

December 20, 1984

TO: J. R. Shostak

RE: Worldwide Marketing Meeting

This forwards a brief summary of recent brand performance and a summary of highlights of key marketing programs for use in today's Worldwide Marketing Meeting.

Recent Performance

The SALEM Family posted strong October quarter performance achieving an 8.03 share of market which is +.07 share points above performance noted during the same period last year. Regional brand strengths during the October quarter were concentrated in the South Atlantic, North Central, and Mid-Continent sales areas. Strong share stability and slight growth is also evident at the consumer level. Total SALEM achieved an 8.05 consumer trend share for October, and a steady increase in this trend has been noted since levels achieved in May (8.02).

With respect to SALEM's key competitors, Kool continues to show share declines versus October quarter 1983 (-.14 share points), and Newport continues to show share increases (+.34) over the same time period. While Generic menthol styles are growing (+.33 share points October quarter 1984 versus 1983), their rate of growth is much less than that of the non-menthol styles. Generic menthol styles (+.93 share) are also still much less developed in absolute share terms than their non-menthol counterparts (3.23 share).

Key Marketing Programs

Key marketing programs which have positively impacted the brand's business during the fourth quarter are as follows:

- The new 1984 Fall/Winter pool-outs began appearing in print publications during mid-October and appeared in OOH in November. The pool-outs are designed to further enhance SALEM's younger-adult smokers sociability and lead to increased gains among this targeted group.
- SALEM continued its OOH drive period, begun in September, in the South Atlantic, North Central, and Mid-Continent priority sales areas, ensuring reach among target 18-34 year old smokers.
- SALEM initiated on-counter retail emphasis in the North Atlantic, South Atlantic, and North Central Sales Area during October. This promotional activity will continue to provide strong marketing pressure against target 18-34 year old smokers through the remainder of the fourth quarter.

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- A coop/solo free-standing insert in key SALEM priority and in Business Building markets representing 36% of the U. S. population was executed the week of 10/14. The offer provided consumers a \$2.50 savings via a \$1.50 carton coupon and a \$1.00 carton coupon bounceback.
- SALEM implemented a national Black market coupon effort the week of 10/22 with a magazine pop-up in the November issues of Ebony, Essence, and Jet magazines. Dual coupons were offered in these magazines providing \$1.00 off 3 packs and \$1.50 off a carton.
- SALEM also participated in a cassette tape program targeted at Black retail outlets. The offer included a free cassette tape with the purchase of 3 packs, plus a \$1.00 carton coupon. The cassette tape included artists who had performed at the various SALEM Street Scenes programs during the summer. The program was targeted towards younger-adult Black smokers, and its objective was to generate trial and purchase continuity among this growing segment of the SALEM family.
- Data received in November indicated SALEM has achieved an initial, positive share effect from the Business Building Market tests initiated during the first quarter of 1984. Three markets, the Washington D. C. and St. Louis regions and the Sacramento division, are involved in SALEM's Business Building program. Relative to the national marketing plan each Business Building market receives incremental and continuous out-of-home and newspaper coverage, higher levels of point-of-sale placements, and incremental promotions.

The interim results received to date for the test period January-July, 1984 indicate that St. Louis has shown the highest positive share effect of the three markets. This supports SALEM's current geographic strategic thrust for 1984/1985 as St. Louis was the market chosen to reflect that strategy. Learning from the Sacramento and Washington markets will be incorporated longer term into the brand's efforts to optimize its 1985 geographic strategy.

January - July, 1984
SALEM Business Building Share Effect*
 (Test Versus Control)

	<u>Washington Region</u>		<u>St. Louis Region</u>		<u>Sacramento Region</u>	
	<u>Share</u>	<u>Confidence</u>	<u>Share</u>	<u>Confidence</u>	<u>Share</u>	<u>Confidence</u>
	<u>Points</u>	<u>Level</u>	<u>Points</u>	<u>Level</u>	<u>Points</u>	<u>Level</u>
Total SALEM	+ .50	95%	+ .65	95%	+ .17	95%
Total Kool	- .65	70%**	- .43	95%	- .59	95%
Total Newport	0	80%	0	80%	0	80%

* Average monthly differences: actual minus expected share from January through July, 1984.

** Directional difference.

SALEM's Business Building market test will continue throughout 1985, and the next performance update will be forwarded in April, 1985 covering both share performance as well as source of business profile.

Brand-controlled promotional support for SALEM in the fourth quarter, 1984 is higher versus fourth quarter, 1983. Over 28% (\$6,000M) of 1984's promotional spending will take place in the fourth quarter, while the amount for the same time period last year was only 11% (\$2,600M) of promotional spending. This increase in brand-controlled support will enable SALEM to achieve its SOM objectives for 1984 and sustain long-term growth. With strong support in the fourth quarter SALEM will be in a position to achieve its share objectives for 1984 and set the stage for strengthened performance during 1985.

Ronda

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