

SEP 10 1992

NEW MERIT

ULTIMA™



92043638

BY RMG/FFW ON 11/10/92
BY JANIS O'NEIL - CLERK APPROVED
BY L. Brown APPROVED ON 11/10/92

During the initial sell-in, Account Managers should stress to their direct and nondirect wholesale accounts the importance of having sufficient product available by the week of 2/17/92, to meet the demand generated through the retail sell-in. Account Managers should also clarify the details of the off-invoice price reduction and arrange for any legal documentation as needed by states.

PRICING:

KINGS: \$12.20 per carton

\$61.00 per thousand

\$732.00 per case

100'S: \$12.50 per carton

\$62.50 per thousand

\$750.00 per case

TERMS:

Introductory terms of 3.25% and 30 days dating apply to all Merit Ultima product shipped to all accounts during the introductory period.

ALLOCATIONS:

Initial allocations of 30% per 100's packing (box and soft) and 20% per kings packing (box and soft) are based on 0.6% of monthly industry sales volume. Within each length, the box-to-soft ratio is 30:70.

INTRODUCTORY ALLOWANCE:

A \$24.00 per case introductory allowance (40¢/carton, \$2/1000) applies to all allocated product purchased during the introductory period (2/3-3/9).

HANDLING ALLOWANCE:

X An additional \$24.00 per case handling allowance (40¢/carton, \$2/1000) applies to all allocated product purchased during the introductory period. (2/3-2/17).

Handling allowance is to help offset the cost of UPC code conversion from off-label promoted product to sustaining nonpromoted product.

RECORDED
R. M. ...
W. ...
K. ...
1/16/92

92043639
182

KINGS BOX/SOFT: 12M (20 cigarettes per pack) ^{PK 12}

DIMENSIONS BOX: 17.6" x 11.8" x 22.8"

DIMENSIONS SOFT: 17.3" x 11.4" x 21.6"

CUBIC FEET BOX: 2.7 cubic feet

CUBIC FEET SOFT: 2.7 cubic feet

WEIGHT BOX: 36.0 lbs.

WEIGHT SOFT: 37.8 lbs.

100'S BOX/SOFT 12M (20 cigarettes per pack)

DIMENSIONS BOX: 20.5" x 11.9" x 22.7"

DIMENSIONS SOFT: 20.3" x 11.5" x 22.3"

CUBIC FEET BOX: 3.20 cubic feet

CUBIC FEET SOFT: 3.0 cubic feet

WEIGHT BOX: 42.0 lbs.

WEIGHT SOFT: 43.6 lbs.

UPC CODES:

Off-label Promoted Product

| <u>Packing</u> | <u>Case</u> | <u>Carton</u> | <u>Pack</u> | <u>Suppressed</u> |
|----------------|-------------|---------------|-------------|-------------------|
| Kings soft | 02510 | 12510 | 00251 | 282512 |
| Kings box | 02540 | 12540 | 00254 | 282542 |
| 100's soft | 02520 | 12520 | 00252 | 282522 |
| 100's box | 02530 | 12530 | 00253 | 282532 |

Sustaining Product

| <u>Packing</u> | <u>Case</u> | <u>Carton</u> | <u>Pack</u> | <u>Suppressed</u> | |
|----------------|-------------|---------------|-------------|-------------------|-------|
| Kings soft | 02870 | 12870 | 00287 | 282872 | 82216 |
| Kings box | 02860 | 12860 | 00286 | 282862 | 82218 |
| 100's soft | 02890 | 12890 | 00289 | 282892 | 82220 |
| 100's box | 02880 | 12880 | 00288 | 282882 | 82222 |

(Note: UPC codes for off-label introductory product differ from sustaining nonpromoted product. Nonpromoted product will be available after the introductory period.)

LIST PRICE:

Full margin

... R. M. ...
... 1/10/92
... with Dixie cigarette ...
... K. S. ...
... 1/10/92

**OFF-INVOICE
PRICE REDUCTION:**

An off-invoice price reduction of \$5.00 per carton (\$25/1000, \$300/case) applies to all allocated product purchased during the introductory period (2/3-5/15). Although we cannot set prices or enforce any price guidelines for our customers, an essential component of our merchandising strategy is that the price reduction is passed on to retail.

Merli Ulman

| | |
|-------|--------------------|
| CASE | 432. ⁰⁰ |
| CASE | 450. ⁰⁰ |
| <hr/> | |
| 1379 | - 8.99 |
| 1429 | 9.29 |

THE FOLLOWING INFORMATION WAS GIVEN TO:
R MONTEPIN ON 1/10/92
 BY Wendy Divie - Charlotte AND FORWARDED
 BY KASPOW TO THE N.Y.O. ON 1/10/92

92043641

Media/Advertising Program

An extensive media program will announce and reinforce the Merit Ultima message. This message positions Ultima as a brand that will bring Merit's low tar, great taste heritage and quality to the Lowest segment. The advertising campaign will be modern and news-oriented, to stimulate renewed interest in the entire Merit family. Media vehicles include magazines, outdoor, newspapers, and supplements.

The Ultima media and advertising campaign is designed to create awareness and generate excitement about new Ultima as well as the Merit brand name.

DATES:

3/92 through 6/92

DIRECT MAIL:

A direct marketing program will begin in mid-March. This program will include:

- A mailing to smokers of Carlton, Now, and competitive full margin ultra low tar brands. The mailing will deliver two free packs of Ultima as well as a continuity offer for additional incentives.
- A media offer challenging Carlton and Now smokers to try Ultima. In order to generate additional Carlton and Now names, we will offer two free packs for one Carlton or Now pack proof of purchase. The continuity offer will also be included in this program.

In order to prevent "sticker shock" at the end of the off-label price promotion, a carton snuffer coupon offer will be inserted in all cartons produced during the last weeks of the introduction. Consumers will be offered \$2.50 off-carton coupons by mail with an Ultima carton proof of purchase.

THE FOLLOWING INFORMATION WAS GIVEN TO:

R.M. Griffin

ON

1/10/92

BY
1/92
BY

W. W. Ope-Clarke

AND FORWARDED

K. E. Spence

TO THE N.T.O. ON

1/10/92

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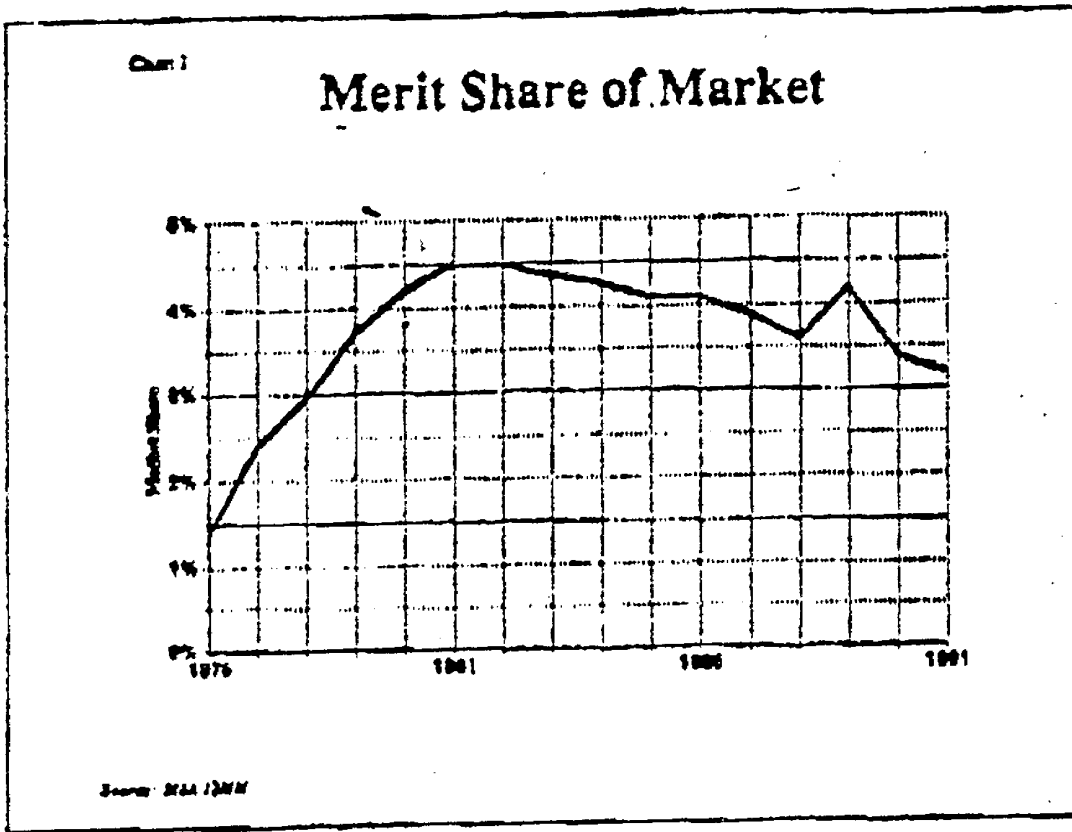
JAN 10 '92 12:22

I. BACKGROUND

THE FOLLOWING INFORMATION WAS OBTAINED FROM
 R. MORRIS ON 11/10/92
 BY WILLY DIXIE CHARLOTTE AND FORWARDED
 BY KA SPARROW TO BUREAU ON 11/10/92

The introduction of Merit in January 1976 fueled the growth of the low tar category by being the first low tar brand to break the flavor barrier with "enriched flavor" tobacco. As a result, full flavor smokers increasingly moved over to Merit. The brand was widely acclaimed as the most successful new brand introduction since the television and radio advertising ban of January 1971. In fact, Merit gained an average of one share point per year for its first four years.

In February 1981, Merit Ultra Lights was introduced in response to a growing demand by tar conscious consumers for cigarettes with even further reduced tar. By the end of the year Merit grew to over 4% of the market and was still climbing.



Merit growth stabilized in the eighties, making this franchise a key contributor to Philip Morris' overall share growth. However, by the mid-eighties Merit's growth was neutralized by the introduction of Liggett and Myers generic brands. While this category did not immediately hurt Merit, the growth of the price value category shortened Merit's growth cycle.

In the latter part of the eighties into the nineties, price value and generics started to take healthy bites out of Merit. We see this reflected in Chart I around 1988.

IV. PRODUCT PROFILE

Merit Ultima is a corked-tipped, filter cigarette line extension that falls into the Lowest segment of the ultra low tar category. It is designed to give smokeability at this tar level by virtue of its taste.

Ultima will also help renew interest in the entire Merit family and re-establish the brand as the best-tasting low tar cigarette at every level. Ultima's consumer profile appeal is to:

- Ultra low tar smokers
- Flavor low tar smokers
- Carlton and Now smokers
- Females, 35+, better educated, suburban

PRODUCT NAME:

Merit Ultima is positioned as the new standard in *Lowest* ultra low tar smoking.

PACKAGING:

Four packings: king size box and soft pack; 100's box and soft pack

Introductory product will be flagged at the factory with 50¢ off on a pack and \$5.00 off on a carton.

TIPPING:

It is the first cork-tipped entry into the *Lowest* segment.

TAR/NICOTINE:

KINGS BOX AND SOFT: 1.0 mg. tar/0.1 mg. nicotine

100'S BOX AND SOFT: 2.0 mg. tar/0.2 mg. nicotine

THE FOLLOWING INFORMATION WAS GIVEN TO:
 R M BRIDGES ON 1/10/92
 BY WILLY DYE - CHARLOTTE AND FORWARDED
 BY KA SOD... TO THE N.Y.O. ON 1/10/92

92043644

JAN 15 '92 11:55

V. PROGRAM DETAILS

Program Schedule

KEY DATES:

- | | |
|-----------|---------------------------------|
| 1/6-1/7 | • National sales meeting |
| 1/9-1/15 | • Section meetings |
| 1/13 | • Management sell-in |
| | • Prebooking |
| | • Rack/labelling |
| 2/3-3/9 | • Wholesale introductory period |
| | – Introductory allowance |
| | – Handling allowance |
| 2/3-2/17 | |
| 2/3-5/15 | • Off-invoice price reduction |
| 2/3-5/15 | • Retail Offer |
| 2/18 | • Retail coverage |
| 2/18-5/15 | • Promotional display programs |
| 3/9-2 | • Media support begins |

Wholesale Introductory Period

The wholesale offer is designed to motivate our direct accounts to adequately stock and sell Merit Ultima to the retail trade. Allowances and an additional off-invoice price reduction throughout the introductory program will enhance wholesalers' profits and encourage them to generate significant movement.

PROGRAM:

THE FOLLOWING INFORMATION WAS GIVEN TO
E. Riccardi ON 1/15
 BY Amsterdam Lab. AND FORWARDED
 BY P. DiDonato TO THE NY O. ON 1/16