

MEMORANDUM

*File - Sampling
Project*

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TO: MR. J. R. ANDERS
FROM: MR. D. P. CHRISTENSEN
DATE: October 8, 1974

As expressed during our recent phone conversation, I believe the Company has tested a sampling technique which may provide your department with a "profit" opportunity while giving Marketing a list of competitive consumers.

The Sales Department used this technique during the testing of HALLMARK, and it must be admitted that results were less than satisfactory. HALLMARK, as you know, had some perceived deficiencies, and the program was not administered very effectively.

In-store drawings were held weekly to determine winners of free cartons of cigarettes. Ten cartons were awarded per store -- the prizes were purchased by our Division Manager from the participating outlet. Since the winners were awarded the brand of their choice, all entrants had to designate the brand they consumed. Non-winners were sent a thank-you note and two packs of HALLMARK (Menthol to menthol smokers, Filter to filter smokers). B&W's current franchise was eliminated from the sample drop, as were all plain smokers.

One of the Company's goals is to develop a variety of sampling techniques that allow targeting of the sample drop against the most vulnerable competitive consumers. If, for example, Salem is most vulnerable to KOOL Milds, all identified Salem smokers will get that brand.

I believe existing purchasable programs are not satisfactory and it will be necessary for us to develop techniques achieving such an objective. The basic question, then, is not what technique is eventually employed, but does that technique have any spin-off advantages? B&W is not the only company interested in the names of competitive product users. Representatives of companies offering sampling opportunities are more than happy to cite a client list that reads like a Who's Who of consumer product manufacturers. Couple this with your department's known ability to effectively administer consumer programs, and the possibility of developing a profitable sampling program is certainly within reach.

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I don't know what the Company's sampling program will look like, but presume for a moment that it closely resembles the above described HALLMARK effort. We know this much:

If a consumer is given a valid reason for complying (such as a week's groceries), he will gladly furnish:

- (1) name
- (2) address
- (3) age
- (4) product normally consumed

Assume such a program can be extended to, for example, four or five non-competitive product areas; the Company could have a saleable list which can be further extended into a for-fee sampling venture applicable to any consumer product manufacturer. Let's look at the components:

(1) Names

The average supermarket's weekly traffic count is 4,600 warm bodies. Assume 20% duplication and the net universe is 3,680 potential entrants.

(2) B&W Usage

Assume 37% smoking incidence -- or 1,360 potential smoker names -- Even if only half of the potential takes the time to "sign up", your department could "sell" the results to Marketing for about \$70 -- an amount that should just about cover out-of-pocket costs.

\$70

(3) Non-Competitive Products

If you can solicit arrangements with other non-competitive manufacturers -- and name/usage incidence is the same as in the cigarette category -- you can collect a potential \$70 per store from each of four or five manufacturers (\$280 - \$350 per store).

280/350

(4) Sampling Handling/Administration

You would also have the option of selling a sample drop handling/administration program. Can you think of any companies who run a tighter ship (security, efficiency) than our Premium operation? It might be possible to get upwards of 50¢ per sample dropped to selected consumers. That's a potential additional \$350 per client (\$1,400 - \$1,750 per store).

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(5) Store Cooperation

Store cooperation should not be difficult to obtain when you consider the potential revenue to a 100-store chain via the prize in each store. Assume for the moment that the "prize" is \$50 worth of groceries -- or \$5,000 into their corporate coffers. It may even be possible to elicit promotional support from the chains; consider the traffic-building potential of such a program as well as our ability to provide the chain with a direct mail print-out for their subsequent promotions.

But, the purpose of this memo is not to sell you on a single avenue for possible profitability. It is, however, intended to alert you to the likelihood that other Marketing Departments are working on concepts that could fold in quite well with the objectives you are now establishing for your department. If you wish to talk about this further, just call.

DA
D. P. C.

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