

MDD DIRECTORS' PRESENTATIONS

TO DEL MONTE/HEUBLEIN ON

APRIL 11 - 12, 1983

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SLIDE 1

GOOD MORNING. I WOULD LIKE TO GIVE YOU AN OVERVIEW OF R. J. REYNOLDS' TOBACCO MARKETING DEVELOPMENT DEPARTMENT. I THINK THIS OVERVIEW SHOULD GIVE YOU A GOOD UNDERSTANDING OF OUR DEPARTMENT.

WHAT I PLAN TO COVER INCLUDES:

- WHY MDD EXISTS
- WHAT WE ARE NOT, AND WHAT WE ARE
- OUR END USER CONCEPT, WHICH HELPS CLARIFY OUR STRUCTURE AND SIZE
- HOW WE ACTUALLY DEVELOP INFORMATION AND MARKETING INSIGHTS
- A BRIEF DISCUSSION OF HOW WE VIEW CONSUMERS.

HERE I WILL BRIEFLY TALK ABOUT, AMONG OTHER THINGS, "THE CONSUMER PURCHASE PROCESS". THIS IS A PROCESS WHICH ALL CONSUMERS GO THROUGH BEFORE THEY END UP BUYING A BRAND ON A REGULAR BASIS. WE CONSIDER THIS A SIMPLE, YET POWERFUL, ANALYTICAL TOOL WHICH IS INTEGRAL TO OUR UNDERSTANDING OF CONSUMER THOUGHT AND ACTION.

- HOW WE ARE ORGANIZED AND STAFFED. I WILL ONLY TOUCH ON THIS SINCE YOU WILL HEAR MORE FROM EACH OF THE FOUR AREAS LATER TODAY AND TOMORROW.

SLIDE 2

TO GIVE YOU THE BEST PERSPECTIVE, YOU FIRST NEED TO KNOW THAT THE THING THAT MAKES OUR DEPARTMENT IMPORTANT TO R. J. REYNOLDS TOBACCO COMPANY IS THE COMPANY'S COMMITMENT TO BEING A MARKETING COMPANY.

MARKETING DEVELOPMENT

SLIDE 1

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R. J. REYNOLDS TOBACCO

A

MARKETING COMPANY

SLIDE 2

SLIDE 3

LET'S BEGIN WITH OUR CORPORATE DEFINITION OF MARKETING:

"MARKETING IS A COMBINATION OF ACTIVITIES DESIGNED TO PRODUCE PROFIT THROUGH ASCERTAINING, STIMULATING, AND SATISFYING CONSUMER WANTS OF A SELECTED SEGMENT OF THE MARKET."

IT IS NOT BY ACCIDENT THAT YOU WILL HEAR THAT WORD "CONSUMER" MANY TIMES IN THIS DISCUSSION.

WE AS A MARKETING-ORIENTED COMPANY RECOGNIZE OUR SUCCESS OR FAILURE DEPENDS PRIMARILY ON PROVIDING PRODUCTS THE CONSUMER WANTS AND, ADDITIONALLY, WE RECOGNIZE THE ULTIMATE CONSUMER IS THE FINAL JUDGE OF WHETHER THE COMPANY WILL SUCCEED OR FAIL. WE ALSO REALIZE THE CONSUMER CAN GIVE US A TREMENDOUS AMOUNT OF DIRECTION IF WE KNOW WHAT TO LOOK FOR, WHAT TO ASK, AND HOW TO INTERPRET IT.

THEREFORE, AS YOU CAN SEE, THE KEY ISSUE IS SATISFYING THE WANTS OF THE CONSUMER.

SLIDE 4

- IF CONSUMERS' WANTS ARE MET, HE OR SHE WILL SPEND HIS OR HER MONEY FOR THE PRODUCT, AND THE COMPANY WILL PROSPER. BECAUSE CIGARETTES ARE THE ONLY CATEGORY WHERE THE PRODUCT IS USED 20, 30, 40 OR MORE TIMES A DAY, THE CONSUMER MUST BE CONTINUALLY SATISFIED. THIS REQUIRES INTENSIVE MARKETING SUPPORT.

SLIDE 5

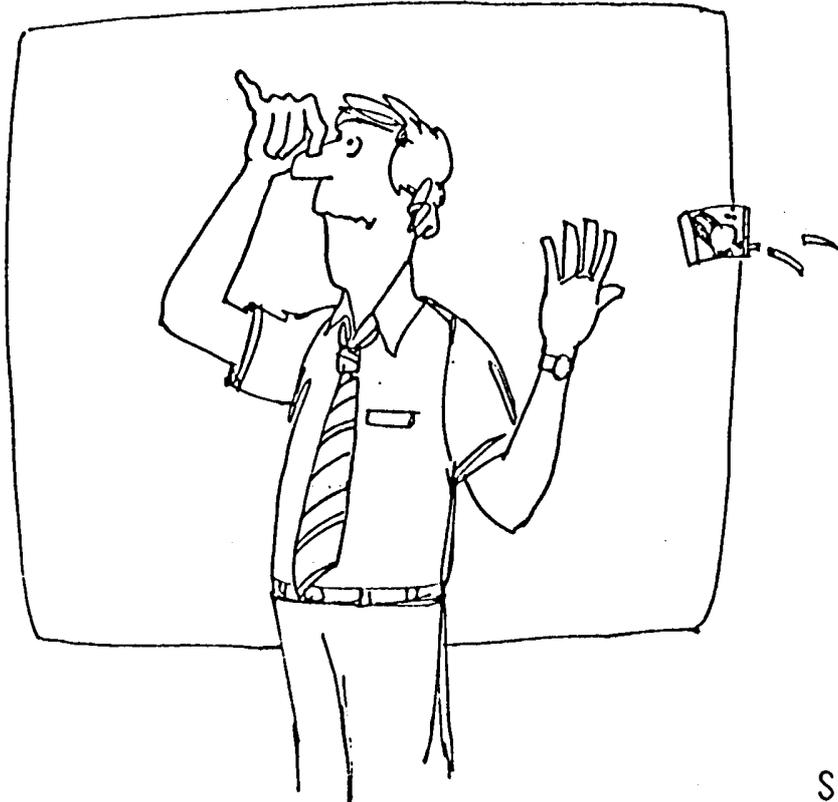
- IF CONSUMERS' WANTS ARE NOT MET, HE OR SHE WILL NOT BUY THE PRODUCT. IN FACT, WE KNOW THAT CONSUMERS WILL SWITCH WHENEVER OUR PRODUCT DOES NOT FULFILL THEIR EXPECTATIONS. AND THEY WOULD RATHER SWITCH THAN TELL US OF THEIR DISSATISFACTION. TWO AND A HALF CONSUMERS WILL SWITCH FOR EVERY ONE THAT IS WILLING TO WRITE A COMPLAINT LETTER.

"MARKETING IS A COMBINATION OF ACTIVITIES DESIGNED TO PRODUCE PROFIT THROUGH ASCERTAINING AND SATISFYING CONSUMER WANTS OF A SELECTED SEGMENT OF THE MARKET."

SLIDE 3



SLIDE 4



SLIDE 5

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SLIDE 6

- ALL THE ADVERTISING, PROMOTION, DEALER INCENTIVES, ETC. WILL NOT MAKE A CONSUMER BUY SOMETHING HE OR SHE DOESN'T WANT.

SLIDE 7

- AS A MARKETING-ORIENTED COMPANY, WE UNDERSTAND THIS COMPLETELY AND, FOCUS OUR ENERGIES AND RESOURCES WITH SINGLE-MINDED DETERMINATION ON SATISFYING THE WANTS OF THAT CONSUMER.

THIS IS HOW WE BELIEVE AN EFFECTIVE MARKETING COMPANY OPERATES. THIS WILL ALSO BE THE GROUNDWORK FOR EXPLAINING OUR DEPARTMENT'S ROLE WITHIN RJR.

LET ME COVER A FEW MORE DISTINCTIONS OF A MARKETING COMPANY.

SLIDE 8

- THE MARKETING COMPANY FINDS OUT AS MUCH AS IT CAN ABOUT THE CONSUMER REACTION TO ITS PRODUCTS AND MODIFIES THEM, AS NECESSARY, TO FIT THE CONSUMER'S REQUIREMENTS.

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SLIDE 6

- WE FOCUS OUR ENERGIES AND RESOURCES WITH SINGLE-MINDED DETERMINATION ON SATISFYING THE WANTS OF THE CONSUMER.

SLIDE 7

- FIND OUR CONSUMERS' REACTION TO PRODUCTS
- FIT CONSUMERS' REQUIREMENTS

SLIDE 8

SLIDE 9

- IT LEARNS AS MUCH AS IT CAN ABOUT THE CONSUMER AS A PERSON.  
FOR EXAMPLE, THIS WOULD INCLUDE THE CONSUMER'S:

SLIDE 10

- SELF IMAGE - GOALS - LIKES/DISLIKES/CONCERNS - VIEW OF THE  
FUTURE - ASPIRATIONS.

IN ESSENCE WE TRY TO LEARN EVERYTHING ABOUT HIM OR HER THAT  
WILL ENABLE US TO VISUALIZE THAT CONSUMER AS A REAL PERSON.

I THINK IT IS IMPORTANT TO NOTICE THAT WE DO NOT JUST LOOK AT  
THE CONSUMER AS A SMOKER. IT'S IMPORTANT TO KNOW THE CONSUMER  
AS A SMOKER, BUT THAT IS ONLY THE BEGINNING. THE MORE WE CAN  
KNOW OUR CONSUMERS AS REAL LIVE PEOPLE, THE MORE WE CAN DEVELOP  
PRODUCTS, AND ADVERTISING, AND PROMOTIONAL ACTIVITIES, AND SO  
ON TO FIT THEIR WANTS.

SLIDE 11

- A MARKETING COMPANY ALSO ATTEMPTS TO NOT ONLY MEET CONSUMER'S  
WANTS, BUT TO ANTICIPATE THEM. WE TRY TO AVOID SURPRISES, PLAN  
FOR THE FUTURE, AND NOT SIMPLY REACT TO ANOTHER COMPANY'S  
PROGRAMS.

LEARN ABOUT THE CONSUMER AS A PERSON.

SLIDE 9

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LEARN ABOUT THE CONSUMER AS A PERSON.

- SELF-IMAGE
- GOALS
- LIKES/DISLIKES/CONCERNS
- VIEW OF THE FUTURE
- ASPIRATIONS
- EMOTIONAL NEEDS

SLIDE 10

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- ANTICIPATE CONSUMER WANTS
- DOESN'T SIMPLY REACT

SLIDE 11

SLIDE 12

TO CONTINUE TO BE A TOP MARKETING COMPANY, THERE MUST BE AN ORGANIZATION WITHIN THE COMPANY THAT IS DEVOTED TO UNDERSTANDING WHAT THE CONSUMER WANTS. AT RJR, THIS IS THE MARKETING DEVELOPMENT DEPARTMENT. WE BELIEVE WE ARE SECOND TO NONE!

SLIDE 12A

IN A MOMENT, I WANT TO GET MORE SPECIFIC ABOUT OUR BREAD AND BUTTER, MARKETING RESEARCH. BUT FIRST, IT IS WORTH SPENDING A MINUTE ON OUR NAME "MARKETING DEVELOPMENT". WE HAVE THAT NAME FOR A REASON AND THE DISTINCTION IS IMPORTANT. WE DO NOT VIEW OURSELVES AS PEOPLE WHO JUST RESEARCH MARKETS; WE DEVELOP THEM. WHETHER IT IS IN NEW BRANDS OR WITH EXISTING BRANDS, WE CONTINUALLY LEARN AS MUCH AS WE CAN ABOUT THE MARKETS AND BRANDS TO IMPROVE OUR POSITION. YOU WILL SEE A LOT OF WHAT WE DO IS NOT JUST RESEARCH PROJECTS. YOU WILL ALSO SEE WE VIEW OURSELVES AS CONSULTANTS TO END USERS AND WE WORK AS EQUAL MEMBERS ON BRAND TEAMS AND COMMITTEES. AND, SINCE WE ARE CONSUMER DRIVEN - WE BRING A VERY IMPORTANT DIMENSION TO THE PARTY.

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TOP CIGARETTE COMPANIES - 1982

R. J. REYNOLDS TOBACCO COMPANY

SLIDE 12

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MARKETING DEVELOPMENT

SLIDE 12A

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SLIDE 13

WITH THAT PRELUDE, I WILL TALK A LITTLE ABOUT OUR BREAD AND BUTTER, MARKETING RESEARCH.

SLIDE 14

THERE SEEMS TO BE SOME GENUINE MISCONCEPTIONS ABOUT THE ROLE OF MARKETING RESEARCH.

MARKETING RESEARCH

SLIDE 13



SLIDE 14

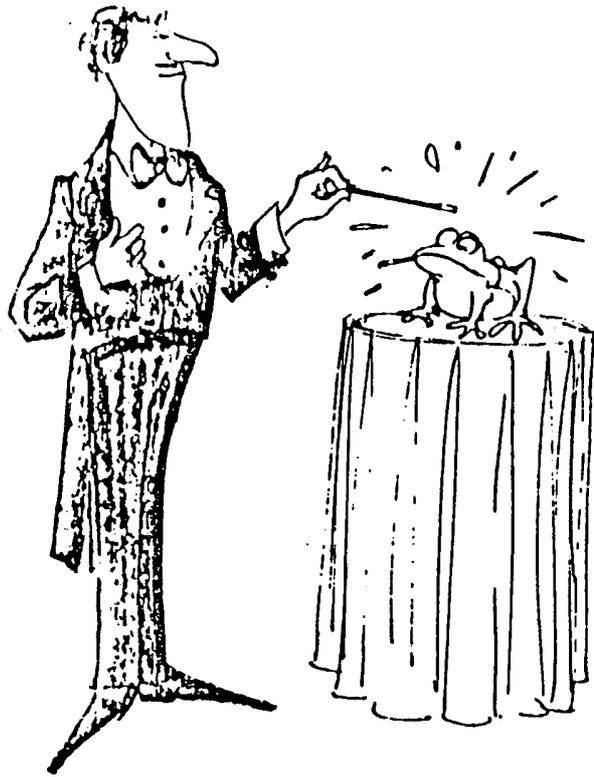
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SLIDE 15

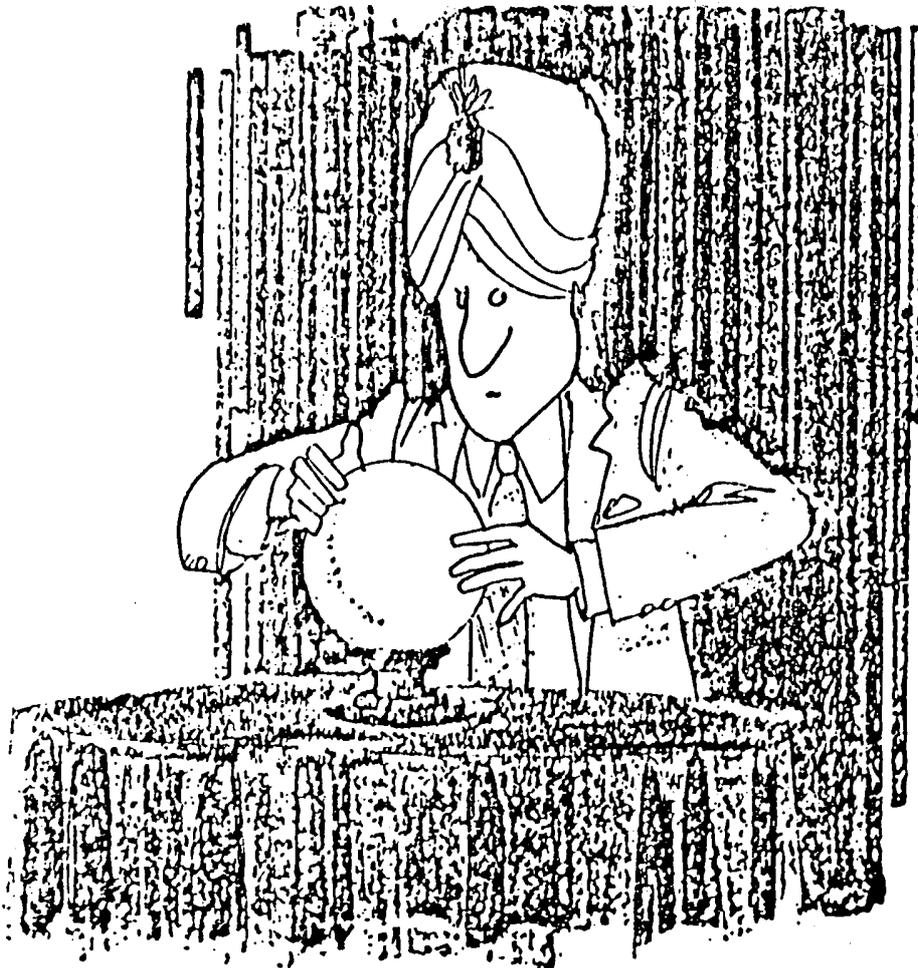
FOR EXAMPLE, WE ARE NOT MAGICIANS WHO CAN TURN FROGS INTO PRINCES, POOR CONCEPTS INTO SUCCESSFUL CONCEPTS OR BAD ADVERTISING INTO EFFECTIVE ADVERTISING. AND, UNFORTUNATELY, WE - LIKE THE LIQUOR INDUSTRY - HAVE A PARTICULARLY HARD TIME EFFECTIVELY COMMUNICATING OUR MESSAGES SINCE WE ARE BANNED FROM TELEVISION.

SLIDE 16

WE ARE NOT SOOTHSAYERS OR THE ORACLE OF DELPHI WHO CAN PREDICT THE FUTURE. HOWEVER, WE HAVE BEEN PRETTY GOOD AT IDENTIFYING WHAT WILL WORK IN THE MARKET. IN THE LAST 11 YEARS, WE HAVE HAD A HIT RATE OF 70%.



SLIDE 15



SLIDE 16

SLIDE 17

WE ARE NOT "WHIZ BAND NUMBER CRUNCHERS."

SLIDE 18

WE ALSO ARE NOT AN OBSTACLE COURSE WHICH IS DESIGNED TO TAKE ENTHUSIASTIC, FRESH IDEAS AND DESTROY THEM THROUGH A BARRAGE OF ENDLESS AND SENSELESS TESTING.

I THINK THIS IS AN EXTREMELY IMPORTANT POINT. IN SOME COMPANIES IT IS PROBABLY TRUE THAT A DEPARTMENT SUCH AS OURS IS SEEN PRIMARILY AS AN EVALUATOR. AND, THERE MAY BE A FEELING THAT, "IF YOU TEST ENOUGH THINGS IN ENOUGH DIFFERENT WAYS SOONER OR LATER YOU CAN FIND SOMETHING WRONG".

THAT IS NOT OUR PURPOSE. WHILE THE EVALUATION OF PRODUCTS OR ADVERTISING AND SUCH IS NECESSARY, WE FEEL THAT A MUCH MORE IMPORTANT ASPECT OF OUR ROLE IS THE UPFRONT INTERACTION WE HAVE WITH OUR END-USERS. OUR EXPERIENCE IN UNDERSTANDING OUR CONSUMERS ALLOWS US TO GIVE VALUABLE INPUT TO GUIDE OUR END USERS IN WHAT THEIR ACTIONS SHOULD BE. WHEN WE GIVE THAT UPFRONT GUIDANCE, THE ODDS OF US HAVING TO TEST SOMETHING AND EVALUATE IT AS "NOT QUITE GOOD ENOUGH" GO DOWN DRAMATICALLY.

IN THE NEXT TWO DAYS, YOU WILL HEAR MANY EXAMPLES OF WHERE WE HAVE HELPED OUR END USERS DRAMATICALLY. I WILL ONLY BRIEFLY MENTION TWO.

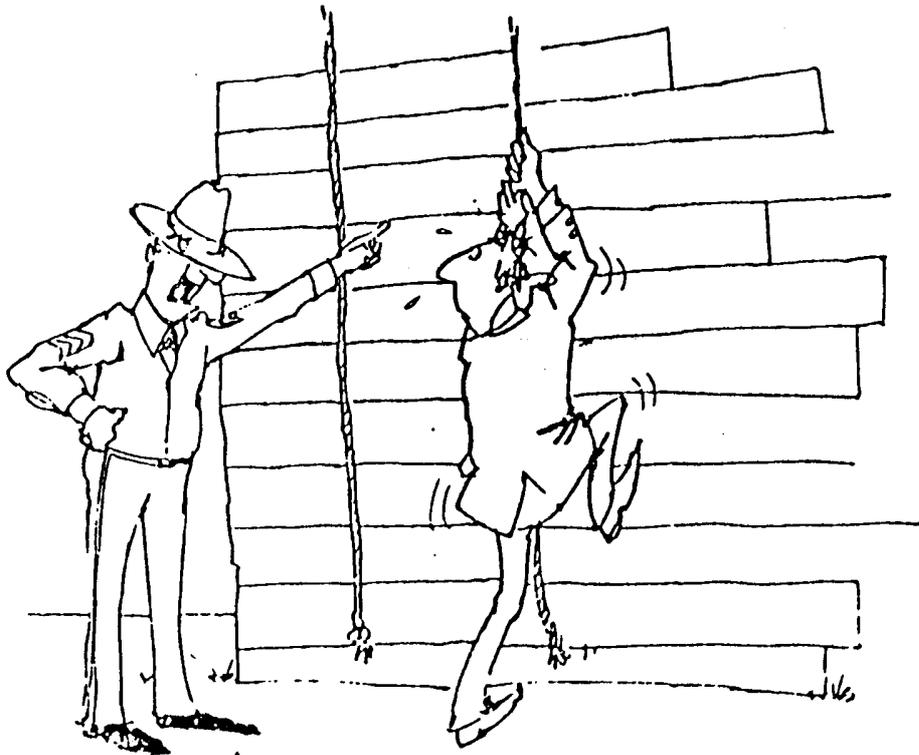
ONE IS A MAJOR REPOSITIONING EFFORT THAT WAS UNDERTAKEN ON VANTAGE AND RESULTED IN TODAY'S TASTE OF SUCCESS CAMPAIGN. OUR INTERACTION AND ADVICE WAS THE DRIVING FORCE BEHIND THE CHANGE WHICH CAPITALIZES ON WHAT CONSUMERS THINK AND LIKE ABOUT VANTAGE. YOU WILL HEAR MORE ABOUT THIS LATER.

ANOTHER EXAMPLE IS PRODUCT PERFORMANCE. R&D HAS MADE TREMENDOUS LEAPS IN IMPROVING PRODUCTS OVER THE LAST YEAR - AND A LARGE PART OF THAT IS DUE TO OUR PRODUCT GUIDANCE SECTION. THIS SECTION WORKS WITH R&D AS THEIR END USER. IN LATE 1981, WE HAD 10 INFERIOR AND ONLY 4 SUPERIOR PRODUCTS; NOW THE NUMBERS ARE ONLY 2 INFERIOR AND 15 SUPERIOR; THIS TOO WILL BE COVERED IN DEPTH LATER IN THE ORIENTATION.

HOPEFULLY, THESE SLIDES HAVE MADE IT CLEAR WHAT WE ARE NOT.



SLIDE 17



SLIDE 18

SLIDE 19

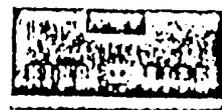
WHAT WE ARE IS A BRIDGE TO CONSUMERS. THAT IS OUR REASON FOR BEING. THE PRIMARY PURPOSE OF MDD IS TO SERVE AS THE LINK BETWEEN THE CONSUMER AND DECISION-MAKING. WE "SPEAK" FOR THE CONSUMER. THIS PUTS US IN THE ROLE OF MARKETING CONSULTANT. WE ADVISE OTHER MARKETERS AND MANAGERS AT REYNOLDS ON WHAT WE THINK IS MOST EFFECTIVE - BASED ON OUR KNOWLEDGE OF THE CONSUMER. THIS IS A UNIQUE AND RESPONSIBLE ROLE WHICH MAKES A POWERFUL CONTRIBUTION TO OUR COMPANY'S DECISIONS.

OUR VALUE TO THE DECISION PROCESS IS "NOT JUST BEING ANOTHER OPINION". RATHER, WE PROVIDE A CONSUMER PERSPECTIVE. THAT PERSPECTIVE IS HEAVILY LACED WITH OUR KNOWLEDGE AND FEEL OF THE MARKETPLACE. SPEAKING FOR, AND INTERPRETING, THE CONSUMER IS OUR OBLIGATION - IT IS OUR CONTRIBUTION TO THE DECISION PROCESS AND WE TAKE IT VERY SERIOUSLY.

SLIDE 20

QUITE SIMPLY, WE HELP MANAGEMENT FROM NUMEROUS COMPANY DEPARTMENTS MAKE DECISIONS. WE DO NOT MAKE THE DECISIONS FOR THEM, BUT WE ARE POSITIONED IN SUCH A WAY TO INCREASE THE ODDS THEIR DECISIONS ARE RIGHT.

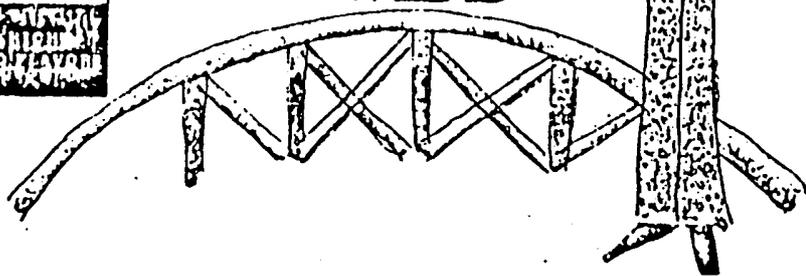
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Winston  
FILTER CIGARETTES



MDD



SLIDE 19

HELP MANAGEMENT IN DECISION MAKING.

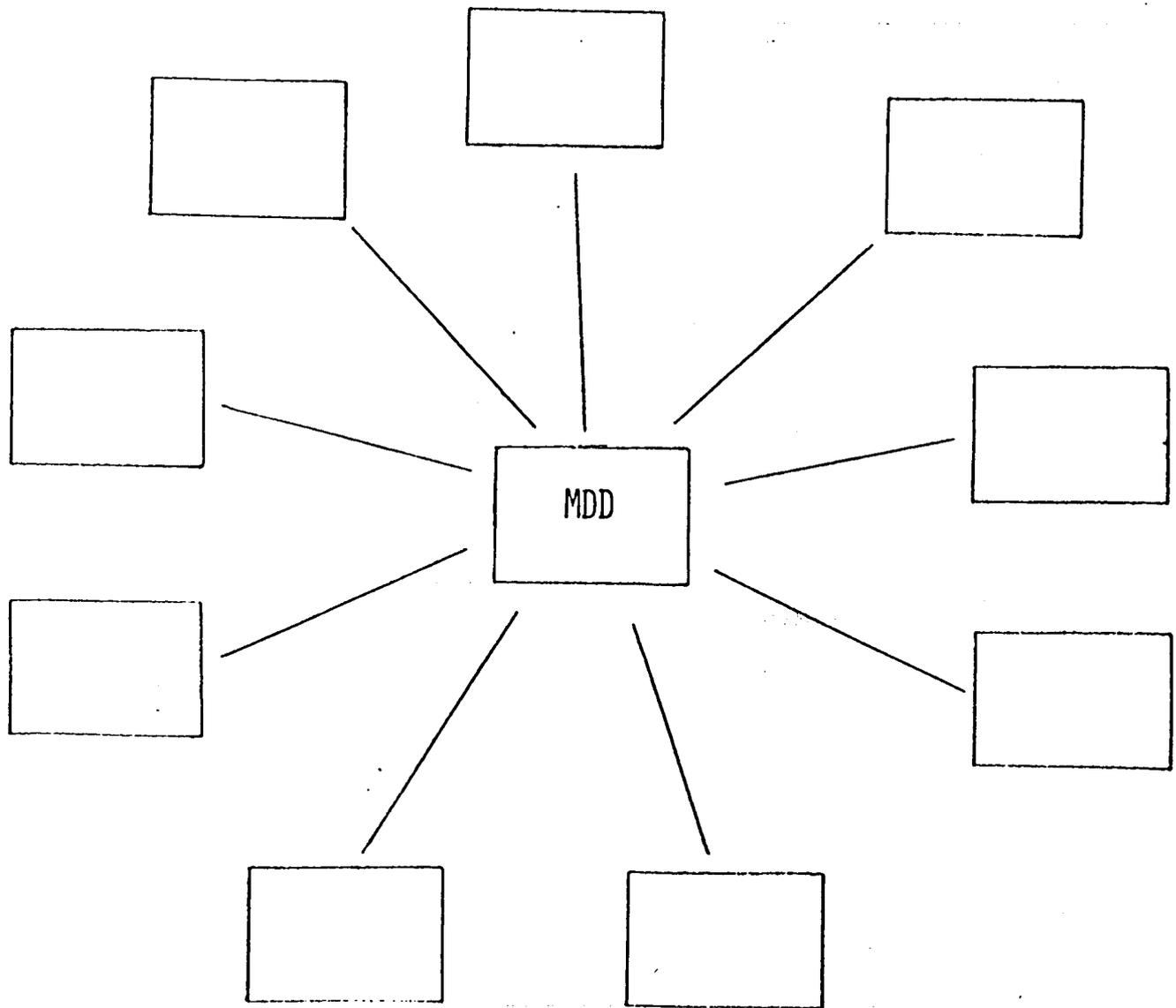
SLIDE 20

SLIDE 43

YOU HAVE HEARD ME REFER TO OUR END USER CONCEPT. WE ARE SET UP SO THAT EACH DEPARTMENT THAT NEEDS OUR INPUT HAS A CONTACT WHO THEY CAN TURN TO. THAT MDD CONTACT IS THE END USERS PRIMARY CONSULTANT. SO, FOR EXAMPLE, WHEN YOU HEAR OF A PRODUCT RESEARCH AREA IN MDD - DO NOT THINK OF THAT AS A GROUP OF PEOPLE WHO DO PRODUCT TESTING FOR BRAND RESEARCH. THEY DO RESEARCH PRIMARILY FOR R&D. WHEN YOU SEE A GROUP THAT DOES SALES ANALYSIS - A PRIMARY END USER IS THE SALES DEPARTMENT. OUR FORECASTING GROUP SERVICES A NUMBER OF DIFFERENT END USERS INCLUDING FACILITIES PLANNING, MANUFACTURING, LEAF BUYING, SALES, AND OTHERS. EACH OF THESE DEPARTMENTS HAS A CONTACT TO ADDRESS THEIR INDIVIDUAL NEEDS.

ANOTHER INTERESTING POINT. WHAT WE HAVE BEEN ABLE TO DO IS EXPAND THE USE OF CONSUMER INFORMATION. OUR COMPANY REALIZES THAT CONSUMER INPUT CAN GUIDE MANY MANAGERS - NOT JUST MARKETING MANAGERS. WE ARE RELIED ON TO FIGURE OUT WHAT CONSUMERS CAN TELL US, HOW TO ASK THEM, AND HOW TO INTERPRET IT.

LET ME GIVE YOU AN EXAMPLE. WE COMBINED TWO PIECES OF CONSUMER INPUT - SALES OF SPECIFIC BRAND STYLES AND LIKELY RESPONSE TO BRAND SPECIFIC PROMOTIONS, TO HELP MANUFACTURING SCHEDULE THEIR WEEKLY PRODUCTION AND TO HELP TRAFFIC AND DISTRIBUTION REDUCE INVENTORIES AND MINIMIZE OUT OF STOCKS. IN 1982 ALONE THIS SAVED RJR FIVE MILLION DOLLARS IN INVENTORY INVESTMENT. ALSO, WE HAVE BEEN ABLE TO ELIMINATE ALL BRAND SPECIFIC OVERTIME IN MANUFACTURING - AT A QUARTER TO HALF MILLION DOLLARS A DAY - THAT'S A MAJOR SAVINGS AS WELL. FINALLY, WE ARE CURRENTLY HELPING WITH A WAREHOUSE INVENTORY MANAGEMENT SYSTEM THAT HAS THE POTENTIAL OF SAVING US TWENTY MILLION DOLLARS.



SLIDE 43

SLIDE 21

MANY THINGS HELP US HELP MANAGEMENT. ONE IS, AS I JUST FINISHED SAYING, THAT WE SERVE AS THE LINK TO THE CONSUMER. WE UNDERSTAND WHEN, WHY, AND HOW TO TALK TO CONSUMERS; AND TO INTERPRET WHAT THEY ARE SAYING OR DOING. WE COMMUNICATE WHAT WE LEARN ABOUT CONSUMERS IN THE FORM OF CONCLUSIONS, RECOMMENDATIONS, AND MARKETING IMPLICATIONS. THIS MIGHT SEEM OBVIOUS, BUT WE DO NOT COMMUNICATE DATA, WE COMMUNICATE ACTIONABLE IMPLICATIONS.

SLIDE 22

SECONDLY, WE ARE MARKETING GENERALISTS WHO ARE EXPERTS IN CONSUMER RESEARCH. PUTTING MARKETING FIRST, AND RESEARCH SECOND, IS ESSENTIAL. RESEARCH HELPS TO ADDRESS MARKETING ISSUES. IF RESEARCH CAME FIRST AND MARKETING SECOND, WE COULD FIND OURSELVES FOCUSING ON RESEARCH TECHNIQUES AND REAMS AND REAMS OF NUMBERS, -- AND NOT ON WHAT IT ALL MEANS. RESEARCH IS ONLY A TOOL - SOMETIMES A VERY SOPHISTICATED TOOL - TO HELP ADDRESS MARKETING ISSUES.

ACTUALLY, GIVEN OUR EVER EXPANDING LIST OF END USERS - AT TIMES WE ARE NOT JUST MARKETING GENERALISTS - WE ARE MANAGEMENT GENERALISTS WITH RESEARCH EXPERTISE.

THIS GENERALIST PHILOSOPHY IS EVIDENT IN MANY THINGS WE DO. YOU WILL SEE IT IN OUR RECRUITING AND TRAINING AND IN THE WAY WE INTERACT WITH OUR END USERS ON AN ONGOING BASIS.

ALSO, IT IS VERY APPARENT IN THE CAREER PATHS OF MANY OF OUR SENIOR MANAGERS ONCE THEY LEAVE MDD. PREVIOUS DIRECTORS OF MDD HAVE GONE ON TO BECOME THE CHIEF EXECUTIVE OFFICER OF TOBACCO INTERNATIONAL'S AREA IV AND A VICE-PRESIDENT IN MARKETING ELSEWHERE. YOU ALREADY KNOW THAT GREG NOVAK IS GROUP DIRECTOR HERE IN MARKETING SERVICES, AND I HAVE SPENT TIME IN TOBACCO INTERNATIONAL AS MARKETING DIRECTOR AND WAS VICE-PRESIDENT IN BRAND MARKETING HERE. AND THE LIST COULD GO ON AT ALL OTHER LEVELS OF MANAGEMENT AS WELL.

- THE LINK BETWEEN CONSUMERS AND MANAGEMENT

SLIDE 21

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- THE LINK BETWEEN CONSUMERS AND MANAGEMENT
- MARKETING GENERALISTS WITH RESEARCH  
EXPERTISE

SLIDE 22

SLIDE 23

THIRDLY, WE ARE POSITIONED TO HAVE A DIFFERENT LEVEL OF OBJECTIVITY IN THE DECISION PROCESS. WHILE I DO NOT MEAN TO INFER THAT SOME END-USERS ARE NOT OBJECTIVE, THEIR LEVEL OF OBJECTIVITY MAY DIFFER FROM OURS. END-USERS FREQUENTLY NEED TO CONCENTRATE ALL THEIR EFFORTS ON MOVING PROGRAMS ALONG. ADDTIONALLY, THEY HAVE TO BELIEVE VERY MUCH IN THEIR PROGRAMS IN ORDER TO EXECUTE THEM MOST EFFECTIVELY. IT IS ONLY NATURAL THAT SOMETIMES THIS ENTHUSIASM MAY SLIGHTLY DISTORT ONE'S FEELINGS.

GIVEN THIS, OUR ROLE AS CONSULTANT AND VOICE OF THE CONSUMER ALLOWS US TO BE MORE OBJECTIVE.

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- THE LINK BETWEEN CONSUMERS AND MANAGEMENT
- MARKETING GENERALISTS WITH RESEARCH EXPERTISE
- DIFFERENT LEVEL OF OBJECTIVITY

SLIDE 23.

THIS SHOULD GIVE YOU A GOOD PERSPECTIVE ON WHY MDD EXISTS. LET ME TALK A LITTLE BIT ABOUT WAYS IN WHICH WE DEVELOP OUR MARKETING INFORMATION AND INSIGHTS.

SLIDE 24

WE USE A VARIETY OF APPROACHES, INCLUDING QUANTITATIVE AND QUALITATIVE RESEARCH.

I NEED NOT GO INTO THIS IN MORE DETAIL - WE ALL UNDERSTAND THESE. ALL I WILL SAY IS THAT QUALITATIVE IS MORE THAN FOCUS GROUPS TO US. WE BELIEVE IN THE VALUE OF QUALITATIVE RESEARCH AND USE A VARIETY OF TECHNIQUES - GROUPS, ONE-ON-ONES, AND SYNECTICS TO HELP US GAIN AN UNDERSTANDING AND DEVELOP HYPOTHESES FOR FUTURE EXPLORATION.

SLIDE 25

WE ALSO PROVIDE MARKETING INSIGHTS BY ANALYZING THE WEALTH OF INFORMATION THAT CURRENTLY EXISTS IN AN ATTEMPT TO ADDRESS SPECIFIC ISSUES. FOR EXAMPLE, STRATEGIC "WHITE PAPERS" DEALING WITH SUCH TOPICS AS THE IMPLICATIONS OF THE AGING POPULATION OR THE EFFECT OF TECHNOLOGY ON OUR LIVES ARE BASED ON ANALYZING EXISTING INFORMATION.

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APPROACHES TO DEVELOPING INFORMATION AND  
MARKETING INSIGHTS

- RESEARCH STUDIES
  - QUANTITATIVE
  - QUALITATIVE

SLIDE 24

APPROACHES TO DEVELOPING INFORMATION AND  
MARKETING INSIGHTS

- RESEARCH STUDIES
  - QUANTITATIVE
  - QUALITATIVE
  
- ANALYSIS OF EXISTING INFORMATION

SLIDE 25

SIMILARLY, FORECASTING A SPECIFIC BRAND'S FUTURE PERFORMANCE IS BASED, TO A LARGE EXTENT, ON EXISTING INFORMATION.

SLIDE 26

WE CAN ALSO CONTRIBUTE TO THE DECISION PROCESS BY SOLVING PROBLEMS -- BY PROVIDING MANAGEMENT AN ADDITIONAL PERSPECTIVE BASED ON OUR EXPERIENCE AND KNOWLEDGE OF THE MARKETPLACE. THIS DOES NOT HAVE TO BE BASED ON ANY SPECIFIC STUDY OR PAST DATA, AND CAN TAKE THE FORM OF AN INFORMAL DISCUSSION OR PROVOCATIVE MEMO. WHAT IT IS BASED ON IS THE FACT THAT WE HAVE VERY SMART PEOPLE WHO CAN CONTRIBUTE AND KNOW HOW TO SOLVE PROBLEMS.

SLIDE 27

WE OFTEN SERVE AS A REFLECTOR OR SOUNDING BOARD. SINCE WE ARE SO FAMILIAR WITH THE CONSUMER, WE CAN OFTEN LISTEN TO A PRESENTATION OR READ A DRAFT OF A RECOMMENDATION AND OFFER USEFUL ADVICE BEFORE IT GOES UP THE LADDER.

I THINK IT IS IMPORTANT TO POINT OUT THAT WE DO NOT VIEW RESEARCH TECHNIQUES, COMPUTER PRINTOUTS AND DATA AS OUR SOLE WAY OF CONTRIBUTING TO THE DECISION PROCESS. ACTUAL RESEARCH STUDIES ARE MERELY A LOGICAL NEXT STEP - AT TIMES - AFTER WE HAVE HELPED BY DISCUSSING - AND UNDERSTANDING - BRAND QUESTIONS AND CONCERNS. FREQUENTLY, ACTUAL STUDIES BECOME UNNECESSARY ONCE WE HAVE CONTRIBUTED IN THESE OTHER WAYS.

APPROACHES TO DEVELOPING INFORMATION AND  
MARKETING INSIGHTS:

- RESEARCH STUDIES
  - QUANTITATIVE
  - QUALITATIVE
- ANALYSIS OF EXISTING INFORMATION
- HELP SOLVE PROBLEMS - AN ADDITIONAL  
PERSPECTIVE

SLIDE 26

APPROACHES TO DEVELOPING INFORMATION AND  
MARKETING INSIGHTS:

- RESEARCH STUDIES
  - QUANTITATIVE
  - QUALITATIVE
- ANALYSIS OF EXISTING INFORMATION
- HELP SOLVE PROBLEMS - AN ADDITIONAL  
PERSPECTIVE
- SERVE AS A "REFLECTOR"

SLIDE 27

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SLIDE 28

ALL OF THESE STUDIES AND ANALYSES ARE INTENDED TO HELP US GIVE CONSUMERS WHAT THEY WANT. AS I HAVE SAID BEFORE, THAT IS THE ONLY WAY WE WILL BE SUCCESSFUL.

ACTUALLY, THERE ARE FOUR THINGS NECESSARY IF WE ARE TO GIVE CONSUMERS WHAT THEY WANT. WE NEED TO:

- UNDERSTAND WANTS
- PREDICT WANTS
- GROUP SMOKERS WITH SIMILAR WANTS
- CONTINUALLY FINETUNE OUR UNDERSTANDING OF THOSE WANTS

SLIDE 29

LET ME SPEAK TO EACH OF THESE POINTS. WE SPEND A GOOD DEAL OF TIME AND EFFORT TRYING TO UNDERSTAND CONSUMER WANTS.

CONSUMERS HAVE ALL SORTS OF WANTS. IN OUR INDUSTRY TWO TYPES OF WANTS ARE EXTREMELY IMPORTANT. PRODUCT WANTS AND IMAGERY.

PRODUCT WANTS SUCH AS LOW TAR, GOOD TASTE, MENTHOL OR NON-MENTHOL, 85MM OR 100MM, ETC. ARE ESSENTIAL. IF OUR PRODUCTS DO NOT SATISFY THOSE WANTS SMOKERS WILL NOT BUY OUR BRANDS.

PROBABLY JUST AS IMPORTANT AS PRODUCT WANTS ARE IMAGERY WANTS. SOMETIMES PEOPLE SAY IMAGERY REALLY IS NOT THAT IMPORTANT TO THEM, BUT WE DON'T BELIEVE THAT. FOR EXAMPLE, VIRGINIA SLIMS IS NOT A BAD TASTING PRODUCT BUT FEW MEN WOULD BE CAUGHT DEAD SMOKING IT. WHY? BECAUSE THE VIRGINIA SLIMS IMAGE EMBARRASSES THEM.

- UNDERSTAND WANTS

- PREDICT WANTS

- GROUP SMOKERS WITH SIMILAR WANTS

- CONTINUALLY FINETUNE

SLIDE 28

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- UNDERSTAND WANTS

SLIDE 29

SLIDE 30

WHILE IT IS ESSENTIAL TO UNDERSTAND WANTS, UNDERSTANDING WANTS IS NOT ENOUGH. IF WE ARE TO MAINTAIN OUR POSITION IN THE MARKETPLACE WE ACTUALLY HAVE TO PREDICT WANTS. IT IS VERY IMPORTANT TO BE A STEP AHEAD OF OUR COMPETITORS.

SLIDE 31

CERTAINLY, NOT ALL CONSUMERS ARE ALIKE. IN THE CASE OF CIGARETTES SOME SMOKERS WANT MENTHOL, SOME NON-MENTHOL. SOME WANT TO PORTRAY A VERY MACHO ADVENTUROUS IMAGE, WHILE OTHERS WANT TO PORTRAY A STYLISH AND SOPHISTICATED IMAGE.

SO, IN ADDITION TO UNDERSTANDING AND PREDICTING WANTS, WE HAVE TO DIVIDE SMOKERS UP INTO GROUPS OF SIMILAR TYPES. WHILE IT IS POSSIBLE TO DIVIDE THE MARKET INTO VERY SMALL PIECES - FOR EXAMPLE, INTO 50 OR 70 SEGMENTS - WE FIND THAT DOES NOT HAVE MUCH MARKETING ACTIONABILITY. THEREFORE WE CURRENTLY GROUP SMOKERS INTO A MANAGEABLE NUMBER OF SEGMENTS.

FOR EACH OF THESE SEGMENTS WE IDENTIFY WHICH OF OUR BRANDS WOULD BEST FIT. WE THEN DIRECT ALL OUR ACTIVITIES ON THESE BRANDS TOWARDS FILLING THE WANTS OF SPECIFIC SEGMENTS.

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- PREDICT WANTS

SLIDE 30

- GROUP SMOKERS

SLIDE 31

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SLIDE 32

THE FOURTH POINT - CONTINUALLY FINETUNING OUR UNDERSTANDING - IS SOMETHING WE NEVER STOP DOING. WE KNOW WE CAN NEVER LEARN ENOUGH, AND WE ALSO KNOW THAT IF WE CAN LEARN SOMETHING WHICH OUR COMPETITORS DON'T YET KNOW THEN WE CAN HAVE SOME VERY IMPORTANT LEVERAGE IN THE MARKETPLACE.

SLIDE 33

I JUST MENTIONED THE FACT WE POSITION EACH OF OUR BRANDS AGAINST A SPECIFIC SEGMENT, AND THAT WE TARGET ALL OUR EFFORTS TOWARDS THAT SEGMENT. EACH OF OUR BRANDS' TARGET ARE BASED ON DEMOGRAPHICS, GEOGRAPHICS, AND PSYCHOGRAPHICS.

I REALIZE THIS SOUNDS OBVIOUS, ANY RESEARCHER WITH ANY EXPERIENCE KNOWS THESE THREE APPROACHES. HOWEVER, WE TAKE THIS TARGET DEFINITION VERY FAR. SIMMONS DATA, YANKELOVICH, AGE AND SEX ARE ONLY THE INITIAL DESCRIPTORS. FOR EACH OF OUR BRANDS WE HAVE DONE SOME DETAILED PSYCHOLOGICAL RESEARCH TO FIND KEY ELEMENTS THAT RELATED TO THE TARGET. PEER GROUP ACCEPTANCE, SELF-CONFIDENCE, TRADITIONAL VALUES AND THE DESIRE TO BE STYLISH ARE JUST A FEW EXAMPLES OF DESCRIPTORS FOR DIFFERENT TARGETS.

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- FINETUNE

SLIDE 32

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- TARGET DEFINITION

- DEMOGRAPHICS
- GEOGRAPHICS
- PSYCHOGRAPHICS

SLIDE 33

SLIDE 34

LET ME TALK FOR A FEW MINUTES ABOUT ANOTHER WAY WE CAN LOOK AT CONSUMERS. WHEN I BEGAN I MENTIONED THAT I WOULD DISCUSS THE PROCESS ALL CONSUMERS GO THROUGH ON BRANDS THEY BUY. WE CALL THIS THE CONSUMER PURCHASE PROCESS. MY INTENT NOW IS NOT TO GIVE YOU A TEXT BOOK EXAMPLE OF CONSUMER BEHAVIOR, OR TO DISCUSS SOME ABSTRACT THEORY ON WHAT PEOPLE DO.

RATHER, IT IS INTENDED TO SHOW YOU SEVERAL STEPS THAT WE ALL - AS CONSUMERS - GO THROUGH. MANY OF THESE STEPS ARE SUB-CONSCIOUS, BUT NEVER THE LESS WE DO GO THROUGH THEM.

TO US IN MARKETING DEVELOPMENT THE IMPORTANCE OF THE CONSUMER PURCHASE PROCESS IS THAT IT GIVES US A MODEL FROM WHICH WE CAN HELP DIAGNOSE A BRAND'S PROBLEMS OR OPPORTUNITIES. FOR EACH STEP THAT I PUT UP IN THE SUBSEQUENT SLIDES, WE CAN - AND WE DO - CONDUCT RESEARCH TO ADDRESS HOW OUR BRANDS AND OUR COMPETITION ARE PERFORMING.

IT HAS TAKEN A GOOD DEAL OF TIME TO MAKE THIS MODEL AS SIMPLE AS IT NOW LOOKS. WE THINK THAT THIS SIMPLICITY IS A BENEFIT.

SLIDE 35

THE FIRST STEP IN THIS PROCESS IS FAMILIARITY. SIMPLY SPEAKING, A CONSUMER MUST BE AWARE THAT A BRAND EXISTS BEFORE HE OR SHE CAN EVER BUY IT.

- CONSUMER PURCHASE PROCESS

SLIDE 34

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- CONSUMER PURCHASE PROCESS

● FAMILIARITY

SLIDE 35

SLIDE 36

ONCE FAMILIARITY IS ESTABLISHED, A CONSUMER DEVELOPS PERCEPTIONS ABOUT A BRAND. THOSE PERCEPTIONS CAN BE BASED ON WHAT FRIENDS SAY, THE COLOR OF THE PACK, THE NAME OF THE PRODUCT, THE ADVERTISING, THE TASTE OF THE CIGARETTE, AND SO ON.

SLIDE 37

ONCE THESE PERCEPTIONS ARE DEVELOPED; AND THESE PERCEPTIONS ARE REALLY A COMPOSITE OF MANY DIFFERENT PERCEPTIONS, A CONSUMER WILL COMPARE PERCEPTIONS WITH HIS WANTS.

SLIDE 38

THIS COMPARISON OF PERCEPTIONS OF WANTS YIELDS ATTITUDES. FOR EXAMPLE, IF A SMOKER SEES CARLTON AND PERCEIVES IT TO BE VERY LOW IN TAR BUT WITH NO TASTE, AND HE WANTS A LOT OF TASTE IN A CIGARETTE, THEN HE WILL DEVELOP NEGATIVE ATTITUDES TOWARDS CARLTON IN TERMS OF TASTE. FURTHERMORE, IF HE THINKS ONLY OLD MEN SMOKE CARLTON, AND IF HE DOES NOT WANT TO BE SEEN AS AN OLD MAN, THEN HE WILL HAVE ANOTHER NEGATIVE ATTITUDE TOWARDS CARLTON.

IF THE SMOKER WANTS LOW TAR THEN HE WILL ALSO DEVELOP POSITIVE ATTITUDES TOWARDS CARLTON IN TERMS OF TAR. OBVIOUSLY, SMOKERS HAVE POSITIVE, NEUTRAL, AND NEGATIVE ATTITUDES TOWARDS A SPECIFIC BRAND.

- CONSUMER PURCHASE PROCESS

- FAMILIARITY
- PERCEPTIONS

SLIDE 36

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- CONSUMER PURCHASE PROCESS

- FAMILIARITY
- PERCEPTIONS
- COMPARE WITH WANTS

SLIDE 37

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- CONSUMER PURCHASE PROCESS

- FAMILIARITY
- PERCEPTIONS
- COMPARE WITH WANTS
- ATTITUDES

SLIDE 38

SLIDE 39

HOWEVER, USUALLY ONE FEELING NETS OUT.

SLIDE 40

IF THE GENERAL ATTITUDES ARE POSITIVE THE SMOKER WILL TRY THE BRAND.

SLIDE 41

IF THE ATTITUDES ARE NEGATIVE HE WILL NOT TRY THE BRAND, AND IT IS OUR JOB TO UNDERSTAND THOSE NEGATIVE ATTITUDES AND FIX THE PERCEPTIONS SO THE SMOKER WILL HAVE POSITIVE ATTITUDES. IF WE DO THIS RIGHT THEN THE ATTITUDES WILL BECOME POSITIVE AND -

SLIDE 42

THE SMOKER WILL TRY THE BRAND OR USE IT FOR HIS USUAL BRAND.

AT EACH STEP IN THIS PROCESS WE HAVE A VARIETY OF WAYS TO IDENTIFY PROBLEMS OR OPPORTUNITIES. FOR EXAMPLE, WE MEASURE PERCEPTIONS VIA PRODUCT RESEARCH, ONGOING TRACKING, ADVERTISING EFFECTIVENESS RESEARCH, IN-DEPTH IMAGERY STUDIES, AND SO ON.

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- CONSUMER PURCHASE PROCESS

- FAMILIARITY
- PERCEPTIONS
- COMPARE WITH WANTS
- ATTITUDES
- POSITIVES; NEGATIVES

SLIDE 39

- CONSUMER PURCHASE PROCESS

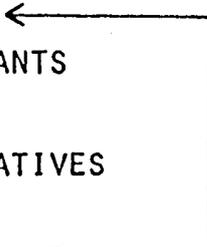
- FAMILIARITY
- PERCEPTIONS
- COMPARE WITH WANTS
- ATTITUDES
- POSITIVES; NEGATIVES
- TRIAL

SLIDE 40

- CONSUMER PURCHASE PROCESS

- FAMILIARITY
- PERCEPTIONS
- COMPARE WITH WANTS
- ATTITUDES
- POSITIVES; NEGATIVES
- TRIAL

● FIX PERCEPTIONS

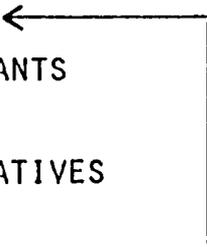


SLIDE 41

- CONSUMER PURCHASE PROCESS

- FAMILIARITY
- PERCEPTIONS
- COMPARE WITH WANTS
- ATTITUDES
- POSITIVES; NEGATIVES
- TRIAL

● FIX PERCEPTIONS



- ADOPTION

SLIDE 42

SO FAR I'VE DISCUSSED:

- WHY MARKETING DEVELOPMENT EXISTS
- WHAT WE ARE NOT, AND WHAT WE ARE
- HOW WE DEVELOP MARKETING INSIGHTS AND
- A BRIEF REVIEW OF HOW WE LOOK AT CONSUMERS

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LET ME NOW TALK ABOUT HOW WE ARE ORGANIZED.

SLIDE 44

FIRST, WE ARE STAFFED WITH ABOUT 120 PEOPLE. 73 OF THOSE ARE PROFESSIONALS AND MANY OF THE PROFESSIONALS HAVE GRADUATE DEGREES. MOST OF THE DEGREES ARE MBA'S IN MARKETING AND SOME ARE MS'S IN STATISTICS.

SLIDE 45

THE AVERAGE AGE OF OUR TOP MANAGERS IS 37 AND THE AVERAGE LENGTH OF TIME THEY HAVE WITH REYNOLDS IS ABOUT EIGHT YEARS. I THINK IT'S OBVIOUS FROM THAT THAT WE HAVE THE EXPERIENCE TO DO THE JOB.

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- STAFF OF 118
  - 73 PROFESSIONALS
  - 45 NON-PROFESSIONALS
  
- 60% OF PROFESSIONAL STAFF HAVE GRADUATE DEGREES

SLIDE 44

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EXPERIENCE

SLIDE 45

SLIDE 46

THE MARKETING DEVELOPMENT DEPARTMENT IS ORGANIZED INTO FOUR AREAS WHICH REPORT TO THE VICE-PRESIDENT OF MARKETING DEVELOPMENT.

SINCE EACH OF THE INDIVIDUAL DIRECTORS WILL DISCUSS THEIR SPECIFIC ORGANIZATION IN MORE DETAIL, I THOUGHT WHAT I WOULD DO IS BRIEFLY DESCRIBE THEIR MISSIONS AND THE END USERS THEY SERVICE. I DO THIS TO STRESS, ONCE AGAIN, THAT WE ARE ORGANIZED NOT ON A FUNCTIONAL BASIS BUT RATHER ON AN END USER BASIS.

SLIDE 47

THE MISSION OF THE ESTABLISHED BRANDS RESEARCH AREA IS TO ASSIST IN THE MANAGEMENT OF ESTABLISHED CIGARETTE BRANDS BY PROVIDING CONSUMER-BASED MARKETING INPUT INTO THE STRATEGIC AND TACTICAL DECISION PROCESS.

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VICE PRESIDENT  
MARKETING  
DEVELOPMENT

DIRECTOR  
ESTABLISHED  
BRANDS RESEARCH

DIRECTOR - NEW  
BRANDS AND  
STRATEGIC RESEARCH

DIRECTOR  
CONSUMER  
RESEARCH

DIRECTOR -  
MARKETING SCIENCE &  
INFORMATION SERVICES

SLIDE 46

ESTABLISHED  
BRANDS RESEARCH

SLIDE 47

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SLIDE 48

ESTABLISHED BRANDS RESEARCH SERVICES ONE KEY END USER - BRAND MARKETING. SPECIFIC BRAND RESPONSIBILITY IS ASSIGNED TO INDIVIDUAL BRAND RESEARCH MANAGERS WHO, WITH THEIR STAFF, ADDRESS ALL THE MARKETING ISSUES, PROBLEMS OR QUESTIONS THAT RELATE TO THEIR BRAND. ISSUES RELATE TO - FOR EXAMPLE - POSITIONING, ADVERTISING, SALES AND PRODUCT.

BRAND RESEARCH MANAGERS AND THEIR GROUP MANAGERS ARE ACTIVELY INVOLVED AS CONSULTANTS WITH THEIR COUNTERPARTS IN THE BRAND MARKETING ORGANIZATION, WHICH ALLOWS FOR EXCELLENT COMMUNICATION AND TEAMWORK.

I MIGHT ALSO ADD THAT ESTABLISHED BRANDS RESEARCH IS ONE OF THE BIGGEST END USERS OF THE RESOURCES AND INFORMATION SUPPLIED BY THE OTHER AREAS OF MARKETING DEVELOPMENT.

ESTABLISHED BRANDS RESEARCH

END USER: BRAND MARKETING

- STRATEGY
- POSITIONING
- ADVERTISING
- PRODUCT
- SALES
- LINE EXTENSIONS
- COMPETITION

SLIDE 48

SLIDE 49

THE MISSION OF THE NEW BRANDS AND STRATEGIC RESEARCH AREA IS TO ENSURE THE COMPANY'S STRATEGIC RESEARCH NEEDS ARE MET AND PROVIDE MARKETING RESEARCH AND DEVELOPMENT SUPPORT OF THE COMPANY'S SHORT AND LONG-TERM NEW BRAND EFFORTS.

SLIDE 50

THE STRATEGIC RESEARCH GROUP IS RESPONSIBLE FOR INTEGRATING EXISTING RESEARCH, IDENTIFYING EMERGING CONSUMER TRENDS, AND THEREBY AIDING AND ASSISTING THE DEVELOPMENT OF STRATEGIC DIRECTION FOR ESTABLISHED BRANDS, NEW SPIN-OFFS AND NEW BRAND FAMILIES. IT SUPPORTS BRAND MARKETING AND BRAND RESEARCH, PLANNING, PUBLIC AFFAIRS AND EXECUTIVE MANAGEMENT.

THE NEW BRANDS GROUP SERVICES NEW BRAND MARKETING AND PROVIDES ALL THE MARKETING RESEARCH SUPPORT NEEDED FOR THE DEVELOPMENT OF NEW BRAND FAMILY PROJECTS AND BUSINESS.

THEY ALSO WORK ON LONG TERM NEW PRODUCT PROGRAMS AND PROJECTS WITH BRAND AND R&D TO MEET EMERGING CONSUMER WANTS. THIS HELPS ENSURE THE COMPANY WILL HAVE INNOVATIVE NEW PRODUCTS TO MARKET IN THE LONGER TERM (3-5 YEARS).

NEW BRANDS AND  
STRATEGIC RESEARCH

SLIDE 49

NEW BRANDS AND  
STRATEGIC RESEARCH

- END USERS:
- NEW BRANDS MARKETING
  - PLANNING
  - BRAND MARKETING AND RESEARCH
  - PUBLIC AFFAIRS
  - STP
  - R&D

SLIDE 50

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SLIDE 51

THE MISSION OF THE CONSUMER RESEARCH AREA IS TO OPTIMIZE OUR KNOWLEDGE OF CONSUMER BEHAVIOR AND OF SPECIFIC ELEMENTS OF THE MARKETING MIX AS THEY RELATE TO CONSUMER BEHAVIOR (E.G., PRODUCT, ADVERTISING, PROMOTION, ETC.).

SLIDE 52

THIS AREA WORKS CLOSELY WITH THE OTHER SECTIONS IN MARKETING DEVELOPMENT, AS WELL AS WITH NUMEROUS EXTERNAL END USERS SUCH AS TOBACCO RESEARCH & DEVELOPMENT, MEDIA, PROMOTION, SPECIAL EVENTS, AND SALES, IN DEVELOPING RESEARCH PROGRAMS DIRECTED TO THEIR PARTICULAR INFORMATIONAL NEEDS AND ACTION PLANS.

THE PRODUCT RESEARCH GROUP WORKS CLOSELY WITH R&D AND ALSO HELPS END USERS IN MDD BY COORDINATING PRODUCT RESEARCH ACTIVITIES.

A RECENT ADDITION TO THE PRODUCT RESEARCH GROUP IS THE CONSUMER RELATIONS SECTION WHICH IS RESPONSIBLE FOR RESPONDING TO AND ANALYZING CONSUMER CORRESPONDENCE CONCERNING OUR PRODUCTS.

THE CONSUMER TRACKING GROUP IS RESPONSIBLE FOR TRACKING KEY CONSUMER BEHAVIOR MEASURES ON BOTH OUR BRANDS AND OUR COMPETITION.

CONSUMER RESEARCH

SLIDE 51

CONSUMER RESEARCH

- END USERS:
- MDD
  - R&D
  - MEDIA
  - PROMOTION
  - MANUFACTURING
  - QUALITY ASSURANCE
  - SALES

SLIDE 52

THE ADVERTISING AND PROMOTION STAFF PROVIDE ADVERTISING AND PROMOTION RESEARCH SUPPORT TO MARKETING SERVICES - MEDIA AND PROMOTION, AND ALSO SUPPORTS BRAND RESEARCH BY PROVIDING VALID AND RELIABLE ADVERTISING RESEARCH DATA.

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SLIDE 53

THE MISSION OF THE MARKETING SCIENCES AND INFORMATION AREA IS TO PROVIDE RJR'S PERFORMANCE TRACKING ANALYSIS AND FORECASTS IN SUPPORT OF OPERATING AND STRATEGIC PLANNING, AND TIMELY AND ACTIONABLE MARKETING INFORMATION, INTELLIGENCE AND QUANTITATIVE METHODS SUPPORT AS INPUT TO MARKETING/SALES DECISIONS.

SLIDE 54

THE MARKETING DECISIONS SYSTEM GROUP MANAGES THE MARKETING INFORMATION SYSTEM THAT PROVIDES RAPID ACCESS TO DATA SOURCES CRITICAL TO MARKETING/SALES DECISIONS.

AS I MENTIONED EARLIER, THE FORECAST GROUP PROVIDES THE MID-TERM AND LONG-RANGE FORECASTS THAT ARE USED FOR FINANCIAL PROJECTIONS, LEAF PURCHASES, FACILITIES PLANNING, AND STRATEGIC PLANNING OF MARKETING EFFORTS.

THIS GROUP IS ALSO RESPONSIBLE FOR COMPANY/BRAND PERFORMANCE ANALYSES, TRACKING COMPETITIVE NEW BRANDS, AND ASSESSING SALES PERFORMANCE IN TEST MARKETS.

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MARKETING SCIENCES &  
INFORMATION SERVICES

SLIDE 53

MARKETING SCIENCES &  
INFORMATION SERVICES

- END USERS:
- MANUFACTURING
  - PRODUCTION PLANNING
  - TRAFFIC, DISTRIBUTION
  - SALES
  - LEAF
  - FACILITIES PLANNING
  - MERCHANDISING
  - MDD
  - EXECUTIVE MANAGEMENT

SLIDE 54

THE MARKETING INTELLIGENCE GROUP PROVIDES EXECUTIVE MANAGEMENT WITH STRATEGIC INTELLIGENCE ON COMPETITIVE ACTIVITIES BY COLLECTING AND REPORTING COMPETITIVE INFORMATION ALONG WITH ITS IMPLICATIONS.

SLIDE 55

THIS SHOULD SET THE STAGE FOR YOU FOR THE NEXT TWO DAYS. I HOPE THAT I HAVE CLEARLY COVERED SEVERAL POINTS I THINK ARE IMPORTANT. DURING SUBSEQUENT PRESENTATIONS THESE POINTS SHOULD BE COVERED MORE, BUT TO SUMMARIZE BRIEFLY:

- WE ARE DRIVEN BY THE CONSUMER AND THE FACT THAT WE ARE A CONSUMER PRODUCTS COMPANY. WE BELIEVE THERE IS A WEALTH OF INFORMATION AVAILABLE FROM THE CONSUMER AND IT IS APPLICABLE TO A VARIETY OF AREAS. WE CONTINUALLY COME UP WITH MORE USES.
- WE ARE GENERALISTS - PRIMARILY MARKETING GENERALISTS - WHO KNOW HOW TO USE RESEARCH TO HELP OUR EFFORTS. WE ARE EXCELLENT AT RESEARCH, BUT ALWAYS WANT TO PUT IT IN ITS PROPER PERSPECTIVE. WE DO NOT EARN OUR KEEP BY DOING RESEARCH - WE EARN OUR KEEP BY HELPING MANAGEMENT.  
INCIDENTALLY, YOU WILL SEE THIS PHILOSOPHY IN OUR RECRUITING AND TRAINING EFFORTS, AND I HAVE DISCUSSED THE CAREER PATHS OUTSIDE OF RESEARCH OF ALL OF OUR RECENT SENIOR MANAGEMENT.
- WE ARE CONSULTANTS TO END USERS. THE CONSULTING CONCEPT WILL BE DISCUSSED IN A LITTLE MORE DETAIL LATER, AND I THINK THE END USER CONCEPT SHOULD BE CLEAR BY NOW.

I HOPE THIS TASK FORCE WILL BE THE START OF A POSITIVE RELATIONSHIP BETWEEN ALL OF US. WE LOOK FORWARD TO CULTIVATING A GOOD RELATIONSHIP WHERE WE CAN LEARN FROM YOU, AND YOU CAN LEARN FROM US.

AT THIS POINT, I WILL BE GLAD TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.

MARKETING DEVELOPMENT

AT

R J R

SLIDE 55

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ESTABLISHED BRANDS RESEARCH

- PHILOSOPHY

- MAJOR ISSUES

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## PHILOSOPHY

- CONSUMER DRIVEN
  
- WE KNOW TYPES OF CONSUMER INPUT AVAILABLE AND SYNTHESIZE IT INTO ACTIONABLE CONCLUSIONS
  
- PRAGMATIC
  - ISSUE ORIENTED, NOT TECHNIQUE DRIVEN

## PHILOSOPHY

- MANAGEMENT'S LINK WITH THE CONSUMER
  
- MARKETING GENERALISTS WITH RESEARCH EXPERTISE
  
- PRAGMATIC
  - ISSUE ORIENTED, NOT TECHNIQUE DRIVEN
  
- MARKETING CONSULTANTS
  - NOT LIMITED TO RESEARCH
  - INTRODUCED SYNECTICS/CREATIVITY APPROACH TO RJR
  - INCREASED UNDERSTANDING OF IMPLICATIONS OF IMAGERY
  - YEARLY BUSINESS ANALYSIS
  
- THOUGHT PROVOKING
  - QUITE A BIT OF QUALITATIVE
  - "WHITE" PAPERS/MEMOS

CONSULTING SEMINAR TOPICS

WHAT IS A CONSULTANT

WHY CONSULTANTS ARE USED

INTERNAL VERSUS EXTERNAL CONSULTANTS

WHY WE (MDD) ARE CONSULTANTS

MULTIPLE ROLES OF CONSULTANT

CHARACTERISTICS OF GOOD CONSULTANTS

PITFALLS IN CONSULTING

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## WHY WE (MDD) ARE CONSULTANTS

● ROLE - HELP MANAGEMENT/BRAND MANAGE THEIR BUSINESS

● TO GIVE THE MOST HELP, SHOULD USE ALL OUR ASSETS

WE ARE:

-- RESEARCH EXPERTS

-- SOMEWHAT REMOVED FROM "POLITICAL" PROCESS

-- SUPPOSED TO BE OBJECTIVE

-- SUPPOSED TO BE ACTIVE

-- LINK WITH THE CONSUMER

-- STRUCTURED TO OFFER SEVERAL PERSPECTIVES

-- STRUCTURED PARALLEL WITH BRAND

-- KNOW A LOT ABOUT OUR BRANDS AND THE MARKETPLACE

-- HAVE, IN LARGE PART, A MARKETING GENERALIST PERSPECTIVE

-- SPEND A LOT OF TIME THINKING, R.E., STRATEGIC ISSUES

-- SMART

● CONSULTANT ROLE USES THESE ASSETS MORE FULLY THAN DO THE ROLES

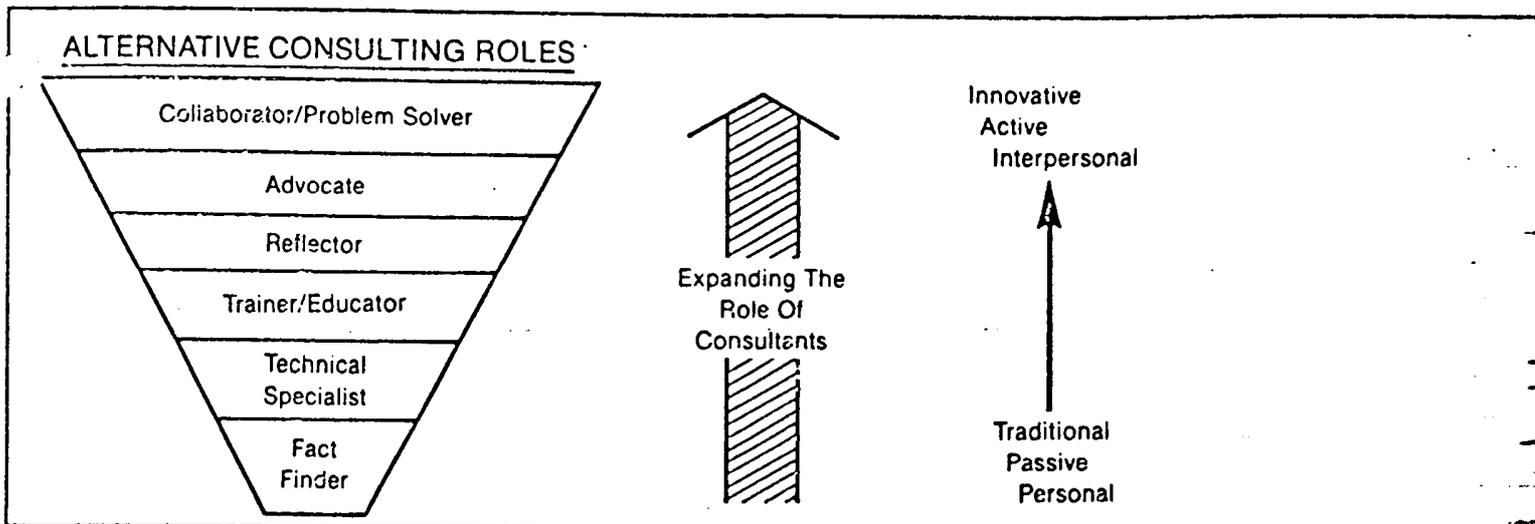
OF:

-- RESEARCH GURU

-- STAFF SUPPORT FUNCTION

# MARKETING DEVELOPMENT DEPARTMENT

## CONSULTING SKILLS WORKSHOP - HIGHLIGHTS



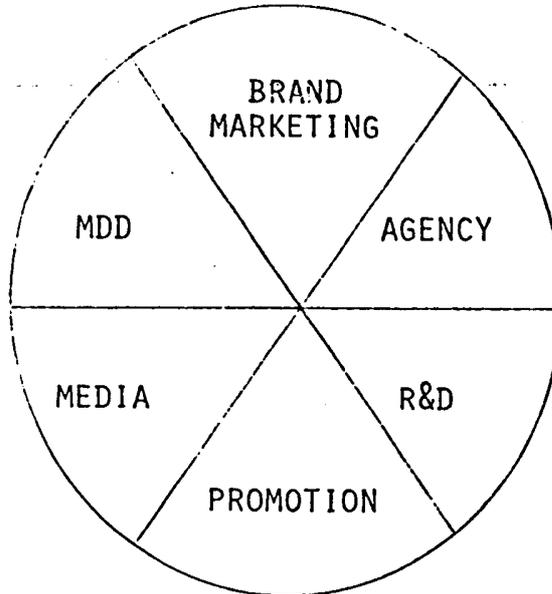
- ### GOOD CONSULTING TRAITS
- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Views Mind As Key Asset</li> <li>• Initiates</li> <li>• Personal Skills</li> <li>• Self-Confident</li> <li>• Values Client's Input</li> <li>• Communication Skills</li> <li>• Professional Self Image</li> </ul> | <ul style="list-style-type: none"> <li>• Smart</li> <li>• Creative</li> <li>• Problem-Solving Ability</li> <li>• Logical</li> <li>• Flexible</li> <li>• Starts Small At Times</li> <li>• Likes Helping</li> </ul> |
|---|---|

- ### CONSULTING PITFALLS
- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Poor Initial Contact</li> <li>• Doesn't Know Client Well Enough</li> <li>• Fails to Take Into Account Other Key People</li> <li>• Lacks Legitimacy</li> <li>• Client Too Dependent</li> <li>• Lacks Intermediate Goals To Keep Interest Up</li> <li>• Fails To Take Things Far Enough</li> </ul> | <ul style="list-style-type: none"> <li>• Only Reacts</li> <li>• Unrealistic Expectations</li> <li>• Power Play; Consultant vs. Client</li> <li>• Fails To Confront Sensitive Issues</li> <li>• Lack Of Creativity</li> <li>• Plays It Too Safe</li> <li>• Creates Environment That Begs For Resistance</li> <li>• Lack of Management's Support</li> </ul> |
|---|---|

### DIFFERENTIATING TRAITS OF EACH CONSULTING ROLE

<u>COLLABORATOR/ PROBLEM SOLVER</u>	<u>ADVOCATE</u>	<u>REFLECTOR</u>	<u>TRAINER</u>	<u>TECHNICAL SPECIALIST</u>	<u>FACT FINDER</u>
<ul style="list-style-type: none"> <li>• Interdependent</li> <li>• 2-way Communication</li> <li>• Offers Alternatives</li> <li>• Environment Of Mutual Respect</li> <li>• Wears Client's Shoes</li> </ul>	<ul style="list-style-type: none"> <li>• Advocates Action Client Should Take</li> <li>• Anticipates Resistance</li> <li>• Does Homework</li> <li>• Leads Discussion</li> <li>• Assertive</li> <li>• Sensitive</li> </ul>	<ul style="list-style-type: none"> <li>• Have Going In Thoughts</li> <li>• Reflective/Not Professorial</li> <li>• Asks Open End Questions</li> <li>• Probes</li> <li>• Offers Solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Active</li> <li>• Simple Communications</li> <li>• Expert</li> <li>• Maintains Control</li> <li>• Customizes Instructions</li> <li>• Explains Usefulness</li> </ul>	<ul style="list-style-type: none"> <li>• Expert</li> <li>• Simple Communications</li> <li>• Recommends Specific Technical Actions</li> <li>• Convincingly Shows Expertise</li> <li>• Directs Discussion</li> </ul>	<ul style="list-style-type: none"> <li>• Passive</li> <li>• Responsive</li> <li>• Tries To Do More</li> <li>• Complete</li> </ul>

## BRAND TEAM ORIENTATION



ALL AREAS ARE INVOLVED WITH A BRAND'S MAJOR ISSUES, BUT ALSO HAVE THEIR OWN SPECIALTIES/ROLES.

### MDD'S

- OBJECTIVITY (CONSUMER'S VOICE)
- DETAILED ANALYSIS
- RESEARCH

## MAJOR TYPES OF ISSUES

- BUSINESS ANALYSIS
- MONITORING PERFORMANCE AND IDENTIFYING A BRAND'S STRENGTHS AND WEAKNESSES
- POSITIONING/REPOSITIONING STRATEGIES
- PRODUCT DEVELOPMENT AND EVALUATION
- ADVERTISING DEVELOPMENT AND EVALUATION
- PACKAGING, PROMOTION, LINE EXTENSION

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## BUSINESS ANALYSIS

- FIRST STEP IN A BRAND'S YEARLY PLANNING PROCESS
- THOROUGH ANALYSIS OF EVERY ASPECT OF EACH BRAND'S BUSINESS AND COMPETITION
- INCLUDES OUR OBJECTIVE CONCLUSIONS AND BRAND TEAM'S INDICATED ACTIONS

## BUSINESS ANALYSIS AREAS

- SALES
  - NATIONAL
  - REGIONAL
  - MAJOR METRO
  - HISPANIC/BLACK
  
- SEGMENT ANALYSIS
  - SHARE
  - WANTS OF CORES AND FRINGES
  
- SWITCHING BEHAVIOR
  
- DEMOGRAPHICS
  
- AWARENESS, TRIAL, PURCHASE
  
- PRODUCT AND USER PERCEPTIONS
  
- PURCHASE PATTERNS
  
- TARGET DEFINITION
  
- PRODUCT PERFORMANCE
  
- ADVERTISING PERFORMANCE
  
- SPENDING AND MEDIA ANALYSIS

MONITORING PERFORMANCE AND IDENTIFYING  
STRENGTHS AND WEAKNESSES

WHILE BUSINESS ANALYSIS IS A ONCE A YEAR EFFORT, MONITORING GOES ON CONTINUALLY.

- MONTHLY STATE OF BRAND REPORTS
- WEEKLY SHIPMENT ANALYSIS
- CONSUMER MEASURES

THIS ALLOWS US TO START INVESTIGATING PERFORMANCE PROBLEMS QUICKLY.

MORE IS AN EXAMPLE.

- MORE ATTEMPTED TO EXPAND TARGET WITH INTRODUCTION OF MORE LIGHTS.
- MORE LIGHTS CURRENTLY HAS LOW SHARE DUE TO SOMEWHAT LOW AWARENESS BUT EXTREMELY LOW TRIAL.
- THERE ARE INDICATIONS THAT CONSUMERS:
  - HAVE NO REASON TO WANT TO TRY MORE LIGHTS
  - FIND MORE LIGHTS INCONSISTENT WITH MORE
- CURRENTLY DEVELOPING PERSPECTIVE ON HOW TO FIX MORE LIGHTS.

## POSITIONING/REPOSITIONING STRATEGIES

USING CONSUMER INPUT, WE DEVELOP A THOROUGH UNDERSTANDING OF BRANDS' IMAGE AND TARGETS' WANTS TO OBJECTIVELY EVALUATE WHERE A BRAND IS AND WHERE IT MIGHT MOVE.

THE VANTAGE REASSESSMENT EFFORT IS AN EXAMPLE.

## ORIGINATION OF REASSESSMENT

- EARLY 1980 - DESIRE TO REPOSITION VANTAGE
  - CHANGE "VANTAGE POINT"
  - JOIN ULTRA LIGHTS AND PARENT AS FAMILY
  - CONCENTRATE ON TODAY'S WANTS
- THIS LED TO VANTAGE "PLEASURES"
- EARLY 1981 - RESEARCH WAS CONDUCTED TO BETTER UNDERSTAND VANTAGE. IT BEGAN TO SHOW INCONSISTENCIES WITH "PLEASURES" AND VANTAGE.

## VANTAGE IMAGE AND TARGET RESEARCH

### IMAGE RESEARCH

PURPOSE: TO MORE CLEARLY UNDERSTAND PRODUCT AND  
SMOKER IMAGE OF VANTAGE AND MERIT. CAN  
HELP VANTAGE BY:

- IDENTIFYING POSITIVES TO EXPLOIT
- IDENTIFYING NEGATIVES TO ELIMINATE
- REFINING TARGET DEFINITION

### METHODOLOGY:

- INDEPTH ONE-ON-ONE'S AMONG FRANCHISE  
AND TARGET
- COVERED GENERAL AND BRAND SPECIFIC  
TOPICS

PRODUCT PERCEPTIONS

- BOTH ARE BIG, POPULAR LOW TARS, BUT SOME DIFFERENCES DO EXIST.

VANTAGE

- LITTLE STRONGER
- DIFFERENT FILTER
- MORE DISTINCTIVE

MERIT

- MILDER, MELLOWER

- BOTH LOW TARS
- BOTH POPULAR
- BOTH LEADERS

IMAGE PERCEPTIONS

- VANTAGE TENDS TO BE SMOKED BY MORE DISTINCTIVE PEOPLE

VANTAGE

JOHN WAYNE  
JOHNNY CARSON  
BURT REYNOLDS

CHER  
NAPOLEON  
RUDOLPH VALENTINO  
TRUMAN CAPOTE

MERIT

JOHN WAYNE  
JOHNNY CARSON  
BURT REYNOLDS

CARROLL O'CONNOR  
JAMES ARNESS  
JOHN DAVIDSON  
VIKKI CARR

- VANTAGE SEEMS MORE SPORTY, MERIT MORE CONVENTIONAL

VANTAGE

SPORTS CAR  
TRIUMPH  
SLEEK PROTOTYPE  
PORSCHÉ  
INEXPENSIVE SPORTS CAR  
SPORTY BUICK

MERIT

'67 CHEVY IMPALA  
FORD FAIRMONT  
VEGA  
2 DOOR CHEVY/FORD  
FAMILY TYPE (GRANADA)  
MEDIUM SIZED

VANTAGE

TYPE

MERIT

21	SPORTS CAR	3
10	CLASSY CAR	9
6	MAINSTREAM	24
8	ECONOMY	11
-	MACHO	4
7	LOW CLASS	1

TARGET STUDY

PURPOSE: TO REFINE OUR UNDERSTANDING OF OUR TARGET TO  
BETTER APPLY VANTAGE'S POSITIVES TO THEM.

## FINDINGS

1. IN THE PRIME OF THEIR LIVES (25-49).
2. MAKE BRAND SELECTION DYNAMICALLY (DIFFERENT BRANDS APPROPRIATE FOR DIFFERENT STYLES IN LIFE).
3. PERCEIVE THEMSELVES AS SELF-CONFIDENT
  - FREQUENTLY DUE TO TRANSFORMATION (NOT BORN WITH SELF-CONFIDENCE).
4. POSITIVE ATTITUDE TOWARDS LIFE
  - BUT DARKER SIDE TO THEIR PERSONALITIES
  - AFRAID TO LET UP
5. "DOERS"
  - THRIVE ON ACTIVITY
  - RELAXATION CAN ONLY BE TEMPORARY

- THESE TWO STUDIES RAISED/CRYSTALLIZED SERIOUS QUESTIONS:
  - ARE WE TAKING ADVANTAGE OF VANTAGE'S ASSETS?
  - ARE WE TALKING EFFECTIVELY TO OUR TARGET?
- LED TO REFINEMENTS OF "PLEASURES"
- FINALLY, DECIDED TO REASSESS.

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## OBJECTIVE OF THE REASSESSMENT

TO COMPLETELY UNDERSTAND VANTAGE AND THE MARKETPLACE:

- VANTAGE'S STRENGTHS AND WEAKNESS
- MARKETPLACE'S (AND TARGET'S) WANTS

## ORGANIZATION

THREE BROAD AREAS OF RESPONSIBILITY:

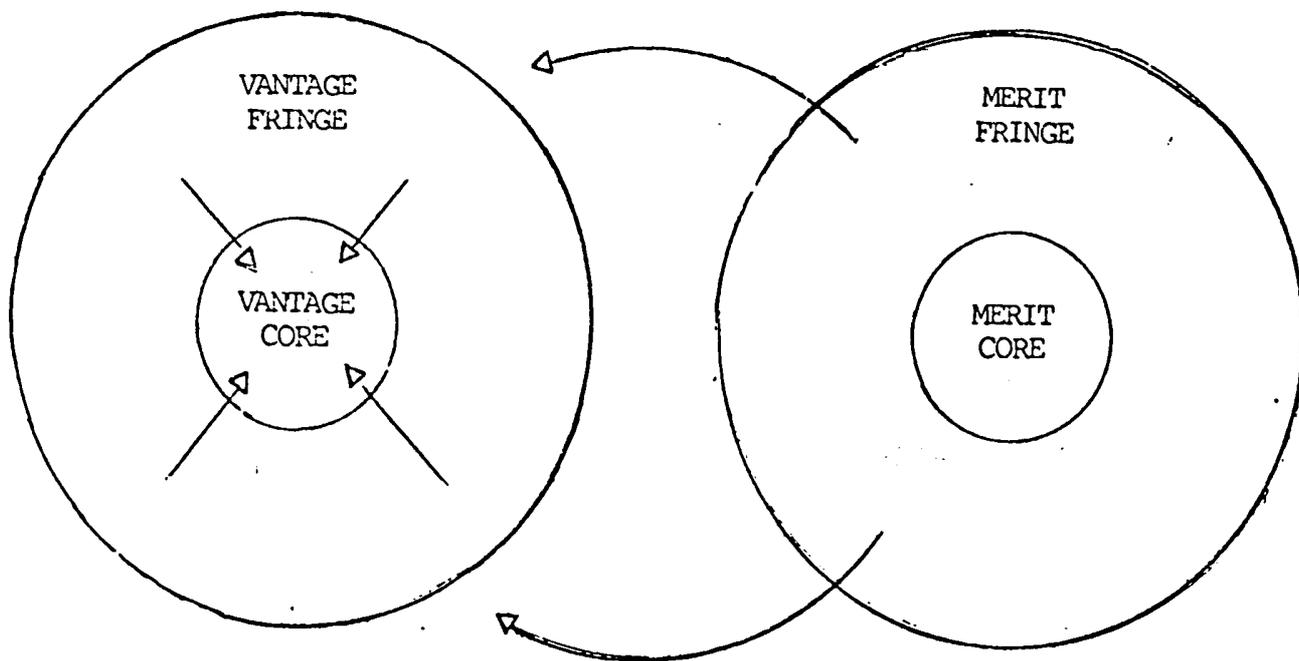
- REVIEW OF BRAND'S HISTORY (1970-1980)
  - AGENCY
- ANALYSIS OF CURRENT CONDITIONS AND THEIR IMPLICATIONS
  - MDD
- POSITIONING RECOMMENDATION AND REQUIRED NEXT STEPS
  - BRAND

THE SYNTHESIS OF ALL THE CURRENT INFORMATION ON VANTAGE INTO A CONCISE, MARKETING ORIENTED DOCUMENT REQUIRE TIME, LOGIC AND BRAINPOWER.

- SALES
- PRODUCT
- ADVERTISING
- IMAGE
- MARKETPLACE WANTS
- SEGMENTATION STUDY

WE NEEDED TO KNOW HOW TO CEMENT OUR FRINGE, AND BEGIN TO ATTRACT MERIT FRINGE.

- COULD DO SO BY IMPROVING VANTAGE'S PERCEPTIONS TO MEET THE WANTS OF THESE FRINGES.



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- HOW DO PERCEPTIONS DIFFER?
- HOW DO WANTS DIFFER?

#### PERCEPTIONS

TO A LARGE EXTENT, THE VANTAGE FRINGE AND MERIT FRINGE PERCEIVED VANTAGE SIMILARLY TO THE VANTAGE CORE.

#### WANTS

HOWEVER, THESE FRINGES HAD SOME DIFFERENT WANTS.

DIFFERENCES IN PERSONAL QUALITY WANTS

	<u>VANTAGE FRINGE</u> <u>VERSUS CORE</u>	<u>MERIT FRINGE</u> <u>VERSUS CORE</u>
ACTIVE	=	=
LIVES FULL LIFE	WANTS MORE	=
ADVENTUROUS	=	=
EXCITING	=	=
DYNAMIC	=	=
STANDS OUT IN CROWD	=	=
DOESN'T GO ALONG WITH CROWD	=	=
MASCULINE	=	=
"IN" GROUP	=	WANTS MORE
OUTDOOR	=	WANTS MORE
SELF-CONFIDENT	=	WANTS MORE
MODERN	WANTS LESS	WANTS MORE
AGGRESSIVE	WANTS LESS	=
INDEPENDENCE	WANTS LESS	=
COMFORTABLE WITH SELF	=	=
SUCCESSFUL	=	=
ENJOYS LIFE	WANTS MORE	=
THINKS THINGS THRU	=	WANTS MORE
CUT ABOVE	=	=
ACHIEVEMENT ORIENTED	=	WANTS MORE

ALL THIS LED TO A POSITIONING OF VANTAGE THAT ULTIMATELY  
RESULTED IN "TASTE OF SUCCESS".

- ONE FALSE START
- DID NOT CHANGE OUR BELIEFS OF VANTAGE, RATHER,  
WE THOUGHT OF ANOTHER POSITIONING THAT WAS  
CONSISTENT

50143 9415

## PRODUCT DEVELOPMENT AND EVALUATION

### SALEM

- OPPORTUNITY ANALYSIS IDENTIFIED TARGET SEGMENTS WITH GOOD LONG TERM OPPORTUNITY
  - 18-24 YEAR OLD MALE/FEMALE
  - 25-34 YEAR OLD FEMALE
  
- EXISTING PRODUCTS WERE NOT POSITIONED AGAINST THESE TARGETS. RETABBING SHOWED SEVERAL STYLES WERE AT A COMPETITIVE DISADVANTAGE.
  
- ANALYSIS INDICATED PRIMARY PROBLEMS WERE
  - NOT ENOUGH MENTHOL
  - NOT ENOUGH STRENGTH
  
- PROTOTYPE DEVELOPMENT FOCUSED ON INCREASING MENTHOL (WIDE RANGE OF ALTERNATIVES) AND STRENGTH (INCREASED TAR, CHANGED AIR DILUTION).

IMPRESSIVE RESULTS. NOW SIX OF SALEM'S SEVEN STYLES ARE SUPERIOR TO COMPETITION.

SALEM KING 85

SALEM LIGHTS 85

OVERALL %70+ RATINGS

	<u>SALEM KING 85</u>		<u>SALEM LIGHTS 85</u>	
	<u>18-24</u>	<u>FEMALE 25-34</u>	<u>18-24</u>	<u>FEMALE 25-34</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
PROTOTYPE	(65)	(65)	(57)	(60)
COMPETITION	56	56	53	50
	52	49	55	54
CURRENT SALEM	53	55	43	48

ATTRIBUTE PERFORMANCE (PROTOTYPE VS. CURRENT)

- MORE SATISFYING
- COOLER
- MORE MENTHOL

- MORE SATISFYING
- STRONGER
- COOLER
- MORE MENTHOL

SALEM 100

SALEM LIGHTS 100

OVERALL %70+ RATINGS

	<u>18-24</u>	<u>FEMALE</u> <u>25-34</u>	<u>18-24</u>	<u>FEMALE</u> <u>25-34</u>
PROTOTYPE	52 <sup>%</sup>	53 <sup>%</sup>	65 <sup>%</sup>	72 <sup>%</sup>
COMPETITION	42	38	53	54
CURRENT SALEM	38	29	33	31
			57	50

ATTRIBUTE PERFORMANCE (PROTOTYPE VS. CURRENT)

- MORE SATISFYING
- COOLER
- MORE MENTHOL
- STRONGER AND SMOOTHER

- MORE SATISFYING
- COOLER
- MORE MENTHOL
- MILDER/LESS HARSH

## SUMMARY

THE ROLE OF AN ESTABLISHED BRANDS RESEARCHER IS TO HELP MARKETING MANAGE THEIR BUSINESS USING ALL AVAILABLE CONSUMER INPUT.

- STRATEGIC THINKING FROM CONSUMER ORIENTATION
- KNOW BUSINESS BY CONSTANT MONITORING AND INTEGRATING LEARNING ON ALL MARKETING ELEMENTS FROM ALL SOURCES.

50143 9420

## CONSUMER RESEARCH

### MISSION

PLAN AND DIRECT RESEARCH PROGRAMS DESIGNED TO OPTIMIZE KNOWLEDGE OF SPECIFIC ELEMENTS IN THE MARKETING MIX (PRODUCT, ADVERTISING, PROMOTION) AS THEY RELATE TO CONSUMER BEHAVIOR, TO ASSURE THAT CONSUMER INPUT HAS AN INFLUENCE ON MARKETING DECISIONS. ALSO, TO ENSURE THE EFFECTIVE OPERATION AND UTILIZATION OF THE DEPARTMENT'S CONSUMER TRACKING SYSTEMS FOR MARKETING DECISION-MAKING.

## KEY ACCOUNTABILITIES

1. SUPPORT THE CONSUMER-RELATED NEEDS OF END-USERS IN
  - MARKETING DEVELOPMENT
  - R&D; MANUFACTURING
  - MARKETING SERVICES  
(MEDIA; PROMOTION; SPECIAL EVENTS)
  - PUBLIC RELATIONS; CORPORATE MANAGEMENT
  
2. ENSURE THE KNOWLEDGE IS SUMMARIZED AND INTEGRATED WITH OTHER RESEARCH INFORMATION TO ENABLE ACTION-ABLE DECISION MAKING.
  
3. DEVELOP IMPROVED SYSTEMS OF RESEARCH.
  
4. ENSURE THAT THE PROCESSES AND TECHNIQUES ARE FULLY UNDERSTOOD AND UTILIZED BY END-USERS.

THIS ORIENTATION WILL FOCUS ON:

- HOW WE AID DECISION MAKERS.
- WHAT INFORMATION WE PROVIDE.
- HOW WE ENSURE END-USER UNDERSTANDING.

● HOW WE AID DECISION MAKERS

1. WE APPROACH THE MARKETING PROCESS FROM A CONSUMER STANDPOINT.
2. WE RELATE OUR KNOWLEDGE OF CONSUMERS TO MARKETING ISSUES/ACTIONS.

CONSUMER PURCHASE PROCESS	MARKETING ISSUES
FAMILIARITY	GAIN ATTENTION
	COMMUNICATE: <ul style="list-style-type: none"> <li>● INFORMATION</li> <li>● EMOTIONAL APPEALS</li> </ul>
PERCEPTIONS	FORM BELIEFS
ATTITUDES	DEVELOP ATTITUDES <ul style="list-style-type: none"> <li>● EXPECTATIONS</li> </ul>
	<ul style="list-style-type: none"> <li>● AFTER TRIAL</li> </ul>
BEHAVIOR	TRIAL
	ACCEPTANCE
	ADOPTION

● HOW WE AID DECISION MAKERS

3. WE DIRECT RESOURCES TO LEARNING HOW CONSUMERS  
THINK AND BEHAVE.

-- PRODUCT RESEARCH GROUP

- A. ADDRESSES PRODUCT RESEARCH ISSUES IN  
SUPPORT OF RJR TOBACCO NEEDS;
- B. ENSURES THAT CONSUMER INPUT IS PRO-  
VIDED IN THE DEVELOPMENT OF PRODUCTS;
- C. ENSURES THAT QUALITY IS MAINTAINED AT  
THE CONSUMER LEVEL.

-- CONSUMER TRACKING GROUP

- A. PROVIDES CONSUMER TRACKING SYSTEMS IN  
SUPPORT OF MDD AND CORPORATE NEEDS;
- B. ENSURES THAT KNOWLEDGE ABOUT THE CON-  
SUMER ENABLES ACTIONABLE DECISION  
MAKING;
- C. ENSURES THAT THE PROCESSES AND TECHNIQUES  
ARE FULLY UNDERSTOOD AND UTILIZED BY END  
USERS.

-- ADVERTISING AND PROMOTION GROUP

- A. PROVIDES DEVELOPMENTAL AND EVALUATIVE CONSUMER RESEARCH TO SUPPORT MDD AND MARKETING SERVICES END USERS;
- B. DEVELOPS PROGRAMS TO IMPROVE THE UTILIZATION AND UNDERSTANDING OF ADVERTISING/PROMOTION RESEARCH AND MEASUREMENT TOOLS;
- C. PROVIDES SUMMARIES AND ANALYSES WHICH INCREASE END USER KNOWLEDGE OF ADVERTISING AND THE COMPANY'S POSITION RELATIVE TO COMPETITION AMONG STRATEGIC SMOKER GROUPS.

- WHAT INFORMATION WE PROVIDE

- 1. MARKET PERFORMANCE TRACKING

- INCIDENCE AND RATE OF CONSUMPTION
- SMOKER DEMOGRAPHIC INFORMATION
- SOURCE OF BUSINESS
- PURCHASE PATTERNS

- 2. BRAND PERFORMANCE TRACKING

- MONTHLY ALERTS ON CONSUMER TRENDS
- COMPREHENSIVE BRAND SUMMARY REVIEWS
- COMPETITIVE NEW BRAND CONSUMER TRACKING
- ETHNIC TRACKING

- 3. ADVERTISING EVALUATION AND INDUSTRY OVERVIEWS

- COPY TESTING - MAGAZINE  
NEWSPAPER  
OOH
- MEDIA RESEARCH

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#### 4. PROMOTIONAL EVALUATION

- IN-MARKET OFFERS
- DIRECT MARKETING OFFERS
- SPECIAL EVENTS
- FIELD MARKETING

#### 5. PRODUCT EVALUATION

- CONSUMER GUIDANCE TESTING
- CONSUMER ACCEPTANCE TESTING
- PRODUCT QUALITY

● HOW WE ENSURE END USER UNDERSTANDING

1. FRAMEWORK DOCUMENTS

- MARKETING PROCESS
- AD RESEARCH PROCESS

2. FEEDBACK COMMUNICATION

- BRAND RESEARCH
- AGENCY RESEARCH

3. ORIENTATION/DEVELOPMENT PROGRAMS

- CONSUMER RESEARCH METHODS
- PRODUCT TESTING
- COPY TESTING

## CONCLUSION

CONSUMER RESEARCH ACHIEVES ITS MISSION OF PROVIDING  
CONSUMER INPUT FOR DECISION-MAKING BY:

- BEING RESPONSIVE TO END USER NEEDS THROUGH-  
OUT RJR.
  
- PROVIDING DIAGNOSTIC INSIGHT AS WELL AS  
EVALUATIVE MEASURES.
  
- BEING ALERT TO CHANGES IN CONSUMER BEHAVIOR  
AND PREFERENCE.
  
- DEVELOPING SYSTEMS OF TRACKING THAT ARE  
CONSUMER ORIENTED, NOT TECHNIQUE ORIENTED.
  
- CONTINUING TO IMPROVE OUR TESTING METHODS  
IN EACH OF THE AREAS.

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MARKETING SCIENCES  
AND INFORMATION SERVICES

KEY ACCOUNTABILITIES:

- PROVIDE THE COMPANY WITH EFFECTIVE, TIMELY FORECASTS, PERFORMANCE REVIEWS, AND BUSINESS ANALYSIS VIA SALES/SHARE.
  
- DEVELOP AND IMPLEMENT A COMPREHENSIVE MARKETING DECISION SYSTEM.
  
- PROVIDE TIMELY, ACTIONABLE COMPETITIVE MARKETING INTELLIGENCE INFORMATION FOR MARKETING/SALES DECISION MAKING AND MAINTAIN THE MARKETING DEVELOPMENT INTELLIGENCE CENTER AND DEPARTMENTAL RECORDS.
  
- IDENTIFY, DEVELOP, AND APPLY MARKETING SCIENCES PROBLEM-SOLVING APPROACHES IN SUPPORT OF THE COMPANY'S MANAGEMENT DECISIONS.

MARKETING SCIENCES AND INFORMATION SERVICES ORGANIZATION

50143 9433

DIRECTOR - MARKETING SCIENCES AND INFORMATION SERVICES  
JERRY MOORE

GROUP MRM - FORECASTS  
JOHN HRIBAR

- FORECASTS
- PERFORMANCE TRACKING
- BUSINESS ANALYSIS
- TEST MARKETS

GROUP MRM - MDS  
JOHN SAYLOR

- MARKETING DECISION SYSTEM
- INFORMATION SERVICES
  - MARKETING
  - FIELD SALES
- MERCHANDISING RESEARCH

MRM - MARKETING INTELLIGENCE  
TOM MILLER

- COMPETITIVE INTELLIGENCE
- MDD INTELLIGENCE CENTER

MRM - QUANTITATIVE METHODS  
ED HARDMAN

- SPECIAL PROJECTS
- NEW/IMPROVED METHODS
- MDD CONSULTING

FORECASTING

MDD: PHIL GALYAN - CIGARETTES  
BILL DOTEN- STP

END USERS: EXECUTIVE MANAGEMENT  
CORPORATE PLANNING  
FINANCIAL PLANNING  
FACILITIES PLANNING  
LEAF BUYING  
PURCHASING  
PUBLIC RELATIONS  
MARKETING  
STP  
SALES  
MDD

KEY ISSUE:

UNDERSTAND THE IMPACT OF MARKETING ACTIVITIES AND PROJECT THEIR RESULTANT EFFECT ON BUSINESS PERFORMANCE.

PROGRAMS:

- PROVIDE ACCURATE AND TIMELY MARKETING ORIENTED FORECASTS FOR INDUSTRY, RJR, CATEGORIES, AND COMPETITIVE BRANDS AND COMPANIES (E.G., OPERATING PLAN, STRATEGIC PLAN, LEAF PURCHASE, AND FACILITIES DEVELOPMENT PLAN).
- PROVIDE PERFORMANCE REVIEWS TO EVALUATE CURRENT PERFORMANCE VERSUS FORECAST.
- PROVIDE INFORMATION SERVICES AS INPUT TO MARKETING/SALES DECISION MAKING.

OPERATIONAL  
FORECASTING

MDD: BILL DOTEN

END USERS: MANUFACTURING  
PRODUCTION  
DISTRIBUTION  
CDC

KEY ISSUE:

PROVIDE ACCURATE AND TIMELY OPERATIONAL FORECASTS FOR  
MANUFACTURING AND DISTRIBUTION.

PROGRAMS:

- PROVIDE MANUFACTURING ACCURATE WEEKLY OPERATIONAL FORECASTS  
INCORPORATING MARKETING ACTIVITIES FOR ALL RJR ITEMS  
(CIGARETTES AND STP).
- DEVELOP WEEKLY WAREHOUSE LEVEL FORECASTING SYSTEM FOR THE  
CDC.
- DEVELOP NEW BRAND ALLOCATIONS.

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BUSINESS ANALYSIS

MDD: BOB DAVIS

END USERS: MARKETING

SALES

EXECUTIVE MANAGEMENT

MDD

KEY ISSUE:

MONITOR AND ANALYZE EXTERNAL MARKET AND CONSUMER  
FACTORS AFFECTING INDUSTRY AND RJR.

PROGRAMS:

- PERFORMANCE ANALYSIS
- COMPETITIVE NEW BRAND TRACKING
- SPECIAL SALES ANALYSIS/AD Hoc REQUESTS

IN-MARKET TESTING

MDD: LYLE SMITH

END USER: MDD

KEY ISSUE:

DETERMINE IMPLICATIONS TO THE BRAND AND TO RJR FOR SPECIFICALLY RECOMMENDED TEST MARKETS IN THE AREAS OF MARKETING, PRODUCT, AND PACKAGE.

PROGRAMS:

- COORDINATE AND CONDUCT ON-GOING DESIGN, ANALYSIS, AND COMMUNICATION OF RESULTS FOR ALL TEST MARKETS.
- DEVELOP FASTER AND MORE PRECISE METHODS OF MEASURING IN-MARKET TEST PERFORMANCE.
- GEOGRAPHICAL ANALYSIS INCLUDING REGIONAL ANALYSIS AND ANALYSIS OF SPECIAL MARKETS.

DIRECTOR - MARKETING SCIENCES AND INFORMATION SERVICES  
 JERRY MOORE

GROUP MRM - MARKETING DECISION SYSTEMS  
 JOHN SAYLOR

MRM - MDS  
 LEE YANCEY

ASST. MRM -  
 SALES INFO. SER.  
 DIANE LAWRENCE

ASST. MRM -  
 MKTG. INFO. SER.  
 PEGGY FULK

MRM -  
 MERCHANDISING  
 JIM WATKINS

- MDS DEVELOPMENT
- PROGRAMMING
- SUPPORT
- COMPUTER SERVICES
- USER TRAINING AND SUPPORT
- COORDINATE DATA PRODUCTION
- INFORMATION RETRIEVAL
- DEVELOP REPORTS FOR FIELD SALES
- PRODUCE NEW BRAND ALLOCATIONS
- INFORMATION RETRIEVAL
- DEVELOP REPORTS FOR MARKETING AND MDD
- MERCHANDISING STUDIES
- RETAIL MARKET SEGMENT STUDIES
- SPECIAL REQUESTS



INFORMATION  
SERVICES

MDD: DIANE LAWRENCE - SALES  
PEGGY FULK - MARKETING AND MDD

END USERS: MARKETING  
SALES  
MDD

KEY ISSUE:

PROVIDE QUICK RETRIEVAL AND TIMELY REPORTING OF MARKETING DATA FOR TRACKING AND EVALUATING MARKET PERFORMANCE. SUPPORT THE ANALYSIS OF OUR BUSINESS BY COORDINATING THE FLOW OF DATA TO AND FROM MDD.

PROGRAMS:

- o COORDINATE THE PRODUCTION OF CIGARETTE VOLUME AND SHARE DATA, INCLUDING SUBMARKET DATA.
- o DEVELOP ANALYTICALLY ORIENTED REPORTS AND PROVIDE QUICK RETRIEVAL OF SHIPMENT AND SHARE DATA.
- o CODING MAINTENANCE, IMPLEMENTATION, AND VERIFICATION OF MDS DATABASES.
- o PREPARATION AND DISTRIBUTION OF ROUTINE MSA REPORTS.
- o PREPARATION AND DISTRIBUTION OF NEW BRAND ALLOCATIONS.

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MERCHANDISING/  
SALES RESEARCH

MDD: JIM WATKINS

END USERS: MERCHANDISING  
SALES

KEY ISSUE:

PROVIDE RESEARCH SERVICES TO ASSIST SALES AND MERCHANDISING  
IN THE DEVELOPMENT, IMPLEMENTATION, AND EVALUATION OF  
EFFECTIVE PROGRAMS.

PROGRAMS:

- DEVELOP AND MANAGE TESTS TO EVALUATE ALTERNATIVE MERCHANDISING  
PROGRAMS DIRECTED TO RETAIL OUTLETS.
- PROVIDE CIGARETTE PROFITABILITY STUDIES.
- PROVIDE ANALYSIS OF PURCHASE BEHAVIOR IN RETAIL SECTORS AND  
RETAIL MARKET SEGMENT STUDIES.
- PROVIDE ANALYSIS FOR SPECIAL REQUESTS TO ASSIST THE SALES  
DEPARTMENT.

DIRECTOR - MARKETING SCIENCES AND INFORMATION SERVICES  
JERRY MOORE

MRM - QUANTITATIVE METHODS  
ED HARDMAN

- SPECIAL PROJECTS REQUIRING QUANTITATIVE/STATISTICAL EXPERTISE
- DEVELOP NEW/IMPROVED METHODS
- STATISTICAL CONSULTING TO MDD

QUANTITATIVE  
METHODS

MDD: ED HARDMAN

END USER: MDD

KEY ISSUE:

IDENTIFY, DEVELOP, AND APPLY MARKETING SCIENCES PROBLEM-SOLVING APPROACHES IN SUPPORT OF THE COMPANY'S MANAGEMENT DECISIONS.

PROGRAMS:

- PROVIDE QUANTITATIVE RESEARCH PROBLEM DEFINITIONS, DESIGNS, ANALYSES, INTERPRETATIONS, CONCLUSIONS, AND RECOMMENDATIONS IN MAJOR MDD PROJECTS.
- DEVELOP NEW AND/OR IMPROVED PROBLEM-SOLVING METHODS AND PROCEDURES TO MAINTAIN MDD STATE OF THE ART.
- PROVIDE CONSULTING TO MDD TO ENSURE THAT QUANTITATIVE RESEARCH IS PROPERLY DESIGNED AND EXECUTED AND THAT SOUND ANALYSES, INTERPRETATIONS, AND RECOMMENDATIONS ARE MADE AND CLEARLY COMMUNICATED.

MARKETING

INTELLIGENCE

MDD: TOM MILLER

END USERS: EXECUTIVE MANAGEMENT

MARKETING

SALES

LAW

MDD

KEY ISSUE:

PROVIDE TIMELY, ACTIONABLE COMPETITIVE MARKETING INTELLIGENCE INFORMATION FOR MARKETING/SALES DECISION MAKING AND MAINTAIN THE INTELLIGENCE CENTER AND DEPARTMENTAL RECORDS.

PROGRAMS:

- MONITOR, COLLECT, AND REPORT COMPETITIVE INFORMATION.
- DEVELOP ALTERNATIVE INTELLIGENCE SOURCES.
- RESEARCH TO ASSIST END USERS WITH INFORMATION PROBLEMS.
- MAINTAIN DEPARTMENTAL RECORDS AND HISTORICAL RESEARCH FILES.
- MAINTAIN STATUS OF ACTIVE RESEARCH PROJECTS.

DIRECTOR - MARKETING SCIENCES AND INFORMATION SERVICES  
JERRY MOORE

MRM - MARKETING INTELLIGENCE  
TOM MILLER

SR. MR. ANALYST  
CAL FAINO

SR. INTELLIGENCE CENTER  
ADMINISTRATOR  
ANITA SCISM

- MONITOR, COLLECT, AND REPORT COMPETITIVE INFORMATION
- DEVELOP ALTERNATIVE INTELLIGENCE SOURCES
- RESEARCH TO ASSIST END USERS WITH INFORMATION PROBLEMS
- MAINTAIN DEPARTMENTAL RECORDS AND HISTORICAL RESEARCH FILES
- MAINTAIN STATUS OF ACTIVE RESEARCH PROJECTS

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NEW BRANDS AND STRATEGIC RESEARCH

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MISSION

ENSURE THE COMPANY'S STRATEGIC RESEARCH NEEDS ARE MET.

AND

PROVIDE MARKETING RESEARCH SUPPORT OF COMPANY'S SHORT  
AND LONG-TERM NEW BRAND EFFORTS.

## COMPONENTS

- STRATEGIC RESEARCH
- PROJECT PLANNING
- SHORT-TERM NEW BRANDS
- SPECIALTY TOBACCO PRODUCTS

## STRATEGIC RESEARCH

### ACCOUNTABILITY:

ENSURE THAT EXISTING RESEARCH IS INTEGRATED AND THAT EMERGING CONSUMER TRENDS ARE IDENTIFIED TO AID AND ASSIST THE COMPANY'S STRATEGIC PLANNING PROCESS.

### END-USERS:

- PUBLIC AFFAIRS
- RESEARCH & DEVELOPMENT
- SALES
- MANUFACTURING
- ESTABLISHED BRANDS MARKETING
- NEW BRANDS MARKETING
- EXECUTIVE MANAGEMENT
- MARKETING DEVELOPMENT

PROJECT PLANNING

ACCOUNTABILITY:

ENSURE THAT LONG-TERM NEW PRODUCT PROGRAMS ARE IDENTIFIED TO MEET EMERGING CONSUMER WANTS AND THAT THE COMPANY WILL HAVE INNOVATIVE NEW PRODUCTS TO MARKET IN THE LONGER-TERM.

END-USERS:

PROJECT PLANNING MARKETING/R&D

SHORT-TERM NEW BRANDS

ACCOUNTABILITY:

ENSURE THAT MARKETING RESEARCH SUPPORT  
IS PROVIDED TO ENABLE NEW BRANDS  
MARKETING TO MEET ITS BUSINESS GOALS.

END-USERS:

NEW BRANDS MARKETING/R&D

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SPECIALTY TOBACCO PRODUCTS

ACCOUNTABILITY:

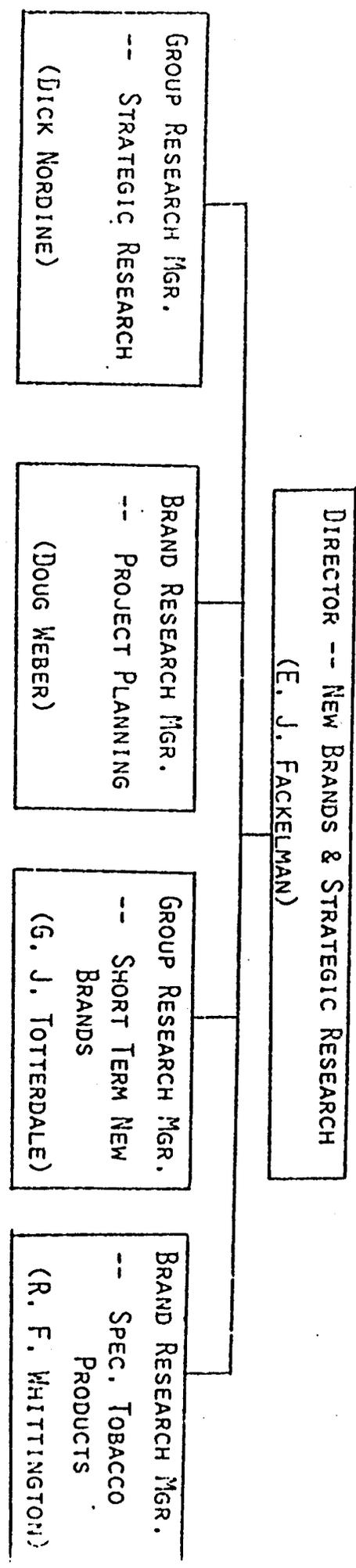
DEVELOP AND IMPLEMENT MARKETING  
RESEARCH PROGRAMS WHICH WILL ENSURE  
THAT KEY MARKETING RELATED ISSUES ARE  
IDENTIFIED AND ADDRESSED TO SUPPORT  
SPECIALTY TOBACCO PRODUCTS BRAND  
MANAGEMENT IN ACHIEVING THEIR BUSINESS  
PLANS.

END-USERS:

SPECIALTY TOBACCO PRODUCTS  
MARKETING/R&D

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### ORGANIZATION



INTEGRATION

STRATEGIC RESEARCH

- FUTURE PERSPECTIVE
- CURRENT STRUCTURE AND WANTS
- MARKETING PROCESSES

PROJECT PLANNING

- OPPORTUNITY IDENTIFICATION
- IDEA GENERATION
- POSITIONING HYPOTHESES
- OPPORTUNITY ANALYSES

SHORT-TERM  
NEW BRANDS

- PROPOSITION DEVELOPMENT
- PROPOSITION EVALUATION