

~~DNI~~
Agree?
Will forward
to serial file
if you ok.
YD

LJB
I agree.
Let's pursue immediately.
DNE

MEMORANDUM

TO: Lynn Beasley
FROM: Doug Shouse
SUBJECT: AUTOMOTIVE AFTERMARKET PROGRAM IDEA

This provides a point of view on the attached program idea submitted by Joe Crossling that suggests the company increase it's sales base via establishing distribution in the automotive aftermarket.

Background

The auto aftermarket segment (AA), which primarily sells auto replacement parts, has an estimated 30,000 retail outlets in the U. S. These retail outlets draw a customer base that is not surprisingly male (88%) and has a younger age skew similar to that of convenience/gas outlets:

18-25	23.1%
26-35	31.6%
36-45	19.3%
over 45	16.0%

The AA market is driven by regional/national chain operations several of which are held by parent companies that are customers of our products (i.e., Southland, Rite-Aid, Dart, etc.).

Additionally, considering the potential target marketing program to YAS car enthusiasts, the AA market appears to be a logical tie-in opportunity for programs in a non-traditional retail environment.

Recommendation

It is recommended that we explore the potential of YAS target marketing efforts in AA outlets.

Rationale

- o Targeted YAS opportunity - AA represents a good bet with our target marketing efforts to get close and relevant to YAS. Demographically, the younger male customer skew is consistent with our YAS strategic priority.
- o Preemptive Presence - AA outlets represent a potential exclusive opportunity to promote/display our YAS brands, interrupting Marlboro smokers on a preemptive basis.
- o Effective Special Events Tie-Ins - The AA market should be a good place to leverage YAS involvement in Camel Motorsports programs. These outlets could help build on the positive association with car and motorcycle events on a market by market basis.


I do not believe, however, that a significant volume/merchandising opportunity exists in these non-traditional cigarette outlets. While this possibility can and probably should be explored, my judgement tells me that AA the cigarette purchase would be an infrequent interruption to normal, more loyal outlets.

Next Steps

1. Given that sales has rejected the idea in the past, we should further discuss the program with them; understanding their position while providing our perspective on the potential YAS opportunity.
2. If agreement to pursue this is reached, I suggest we approach one current customer (e.g. Rite-Aid) to gauge their interest/reaction and further explore what it would take to initiate such a program.

* These actions could be taken on as part of the overall program development efforts of the motorsports team from the Target Marketing Task Force.

Let's discuss at your earliest convenience.


D. W. Shouse

DS/ks

cc: G. C. Pennell