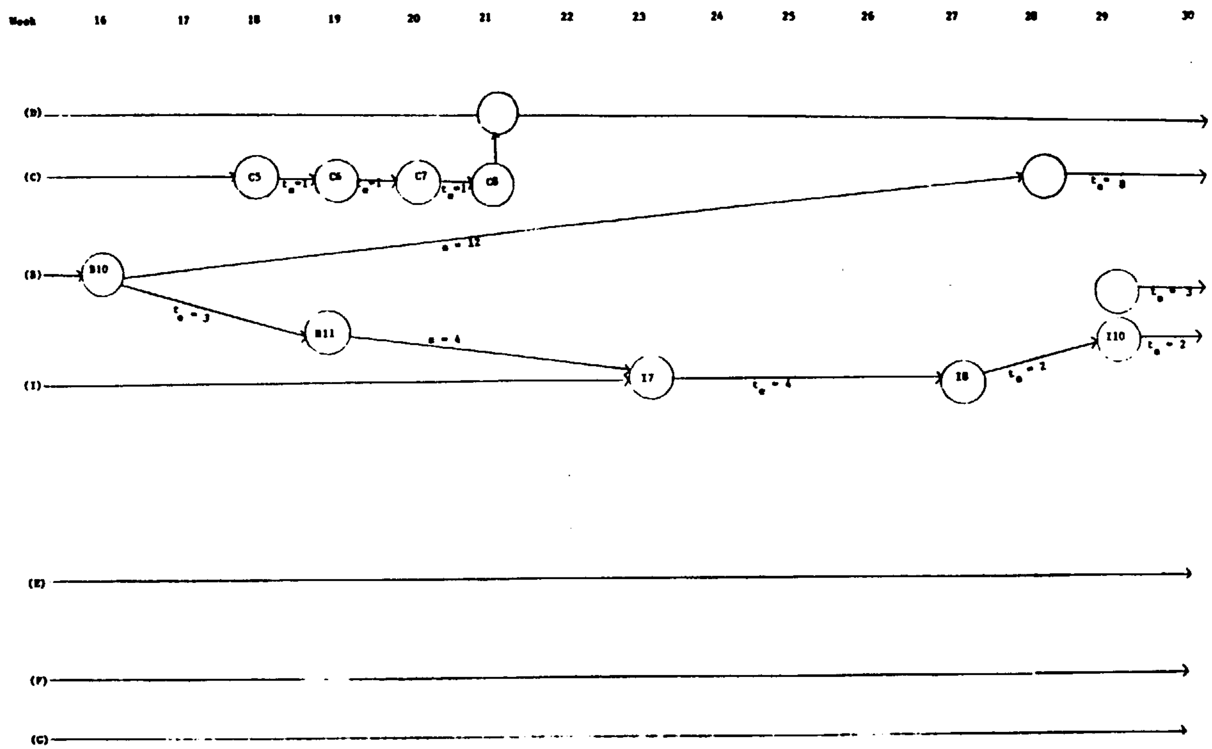

Exhibit 5a (cont'd)

"DELUXE" PROJECT CHART

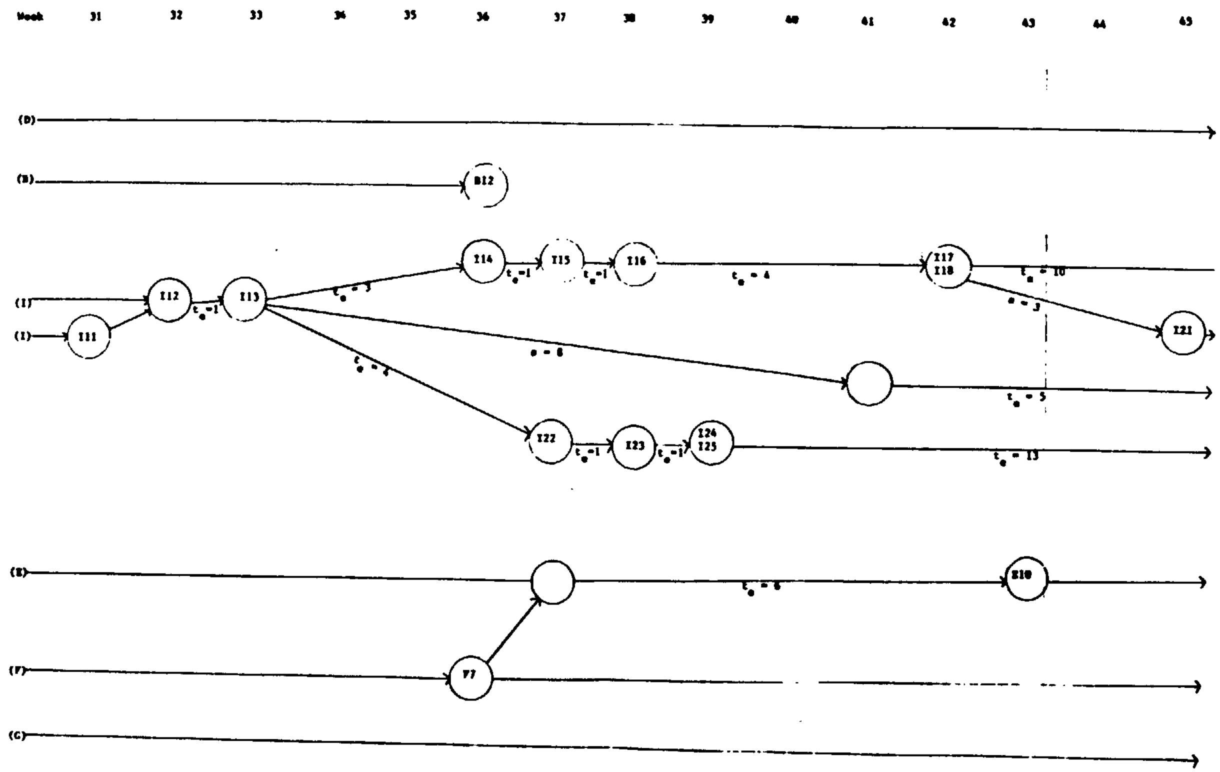

Exhibit 5a (cont'd)

"[illegible]" PROJECT CHART

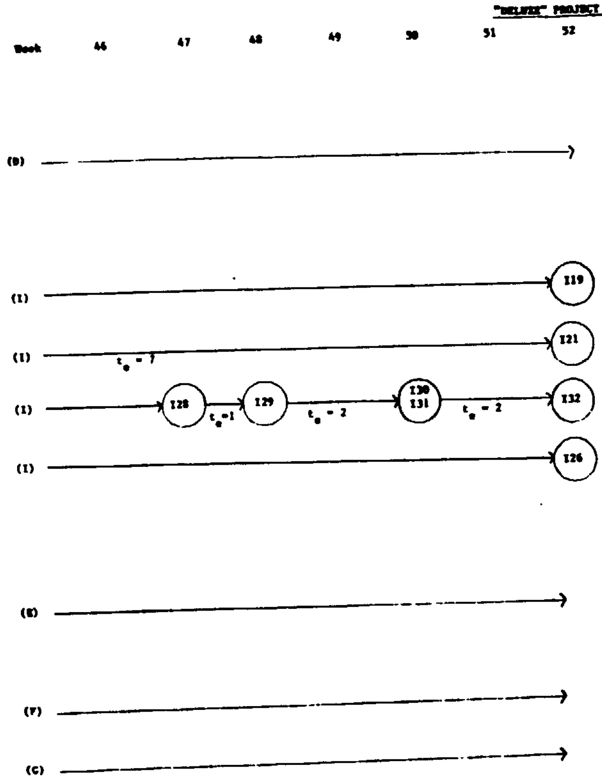

Exhibit 5b

DELUXE

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
A. Test Market Selection	1. Project Approval	Blott	1	0	1
	2. MMDR, preliminary	Finley	2	1	3
Test Plan	3. Criteria to MF&A and Sales and Media	Finley	1	1	2
	4. Sales input to MF&A	TBA	1	2	3
	5. Media input to MF&A	Coleman	1	2	3
	6. MF&A market recommendations	Lajti/Brand	1	3	4
	7. Marketing approval	Finley Schreiber	1	4	5
	8. Evaluation plan	Brand/Lajti	2	5	7
	9. Contingency plan	Finley	2	7	9
	10. MMDR revised if necessary	Finley	2	9	11

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Exhibit 5c

DELUXE

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
B. Packaging	1. Project approval	Blott	1	0	1
	2. Final brief to designer	Finley	1	1	2
	3. Design Work - I	Beasley	2	2	4
	4. Brand Group guidance	Finley Schreiber	0	4	4
	5. Design work II	Beasley	2	4	6
	6. Brand Management approval	Domantay	2	6	8
	7. Materials for consumer research	Beasley/	1	8	9
	8. Consumer research	Brand	3	9	12
	9. Final Marketing Management approval (and refinement as necessary)	Blott	2	12	14
	10. Final art	Beasley	2	14	16
	11. Materials comped for testing	Beasley	3	16	19
	12. Materials printed (including Quality Control testing)	Beasley	8	16	24

Exhibit 5d

DELUXE

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
C. Product	1. Project approval	Blott	1	0	1
	2. PDC document on KOOL LIGHTS 80's	Finley	1	1	2
	3. PDC/top management approval	PDC	1	2	3
	4. Product developed	R&D	6	3	9
	5. Product tested	Gravely	9	9	18
	6. Manufacturing specs developed	R&D	1	18	19
	7. Top management approval	Top Management	1	19	20
	8. Management specs to Manufacturing	R&D	1	20	21

Exhibit 5e

DELUXE

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
D. Manufacturing Plan	1. Project approval	Blott	1	0	1
	2. Guidance to Manufacturing	Finley	1	1	2
	3. Manufacturing plan to Brand Group - Capacity - Scheduling - Etc.	Dant	3	2	5

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Exhibit 5f

DELUXE

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
E. Distribution/ Trade Promotion	1. Project approval	Blott	1	0	1
	2. Guidance to Sales	Finley	1	1	2
	3. Distribution/tradeout/ pickup policies	TBA	3	2	5
	4. Test market selection and parameters to Sales	Finley	1	4	5
	5. Trade Promotion/Merchandising concepts	Sharp	2	2	4
	6. Brand Group approval	Finley Schreiber	1	4	5
	7. Trade promotion plan as input to PPL	Sharp	1	5	6
	8. Brand Group approval	Finley Schreiber	1	6	7
	9. Design sales work plan/ distribution procedures	Sharp	5	5	10
	10. Produce selling materials	Sharp	6	10	16

Exhibit 5g

DELUXE

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
F. Consumer Promotion	1. Project approval	Blott	1	0	1
	2. Guidance to Promotion Staff	Finley	1	1	2
	3. Promotion concepts to Brand Group	Veatch	2	2	4
	4. Brand Group approval	Finley Schreiber	1	4	5
	5. Promotion plan developed PPL written	Veatch/	2	5	7
	6. PPL approved	Management	1	7	8
	7. Preparations made/ materials designed and produced	Finley Veatch	26	8	34

Exhibit 5h

DELUXE

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
G. Media Plan	1. Project approval	Blott	1	0	1
	2. Guidance to Media	Finley	1	1	2
	3. Media input to market selection	Coleman	1	2	3
	4. Media principles for spending level/national theoretical plan	Coleman	1	3	4
	5. Approval by Brand Management	Domantay	1	4	5
	6. Test market media plan developed	Coleman	2	5	7
	7. Approval by Brand Management	Domantay	1	7	8
	8. Execute plan	Coleman	As required		

Exhibit 5i

DELUXE

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
H. Consumer Research	1. Project approval	Blott	1	0	1
	2. Brief MRD	Finley	1	1	2
	3. Design for package testing to Brand Group	Brand	2	2	4
	4. Brand Management approval	Finley Schreiber	1	4	5
	5. Materials for testing (B6)	Beasley	1	5	6
	6. Execute test and evaluate (B7)	Brand	3	6	9

Exhibit 5j

DELUXE

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
I. Creative	1. Exploratory visual/ headline and copy concepts developed	C&W	7	0	7
	2. Exploratory concept refinement	C&W	2	7	9
	3. Shoot preparation	C&W	3	9	12
	4. Shoot	C&W	1	12	13
	5. Exploratory executions comped for testing	C&W	2	13	15
	6. Research: TAT	Brand	8	15	23
	7. Research: Tip in/ communication test - Including packs	Brand	4	23	27
	8. Final exploratory creative recommendation to Brand Group	C&W	2	27	29
	9. Approval: Brand Management	Schreiber Reid Domantay Blott	2	29	31
	10. Shoot preparation	C&W	3	29	32

Exhibit 5k

DELUXE

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
I. Creative (Continued)	11. Shoot	C&W	1	32	33
	12. Magazine tissues prepared	C&W	3	33	36
	13. Magazine tissues approved	Finley Schreiber Reid	1	36	37
	14. Keylines approved	Finley Schreiber Reid	1	37	38
	15. Final proofs approved	Finley	4	38	42
	16. Materials release to monthlies	C&W	0	42	42
	17. Monthlies appear	C&W	10	42	52
	18. Materials release to weeklies	C&W	0	45	45
	19. Weeklies appear	C&W	7	45	52
	20. OOH tissues prepared	C&W	4	33	37
	21. OOH tissues approved	Herzog Schreiber Reid	1	37	38
	22. OOH keylines approved	Herzog Schreiber Reid	1	38	39

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Exhibit 51

DELUXE

Topic	Element/Task	Who	Duration (Weeks)	Start (Week)	Finish (Week)
I. Creative (Continued)	23. Released to printer	C&W	0	39	39
	24. OOH posted	C&W	13	39	52
	25. ROP tissues prepared	C&W	5	41	46
	26. ROP tissues approved	Finley Schreiber Reid	1	46	47
	27. Keylines approved	Finley Schreiber Reid	1	47	48
	28. Final proofs approved	Finley	2	48	50
	29. Materials released to publications	C&W	0	50	50
	30. ROP appears	C&W	2	50	52