

SECRET

January 18, 1978

No. 226 By _____

Mr. C. A. Tucker

Re: NEW PRODUCTS DEPARTMENT RESULTS -- 1977

The following indicates accomplishments/shortfalls versus original plans on New Product projects during 1977:

I. Accomplishments

- A. REAL: REAL was introduced nationally on 6/13/77. For total year 1977, REAL met the original share goal of .4%. The marketing environment has been significantly cluttered during 1977. Including REAL, 21 low "tar" brands were introduced nationally during the year. REAL has outperformed most of these new products, and, allowing for cannibalization and major brands' "spin-offs," REAL has not been significantly outperformed by any new brand. REAL's franchise is developing according to the strategic plan. Demographically, REAL is 66% male and 62% young adult (under 35). This profile strongly favors growth and REAL is the only low "tar" brand having such a profile. Source of business is on target. Middle/full flavor smokers comprise 64% of REAL's business versus only 36% from Hi-Fi. Importantly, the percentage of incremental business to RJR is higher than anticipated because cannibalization from the RJR line is only 26%. Major competitive contributors to REAL include: Marlboro King, 24%; Kool King, 14%; and Merit, 9%. The fielding of a major post-introductory consumer study on REAL was completed during 1977, providing the Brand with more data earlier than ever before on a new product introduction.
- B. Long Term New Products Planning: During 1977, the Department developed and gained approval of a five-year new products program. New brand opportunities have been defined as follows to fill RJR product line gaps, all of which involve low "tar":
1. Full flavor delivery with strong masculine imagery.
 2. Solo menthol.
 3. Socially acceptable products.
 4. Flavorful, "lower than most" (4-6 mg "tar").

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Corporate priorities were reordered in mid-1977, making it impossible to introduce any of these new products in 1977. Project "Y" addresses the point #2 above. A viable product prototype was identified in 1977, which will be consumer tested in early 1978.

- C. Security Procedures: During 1977, the New Products Department developed and disseminated security procedures which apply to all Marketing Department/Agency activities.
- D. Trademarks Program: During 1977, the New Products Department streamlined and made more effective a name trademark development/tracking system. Included in this program is a new coordination system between the domestic and international tobacco companies.

II. Shortfalls

- A. REAL: REAL's share performance in 1977 (total year - .4%, December - .6%) did not meet the revised share goals of .6% for the total year and 1.2% for December. Although REAL is currently not static (some growth potential is evident short-term), post-introductory data indicates that refinements in the Brand's marketing strategy are required if REAL is to meet its long-term goals. Development of this revised strategy has been completed and the Agency began developing new creative in December.

A. H. Johnston

AHJ:pi

cc: ~~Mr.~~ C. W. Fitzgerald, Jr.