PHILIP MORRIS USA INTER-OFFICE CORRESPONDENCE

120 PARK AVENUE, NEW YORK, NY 10017-5592

TO: Distribution **DATE:** February 5, 1993

FROM: Rebecca Wallach Gordon RG

SUBJECT: Deep Discount (Store Brand/Generic) Category Explosion

In February, 1992, questions were added to the Continuous Tracking Study so that we could:

- Identify what consumers meant when they told us, on the telephone, that their current brand was a generic
- Monitor over time, whether consumers refer to their cigarettes by brand name or merely as a generic
- Determine the previous brands smoked by deep discount smokers
- Monitor deep discount brand activity
- Track any changes in the demographics of deep discount consumers

This report highlights data from February through November 1992.

Overview

- Growth in the deep discount category last year was explosive. In February, only 120 respondents (3.9%) told us they were deep discount smokers -- in November 222 people (7.4%) told us they smoked deep discount.

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
N=	3045	3033	3030	3024	3034	3023	3031	3030	3042	3019
Deep Discount	120	121	147	152	160	172	207	201	209	222
Share (%)	3.9	4.0	4.9	5.0	5.3	5.7	6.8	6.6	6.9	7.4

- Respondents who claimed to smoke a generic brand were asked to bring a pack of their cigarettes to the telephone -- in November 93% obliged. Each smoker who was able to do so was asked to read the name and UPC code from off the pack. The UPC and name was used to determine the brand and manufacturer of cigarettes: The remaining data presented in this report is for smokers who had their packs available.

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• Among smokers we spoke to, PM remained the leader in the discount category (28.1%). However, PM and the other manufacturers lost share to RJR throughout 1992.

Manufacturers Share of Deep Discount

	Mar-May	June-Aug	Sept-Nov
	%	%	%
N=	368	460	555
PM	32.1	33.0	28.1
B&W	35.6	30.0	27.2
RJR	13.9	17.2	25.4
L&M	14.4	13.3	12.6

• The most popular brands during the three months ending November, GPC (27.2%), Best Value (21.3%) and Basic (15.9%), account for roughly two-thirds of the entire segment. RJR's share increase, during the year, is attributable to the growth in Best Value.

Deep Discount Brands Share Of Category

	Mar-May	June-Aug	Sept-Nov
GPC	35.6	30.0	27.2
Best Value	12.2	15.4	21.3
Basic	20.4	19.8	15.9

• During 1992, deep discount smokers use of brand names changed. During the three months ending May, 41% of discount smokers called their brand by name. The remaining smokers referred to their brand as "generic". During the three months ending November, 56% called their brand by name.

Consumer Brand Reference

	Used Name Mar-May	Used Name Sept-Nov
Total	41%	56%
GPC	48	59
Best Value	33	48
Basic	40	78

• Critically, 38% of these smokers, previously smoked a Philip Morris product. Marlboro made the greatest contribution to the category (22.6%), followed by Winston (9.6%) and Salem (6.4%). Interestingly, 7.4% of generic smokers claim to have no previous brand.

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Previous Brand of Deep Discount Smokers (Feb-Nov 1992)

	Total	Basic	Best Value	GPC
	%	%	%	%
N=	751	178	122	216
PM	37.9	40.4	37.7	38.0
Marlboro	22.6	25.3	24.6	21.8
Winston	9.6	10.7	4.9	10.2
Salem	6.4	7.3	4.1	7.9
Camel	5.9	5.6	6.6	7.4
No Previous	7.1	2.8	13.1	6.9

- The profile of deep discount smokers differs from the total smoker profile: deep discount smokers skew female, and are older, lower income, less educated, more rural, carton buyers .

Demographic Profile of Deep Discount Smokers (Feb - Nov 1992)

	Total Smokers	Deep Discount	Basic	Best Value	GPC
N=	30311	1481	276	250	447
Men	51	48	45	47	48
Women	49	52	55	53	52
18-24	13	5	7	2	6
25-34	27	23	24	23	22
35+	60	72	69	75	72
< $30K	45	60	59	66	60
No College	58	65	70	62	68
Nielsen AB	64	47	37	49	50
Nielsen CD	36	53	63	51	50
Carton Buyers	38	59	52	62	65

cc: R. Anise
D. Ball
D. Beran
W. Bittner
G. D'Alessandro ✓
K. Eisen
E. Gee
J. Greene
P. Henriques
J. Isaacs
S. Janetta
S. LeVan
A. Lopez
N. Lund
M. Mahan
R. Mikulay
K. Miller
S. Piskor
N. Parmet
T. Saloun
A. Sinha
N. Suter
J. Taylor
L. Wexler

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