

MEMORANDUM

TO: Mr. E. M. Clements
FROM: Mr. A. R. Nagle
DATE: August 31, 1978
SUBJECT: MONTHLY MARKETING LETTER - AUGUST

1. August shipments of 8,221 million units were 4.6% below budget, and 2.1% below the short term forecast for August. This unfavorable variance was spread generally across all brands indicating a lower than normal industry performance. This industry performance is, of course, a result of the continuation of the adjustment in inventory levels following the June, 1978 price increase. August sales against a year ago were down 11.2%, half of which (5.6%) is attributable to the price increase in August, 1977 which inflated sales that month.
2. First round of tests on four KSL exploratory campaigns is complete. The second phase of testing is to commence in September with results anticipated in late October/early November. The Fall offensive is steady and details are being finalized. A national coupon with 50¢ off three packs and sampling/resampling in sixteen cities is tentatively planned.
3. The recommendation to implement the 'tar' reduction to 9 mg for BELAIR Kings and Super Longs was accepted by the Product Development Committee at the August meeting. Production is now expected to begin in late October with representative retail distribution expected to be achieved by January 1, 1979.

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4. The test market for Rich Lights is complete, the results favorable and the national launch underway. The product will be at retail by October. In addition, further testing continues: street sampling, second generation creative and media mix refinements are being evaluated.
5. RALEIGH Lights 100's are now national.
On RALEIGH King-size, product testing indicated that the old formulation was less preferred than VICEROY among the respective brand franchisees. The new formulation is now being tested against VICEROY brand-on among franchise users.
6. The Arctic Lights test market in Cincinnati/Dayton has obtained 100% wholesale distribution. Retail distribution should reach 95% by September 11. The test market results and simulated test market research should give us an indication of the brand's full potential by mid-December.

A. R. Nagle

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