

# 97 TRADE MARKETING PLANS

TRADE MARKETING POSITIONING

51988 7183

# TRADE MARKETING POSITIONING

51988 7184

## 1997 TRADE MARKETING CHANGE MANAGEMENT POSITIONING

- RJR'S SUCCESS, FROM A SALES DEPARTMENT PERSPECTIVE, WILL BE LARGELY DEPENDENT ON OUR ABILITY TO MANAGE THROUGH FUTURE CHANGES.
- FUTURE CHANGES THAT RJR IS FACING ARE THE RESULT OF BOTH INTERNAL AND EXTERNAL FACTORS.
- RETAILERS' FUTURE SUCCESS WILL ALSO LARGELY DEPEND ON THEIR ABILITY TO MANAGE THROUGH FUTURE CHANGES. FDA Issues
- RETAILERS WILL CONTINUE TO LOOK TO RJR AS AN UNBIASED SOURCE OF TIMELY INFORMATION TO ASSIST / LEAD THEM THROUGH THESE PERIODS OF DRAMATIC CHANGE. \* RBM Key Role
- RJR CAN AND WILL FILL THE ROLE OF "TRADE EDUCATOR" AS A SUPPLEMENT TO OUR CURRENT CATEGORY ADVISOR APPROACH TO INSURE THE LONG-TERM VIABILITY OF BOTH RJR AND OUR TRADE PARTNERS.

## 1997 TRADE MARKETING CHANGE MANAGEMENT POSITIONING

### EXTERNAL FACTORS

- OUTSIDE INFLUENCES THAT MAY SERVE AS CHANGE AGENTS IN 1997 AND BEYOND INCLUDE:

#### GOVERNMENTAL INFLUENCES

- LOCAL NON-SELF-SERVICE RESTRICTIONS
- EXTREME STATE EXCISE TAX INCREASES
- STATE LEGISLATION ADDRESSING TOBACCO ISSUES
- FDA REGULATIONS / LITIGATION RESULTS

*STATE/LOCAL*

*NEED TO IDENTIFY THESE AREAS  
DEVELOP MERCH/PROMOTIONAL PLANS ACCORDINGLY*

*MUCH larger issue / CORP DIRECTION*

#### TRADE INFLUENCES

- THE CONTINUED GROWTH OF CIGARETTE / TOBACCO STORES
- PRICING / MARGIN PRESSURES
- STORE IMAGE CONCERNS
- WHOLESALE CONSOLIDATION (THE POSSIBILITY OF FEWER DISTRIBUTORS)
- TRADE PROGRAM REVISIONS FROM MANUFACTURERS
- SCANNING INITIATIVES (KNOWLEDGE IS POWER!) . . . C-STORES WILL BE THERE QUICKLY
- EMERGENCE OF NEW FORMATS (SUPER CENTERS AND RESTRICTED ACCESS ARE PRIME EXAMPLES)

*- Need to keep apprised of.*

*WGM*

- ALTHOUGH THE LIST IS CERTAINLY NOT ALL-INCLUSIVE, EXTERNAL FACTORS IN DIFFERING COMBINATIONS WILL HAVE A DRAMATIC EFFECT ON THE WAY IN WHICH BUSINESS IS CONDUCTED IN THE FUTURE.

*Business will change rapidly vs next year*

## **1997 TRADE MARKETING CHANGE MANAGEMENT POSITIONING**

### **INTERNAL FACTORS**

- WHILE EXTERNAL FACTORS WILL DEFINE THE METHODS BY WHICH BUSINESS IS CONDUCTED, RJR MUST CONTINUE TO ADDRESS INTERNAL FACTORS THAT WILL DRIVE ITS LONG-TERM VOLUME, SHARE, AND PROFITABILITY. INTERNAL CONSIDERATIONS THAT WILL SERVE AS CHANGE AGENTS FOR RJR IN 1997 AND BEYOND INCLUDE:

#### **BRAND INITIATIVES RESULTS**

- CAMEL MENTHOL INTRODUCTION
- RED KAMEL / KAMEL MENTHE INTRODUCTION
- WINSTON REPOSITIONING
- SALEM REPOSITIONING
- NEW TECHNOLOGY BRANDS (ECLIPSE)
- CONTINUED POSITIVE PERFORMANCE OF CAMEL AND DORAL BRAND FAMILIES

#### **TRADE MARKETING RELATIONSHIPS / PRESENCE**

- ABILITY TO COMMUNICATE WITH CONSUMERS VERSUS OUR COMPETITION
- ABILITY TO EXECUTE RJR PLAN WITH RETAILERS AND WHOLESALERS
- ACHIEVEMENT OF THE 3 P'S
- PROFITABLE RETURNS FOR THE RETAILER AND RJR IN 3 PRICE TIERS
- ABILITY TO SUSTAIN LONG-TERM CATEGORY MANAGEMENT PARTNERSHIPS WITH KEY PLAYERS
- RJR'S ABILITY TO INDUCE TRIAL AND CONVERSION OF COMPETITIVE SMOKERS VIA TRADE MARKETING PROGRAMS THAT SUPPORT OUR BRAND EFFORTS IS CRITICAL TO OUR FUTURE SUCCESS.

## **1997 TRADE MARKETING CHANGE MANAGEMENT POSITIONING**

- **1997 IS A PIVOTAL YEAR FOR RJR IN ADDRESSING CHANGES FROM AN INTERNAL AND EXTERNAL PERSPECTIVE.**
- **TRADE MARKETING PROGRAM CHANGES FOR 1997 WERE WRITTEN TO ADDRESS WHERE RJR REASONABLY PREDICTS THE CIGARETTE CATEGORY IS MOVING IN THE FUTURE .....NOT WHERE THE CIGARETTE CATEGORY HAS HISTORICALLY BEEN.**
- **OUR SUCCESS IN 1997 DEPENDS LARGELY ON THE COMMITMENT WE SHARE IN EXECUTING OUR PLAN TO FULLY COMMUNICATE WITH ADULT SMOKERS AT RETAIL.**
- **COMMITMENT TO THE 1997 TRADE MARKETING PLAN WILL REQUIRE:**
  - **A CHANGE FROM MANAGING THE STRATEGY TO MANAGING THE STRATEGY AND THE BUDGET.**
  - **A CHANGE FROM THE TRADITIONAL MINDSET ON MANY OF OUR PAST RETAIL AND WHOLESALE PROGRAMS.**
  - **A CHANGE IN THE METHODS BY WHICH WE COMMIT RESOURCES TO THE TRADE MARKETING PARTNERS.**
  - **A CHANGE IN THE WAY WE SEE CIGARETTES SOLD IN THE FUTURE.**
  - **A CONTINUATION OF THE “HEART AND HEAD” METHOD OF DECISION-MAKING BALANCING ANALYSIS WITH EXPERIENCE.**
  - **YOUR COMMITMENT TO CHANGE.**

## 1997 TRADE MARKETING CHANGE MANAGEMENT POSITIONING

- THE INDUSTRY CAN EXPECT TO EXPERIENCE VOLUME SHIFTS WITHIN TRADE CHANNELS DURING 1997 AND BEYOND, DUE TO CHANGES WITHIN THE MARKETPLACE.
  - POSSIBLE ENACTMENT OF FEDERAL, STATE OR LOCAL LEGISLATION
  - RAPID GROWTH OF CIGARETTE / TOBACCO STORES
  - RETAILERS RE-EVALUATION OF CIGARETTE CATEGORY COMMITMENTS
    - RETAILERS WITH STRONG COMMITMENT FOR CATEGORY GROWTH
    - RETAILERS THAT INTEND TO MAINTAIN STATUS QUO
    - RETAILERS THAT WILL ELIMINATE THE CATEGORY
- DUE TO THE TIMING / DYNAMICS OF VOLUME SHIFTS BETWEEN TRADE CHANNELS, RJR MUST BE POSITIONED FOR CONSTANT RE-EVALUATION OF RESOURCE COMMITMENTS.
  - RJR RESOURCES ARE FINITE (I.E., RDA'S, FIXTURES, ACCRUALS, MANPOWER, ETC.)
  - CONSTANT UPDATING OF THE KEY PLAYER (A,B,C,D) LIST IS CRITICAL GOING FORWARD.
  - TIMING OF RJR RESOURCE REALLOCATION IS CRITICAL IN A FINITE RESOURCE ENVIRONMENT.

### EXAMPLE:

NEW CIGARETTE / TOBACCO STORE OPENS FOR BUSINESS. RJR COMMITS RESOURCES TO NEW C / T STORE FOR PROPER MERCHANDISING / PRESENCE / PROMOTIONAL VOICE. HOW ARE COMPETING RETAILERS IN THE GENERAL MARKETING AREA AFFECTED?

- HEAVY EMPHASIS*
- RJR MUST BE WILLING TO ADJUST RESOURCES DOWNWARD IN SITUATIONS WHERE THE RETAILER PERMANENTLY LOSES RJR VOLUME.
  - ALTHOUGH MARKETPLACE DYNAMICS SHAPE THE ULTIMATE RESULT, RJR MUST BE PREPARED TO ADJUST PAYMENTS ON A MORE TIMELY BASIS THAN THE HISTORICAL ANNUAL CYCLE.



DEFINITIONS FACTER PAGE

**CIGARETTE / TOBACCO STORE - TYPE****TYPE DEFINITIONS (CONT.)****RESTRICTED ACCESS VS. NON-SELF-SERVICE**

- **RESTRICTED ACCESS -- LIMITS MINORS FROM BEING ABLE TO SEE, TOUCH AND PURCHASE THE PRODUCT. ALL OTHERS HAVE ACCESS TO INTERACT WITH THE PRODUCT IN A MANNER CONSISTENT WITH TRADITIONAL SELF-SERVICE MERCHANDISING.**
- **NON-SELF-SERVICE -- LIMITS THE PRODUCT FROM EVERYONE EXCEPT THE CASHIER. ADULT CONSUMERS DO NOT HAVE THE ABILITY TO INTERACT WITH THE PRODUCT PRIOR TO PURCHASE.**

**NOTE: SUPERMARKET / TRADITIONAL CARTON SERVICE CENTERS ARE NOT CONSIDERED TO BE RESTRICTED ACCESS.**

## **1997 CIGARETTE / TOBACCO STORE PROGRAM**

### **CHANGING RETAIL TRADE SEGMENTS**

- **NUMEROUS FACTORS ARE CAUSING OUR TRADITIONAL TRADE SEGMENT CLASSIFICATIONS TO BECOME UNCLEAR.**
  - **YOUTH ACCESS ISSUES**
  - **FDA REGULATIONS**
  - **CIGARETTE / TOBACCO STORE GROWTH**
- **AS DIFFERENT TRADE CLASSES TRY TO EVOLVE TO COMPETE IN A DIFFERENT RETAIL ENVIRONMENT DUE TO FACTORS LISTED ABOVE, THE MANNER IN WHICH WE DO BUSINESS WILL BE REDEFINED AS WELL.**
- **POTENTIAL CHANGES ON THE HORIZON**
  - **SOME C-STORES ACTING LIKE CIG / TOBACCO STORES**
  - **SOME SUPERMARKETS / TRADITIONAL CARTON OUTLETS ACTING LIKE CIGARETTE / TOBACCO STORES**
- **IT IS NECESSARY FOR US TO TRY TO DEFINE THE VENUES THAT WILL BE THE CRITICAL PLAYERS IN REGARD TO HOW AND WHERE CIGARETTES WILL BE SOLD IN THE FUTURE.**

## CIGARETTE / TOBACCO STORE - TYPE

### TYPE DEFINITIONS

#### 1) FREE STANDING / STAND ALONE BUILDING

- TRADITIONALLY THE MOST COMMON TYPE OF CIGARETTE / TOBACCO STORE.
- 51+ % ACV IN CIGARETTES; MOST 80+ % ACV
- SELF-SERVICE CARTON MERCHANDISING WITH ABILITY TO QUICKLY CONVERT TO RESTRICTED ACCESS IF FDA REQUIREMENTS ENACTED.
- SELF-SERVICE OR NON-SELF-SERVICE PACKAGE MERCHANDISING.
- POTENTIAL TO CREATE BRAND MARKETING IMPACT EXTREMELY HIGH.
- NORMALLY (1) DOOR IN AND OUT FOR CUSTOMER TRAFFIC WITH THE ABILITY TO RESTRICT ACCESS TO MINORS.

*CAN become the "where cigarettes are sold + marketed" venue*

## **CIGARETTE / TOBACCO STORE - TYPE**

### **TYPE DEFINITIONS (CONT.)**

#### **2) STORE IN A STORE - CONVENIENCE STORE**

- INSIDE AREA DEDICATED TO CIGARETTE MERCHANDISING AND PROMOTION SHOULD BE EQUAL TO % OF INSIDE SALES CURRENTLY REPRESENTED BY CIGARETTES.**
- NORMALLY (2) DOORS -- (1) FROM OUTSIDE THE STORE; (1) FROM INSIDE THE STORE -- BOTH WITH ABILITY TO RESTRICT ACCESS BY MINORS.**
- AREA DEDICATED TO CIGARETTES SHOULD BE WALLED OFF OR BE EASILY WALLED OFF SHOULD FDA RESTRICTIONS BE ENACTED. DEPARTMENTALIZATION IS KEY.**
- SHOULD HAVE SEPARATE COUNTER AND CASH REGISTER.**
- CARTON MERCHANDISING -- SELF-SERVICE**
- PACKAGE MERCHANDISING -- MOST LIKELY NON-SELF-SERVICE (EXCLUDING COUNTER DISPLAYS)**
- 100% OF STORE'S CIGARETTE PRODUCTS SHOULD BE MERCHANDISED AND PROMOTED WITHIN THIS DEDICATED AREA.**
- POTENTIAL TO CREATE BRAND MARKETING IMPACT NOT AS HIGH AS STAND ALONE UNIT.**

## **CIGARETTE / TOBACCO STORE - TYPE**

### **TYPE DEFINITIONS (CONT.)**

#### **3) STORE IN A STORE - SUPERMARKET**

- SIMILAR CONCEPTUALLY TO C-STORE "STORE-IN-A-STORE".**
- AREA DEDICATED TO CIGARETTES SHOULD BE APPROXIMATELY 400-500 SQ. FT. MORE IF OTHER CATEGORIES ARE INCLUDED.**
- AREA SHOULD BE WALLED OFF (DEPARTMENTALIZED) AND NORMALLY WOULD ONLY BE ACCESSED FROM INSIDE THE STORE. MUST HAVE ABILITY TO RESTRICT ACCESS FROM MINORS AND ELIMINATE VISIBILITY FROM OUTSIDE THE AREA SHOULD FDA RESTRICTIONS BE ENACTED.**
- SHOULD HAVE SEPARATE COUNTER AND CASH REGISTER.**
- CARTON MERCHANDISING -- SELF-SERVICE**
- PACKAGE MERCHANDISING -- SELF-SERVICE OR NON-SELF-SERVICE**
- 100% OF STORE'S CIGARETTE PRODUCT SHOULD BE MERCHANDISED AND PROMOTED WITHIN THIS DEDICATED AREA.**
- POTENTIAL TO CREATE BRAND MARKETING IMPACT NOT AS HIGH AS STAND ALONE UNIT.**

## **CIGARETTE / TOBACCO STORE - TYPE**

### **TYPE DEFINITIONS (CONT.)**

#### **4) STORE NEXT TO A STORE - SUPERMARKET**

- TYPICALLY A SUPERMARKET IN A SHOPPING PLAZA WOULD BLOW OUT A PORTION OF A WALL AND BUILD A STAND ALONE CIGARETTE / TOBACCO STORE NEXT TO ITS EXISTING BUSINESS, SHARING AN ADJOINING WALL.
- ONLY DIFFERENCE FROM A STAND ALONE UNIT WOULD BE DUAL ACCESS; ACCESS FROM THE FRONT OF THE PLAZA OR ACCESS FROM INSIDE THE STORE. BOTH MUST HAVE ABILITY TO RESTRICT ACCESS FROM MINORS.
- SUPERMARKET COULD PUT A DIFFERENT NAME ON THE OUTLET OR SIMPLY TIE IT UNDER THEIR OWN NAME. PREFERABLY IT WOULD BE A DIFFERENT NAME.
- POTENTIAL TO CREATE BRAND MARKETING IMPACT EXTREMELY HIGH.

## CIGARETTE / TOBACCO STORE - TYPE

### TYPE DEFINITIONS (CONT.)

#### RESTRICTED ACCESS VS. NON-SELF-SERVICE

- RESTRICTED ACCESS -- LIMITS MINORS FROM BEING ABLE TO SEE, TOUCH AND PURCHASE THE PRODUCT (I.E., MINORS CANNOT ENTER THE PREMISES). ALL OTHERS HAVE ACCESS TO INTERACT WITH THE PRODUCT IN A MANNER CONSISTENT WITH TRADITIONAL SELF-SERVICE MERCHANDISING.
- NON-SELF-SERVICE -- LIMITS THE PRODUCT FROM EVERYONE EXCEPT THE CASHIER. ADULT CONSUMERS DO NOT HAVE THE ABILITY TO INTERACT WITH THE PRODUCT PRIOR TO PURCHASE.

NOTE: SUPERMARKET / TRADITIONAL CARTON SERVICE CENTERS ARE NOT CONSIDERED TO BE RESTRICTED ACCESS.



WHOLESALE PARTNERS

51988 7197

# WHOLESALE PARTNERS

51988 7198

FSC Letter

DATE?

**SUBJECT: WHOLESALE PARTNERS PROGRAM: JANUARY - JUNE 1997**

This document will provide you key information on our 1st half 1997 Wholesale Partners Program. The information provided will be as follows:

- Additions/Revisions
- Key Point Maintained from Current Program
- Plan Comparison
- Base SOM Determination
- National Share of Market/Savings Objectives
- Selling Tools and Information
- Administration

We are providing the key additions/revisions or changes that were originally reviewed with the Regional Managers in September. We are also reminding you of some key existing applications/procedures that will continue to be applicable.

**1st Half Additions/Revisions: January - June 1997**

I. Two Plans Available, "A" and "G"

- II. - Plan "A" maximum earnings potential is \$.32 per carton (\$.14 per carton for achieving RJR objectives). *21 if all objectives surpassed*
- Plan "G" maximum earnings potential is \$.34 per carton (\$.16 per carton for achieving RJR objectives). *Black*
- Any Plan "G" participant that does not meet all of the Category II requirements can have the opportunity to participate and earn payment under Plan "A" provided they meet all requirements. *21*

III. Plan "A" Category II RJR SOM or SOS results have been changed from maintain to being measured against National RJR objectives. *21*

IV. Category III in both Plans will include Doral Share of Savings performance instead of Share of Market to be consistent with our objectives.

V. Category III SOM/SOS results payment grid in both Plans will utilize RJR National Objectives and will be the same grid applied to all participating ship-to accounts. *NO NEGATIVE GOALS*

VI. Plan "A" Category II and III Retail Presence Component - Eliminate payment on the percent of volume shipped to retail stores owned/operated or affiliated with participating account if the following requirement is not met:

- RJR must be on a Retail Marketing Plan as requested.

51988 7199

### Key Point Maintained from Current Program

- Ability to disqualify a month(s) volume under Category II in both Plan "A" and "G" if RJR promotion execution was not handled as requested.

### Plan Comparison

- Attached is a "Quick Reference" Plan "A" and "G" comparison as well as the Retail Presence/Volume Disqualification application.

- Key Points

- If an account owns, operates or is affiliated with any retail stores or is a direct chain, they can only qualify for Plan "G" if we have a Level 2 or 3 Retail Marketing Plan Agreement. If not, they can only qualify for Plan "A".
- A direct chain that supplies 100% of their volume to their own retail stores must meet the Retail Presence requirements in Plan "A" Category II or III. If account does not meet the requirements, they can only earn the Category I \$.03 per carton payment if they submit weekly sales information.

IF RJR  
REQUESTS THE  
RETAIL PLAN  
from exclusive accounts

### Base Share of Market/Share of Savings Determination

- Current Partners Plan A Customers
  - July-December 1996 program results will be the Base SOM/SOS for the program period January-June 1997.
- New Plan A or G Customers
  - January-February 1997 weekly sales data will be used.

### National Share of Market/Savings Objectives

The 1st Half 1997 objectives are not available at this time. We will advise, in a separate letter, as soon as the objectives have been determined.

### Program Selling Tools and Information

- Enrollment Form
  - Each direct account participating in the January-June 97 Wholesale Partners Programs must sign an enrollment form. Once the form is signed and all critical information completed, you should Fax the form to MSA at 1-412-362-7923.

The enrollment form resides in the RJR Toolkit under Wholesale Partners.

### Program Selling Tools and Information (cont.)

- Customer Presentation and Rules/Procedures

- Both the Customer Presentation and Rules and Procedures have been revised to reflect the changes in the 1st Half 1997 Program.



A new Rule and Procedure has been added as follows:

*CITE  
example*

- All products for which customer provides tax stamping services to third parties must be included in sales information reporting even though the product may not be purchased by the customer.

This reporting requirement is intended to address any account that may perform only the stamping function for a third party. In some cases the account does not purchase the product.

The new Customer Presentation can be customized for each of your accounts. Each participating account should be provided a copy of the revised Rules and Procedures. They will automatically print when you request the Customer Presentation.

The new Customer Presentation with the Rules and Procedures, and the user documentation will reside on the G: drive (G:\\_Sales\\_97Plans\).

- Wholesale Profitability Analysis (WPA)

### !!! IMPORTANT !!!

- When the National Objectives are available, the new WPA application to support the 1st Half 1997 program will be released. Be sure you run both the Industry Earnings and Profitability components to show the following:
  - Industry Earnings -- Current
  - Industry Earnings -- 3¢ only
  - Industry Earnings -- Realistic Target Payment
  - Profitability Applications for the above (3) scenarios

It continues to be critically important to demonstrate that the account can make more money overall by leveraging all of the industry programs versus looking only at individual low end brand propositions.

### Program Administration

- Tracking Functions

- All current functions will remain. As appropriate, the functions have been revised to reflect the changes in the 1st Half 1997 program.

Program contact: Julie Huneycutt, extension 7754

R. J. REYNOLDS TOBACCO CO.

Attachments

# WHOLESALE PARTNERS PROGRAM

## Plan "A" and "G" Quick Reference

PLAN "A"	PLAN "G"
<ul style="list-style-type: none"> <li>Category I = \$.03 per carton - Weekly Sales Information</li> <li>Category II = \$.08 per carton <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">11</span>  <u>Requirements</u> <ul style="list-style-type: none"> <li>Promotion - Efficient/effective shipment of designated RJR premiums/promotions during specified time frame as communicated by your RJR Representative</li> <li>Distribution - Accept all new RJR brand styles during the introductory period and maintain inventory available for sale to customers in designated geographical areas for a minimum of six months. Assist in communicating the availability of new products to retail</li> <li>Returned Goods - Accept damaged and/or out-dated RJR products from your customers and RJR Sales personnel for return to Winston-Salem</li> <li>Share of Market - RJR Total Share of Market or RJR Share of Savings category change from base must be equal to or greater than RJR national objective: <ul style="list-style-type: none"> <li>RJR Total Share of Market objective: <u>TBD</u></li> <li>RJR Share of Savings objective: <u>TBD</u></li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Category I = \$.03 per carton - Weekly Sales Information</li> <li>Category II = \$.10 per carton <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">13</span>  <u>Requirements</u> <ul style="list-style-type: none"> <li>Promotion - Efficient/effective shipment of designated RJR premiums/promotions during specified time frame as communicated by your RJR Representative</li> <li>Distribution - Accept all new RJR brand styles during the introductory period and maintain inventory available for sale to customers in designated geographical areas for a minimum of six months. Assist in communicating the availability of new products to retail</li> <li>Returned Goods - Accept damaged and/or out-dated RJR products from your customers and RJR Sales personnel for return to Winston-Salem</li> <li>Share of Savings can decline <u>no more</u> than 2.0 from base</li> <li>Make Joint Presentations to retailers with RJR as requested, to assist RJR in selling an industry approach</li> <li>Make Joint Presentations to retailers with RJR as requested, to gain a RJR Third Tier Brand</li> <li>If applicable, any of your owned/operated or affiliated retail stores must participate in a RJR Retail Marketing Plan agreement at Level 2 or 3</li> </ul> <p><u>Note:</u> Any Plan "G" participant that does <u>not</u> meet <u>all</u> requirements can have the opportunity to participate and earn payment under Plan "A" provided they meet all requirements.</p> </li> </ul>
<ul style="list-style-type: none"> <li>Category III = \$.21 per carton Maximum <ul style="list-style-type: none"> <li>Full Price SOM = \$.12 per carton Maximum</li> <li>Camel SOM = \$.05 per carton Maximum</li> <li>Doral SOS = \$.04 per carton Maximum</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Category III = \$.21 per carton Maximum <ul style="list-style-type: none"> <li>Full Price SOM = \$.12 per carton Maximum</li> <li>Camel SOM = \$.05 per carton Maximum</li> <li>Doral SOS = \$.04 per carton Maximum</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Volume Disqualification for Category II <ul style="list-style-type: none"> <li>A month(s) volume if RJR promotion execution was not handled as requested</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Volume Disqualification for Category II <ul style="list-style-type: none"> <li>A month(s) volume if RJR promotion execution was not handled as requested</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Retail Presence/Volume Disqualification for Category II and III <ul style="list-style-type: none"> <li>Eliminate payment on percent of volume shipped to retail stores owned, operated or affiliated with participating account if the following requirement is <u>not</u> met: <ul style="list-style-type: none"> <li>RJR must be on a Retail Marketing Plan as requested.</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Retail Presence/Volume Disqualification for Category II and III <ul style="list-style-type: none"> <li>Not applicable <ul style="list-style-type: none"> <li>Category II requirement states, if account owns, operates or is affiliated with any retail stores the retail stores must participate in a RJR Retail Marketing Plan at Level 2 or 3, <u>if not</u>, they <u>cannot</u> qualify for Plan "G"</li> </ul> </li> <li>Only can qualify for Plan "A"</li> </ul> </li> </ul>

FSC-183-B		11/1/96	
SUBJECT: Commonwealth Tobacco - Montclair Acquisition			
DISTRIBUTION:			
<u>X</u>	AVP	<u>X</u>	KAM
<u>X</u>	RSM	<u>X</u>	AM
<u>X</u>	RBM	<u>X</u>	Reg.Mil./DF Mgr.
<u>X</u>	ROM	<u>X</u>	AE
		<u>X</u>	DM
		<u>X</u>	RM
			MIL
			REP

(Please disseminate to all Sales and Retail Representatives)

As many of you are likely aware, the FTC has approved the sale of several cigarette brands from Brown & Williamson to Commonwealth Tobacco in Kentucky.

The purpose of this letter is to advise you of our position on how one brand in particular is being viewed by us from a price tier standpoint -- that brand being Montclair.

Based on our knowledge of the price, rebate and promotion structure being offered by Commonwealth on Montclair, it will have an everyday price point that classifies it as a lowest tier brand. It is no longer a mid-price or Branded Savings proposition.

*DEbate of speculation  
at this point in time*

The reasons we want this to be very clear are:

1. In the past, in some markets due to its size Montclair may have been a trigger for either our price gap or ceiling strategy as a Branded Savings brand; this no longer applies.
2. Potential impact this brand and its new pricing could have on a direct buying customer's Wholesale Partners (and all industry programs) earnings. In addition, there is a potentially significant impact on the Retail Accrual Program rate per carton (dropping from as much as 25¢ to 10¢ / or actually 50¢ to 20¢ if you consider the match portion).

*Discussion A) To who ~~one~~ ACTUALLY QUALIFIES for LEVEL III (Cigarette/other)*

Please make it very clear to your Direct Accounts and Retailers that the total financial impact on their programs could be significant by fully utilizing the Retail and Wholesale Profitability Tools/Models.

In the end, it is the customers' decision on what path to take with any new or reintroduced product but it is our responsibility to ensure they understand the total financial impact of that decision.

*Dave*

*Jim*

*Rick*

*Pat*

D. L. Wilmesher  
North East Sales  
Area Vice President

J. W. Best  
Southern Sales  
Area Vice President

R. M. Sanders  
Western Sales  
Area Vice President

P. J. Cundari  
Mid-West Sales  
Area Vice President

PM EXCLUSIVE ANALYSIS

51988 7204



# PM EXCLUSIVE ANALYSIS

51988 7205

## IMPACT OF PM EXCLUSIVE ON RJR SHARE PERFORMANCE

### BACKGROUND

- RESEARCH ANALYSIS WAS PERFORMED TO DETERMINE THE NEGATIVE IMPACT OF PM EXCLUSIVITY ON RJR'S SHARE PERFORMANCE. THE TIME PERIOD AND SOM CHANGES STATED ARE QTR ENDING MAY '96 VS. QTR ENDING OCT '96. ALL REGIONS WERE GROUPED BY LEVEL OF PM EXCLUSIVITY. THE FOLLOWING GROUPS WERE USED IN MEASURING LEVELS OF SHARE OF MARKET IMPACT:

HIGH = 21% + CIV PM EXCLUSIVE

AVG = 20 TO 15% CIV PM EXCLUSIVE

LOW < 14% CIV PM EXCLUSIVE

## IMPACT OF PM EXCLUSIVE ON RJR SHARE PERFORMANCE

### KEY FINDINGS

- AS YOU WOULD EXPECT THE SHARE DECLINE FOR THESE TWO QUARTERS GROWS LARGER FOR MANY RJR BRANDS AS THE LEVEL OF PM EXCLUSIVITY INCREASES. THE REVERSE IS TRUE FOR PM.

### QTR SOM CHANGES

% CIV OF PM EXCLUSIVE	WIN	CAMEL X-REG	SALEM	DORAL	RJR	MARLBORO	BASIC	PM
LOW (<14%)	-.09	+.27	-.10	+.41	-.46	+ 1.70	+.20	+ 1.49
AVG (15-20%)	-.15	+.13	-.05	+ .13	-.81	+ 1.52	+.10	+ 1.15
HIGH (21%+)	-.32	+.10	-.06	-.09	-.89	+ 2.20	+.24	+ 1.90

- PROMOTING (HEAVILY) IN THE SURROUNDING STORES DOES HAVE A POSITIVE IMPACT ON RJR'S SOM PERFORMANCE IN LOW AND AVERAGE % CIV PM EXCLUSIVE REGIONS.
- IN REGIONS WITH A HIGH % CIV (ABOVE 21%) OF PM EXCLUSIVE RJR SOM IS STILL NEGATIVELY IMPACTED IN SPITE OF RJR EFFORTS IN SURROUNDING STORES.

## IMPACT OF PM EXCLUSIVE ON RJR SHARE PERFORMANCE

### SUMMARY

- MOVING FORWARD, IT IS IMPERATIVE FOR RJR TO BREAK THESE EXCLUSIVE AGREEMENTS IN MARKETS THAT HAVE A HIGH % CIV OF PM EXCLUSIVITY AND MAINTAIN MANAGEABLE LEVEL OF PM EXCLUSIVE ELSEWHERE.
- PROMOTING VERY HEAVILY IN STORES SURROUNDING A PM EXCLUSIVE IS VERY PROFIT NEGATIVE. ALTHOUGH THIS PRACTICE PROVIDES A SHORT-TERM SOLUTION TO RJR, OUR LONG-TERM SOLUTION MUST CONCENTRATE ON REPLACING PM EXCLUSIVE WITH RJR CO-EXISTENCE.

	TOTAL CIV			CONTRACTED CIV			total	contracted	%	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	pack	ctn	cig store	pack	ctn	cig store	civ	CIV	contracted	civ	civ	civ	excl. civ.
1122 Portland	222370	64145	46017	121605	60689	36185	332532	218479	65.7%	56861	17.1%	47729	14.4%
1126 N. Boston	280238	46255	12417	133866	28438	12417	338910	174721	51.6%	73138	21.6%	64887	19.1%
1128 S. Boston	293621	50745	5920	157146	38759	5920	350286	201825	57.6%	64168	18.3%	61806	17.6%
1130 New Bedford	288289	45511	6916	153286	35138	6916	340716	195340	57.3%	53304	15.6%	50340	14.8%
1131 Hartford	341269	58382	4123	185569	32644	4048	403774	222261	55.0%	57582	14.3%	63623	15.8%
1100 Boston Region	1425787	265038	75393	751472	195668	65486	1766218	1012626	57.3%	305050	17.3%	288385	16.3%
1221 Jersey City	207836	42321	0	99635	15727	0	250157	115362	46.1%	43632	17.4%	43619	17.4%
1222 Yonkers	223946	31710	7450	98724	13528	5950	263106	118202	44.9%	46320	17.6%	37198	14.1%
1223 Nassau	254775	28330	32469	158201	5914	28006	315574	192121	60.9%	53608	17.0%	48734	15.4%
1224 Manhattan	258469	10473	0	128389	2275	0	268942	130664	48.6%	7398	2.8%	5148	1.9%
1225 Brooklyn	278285	4561	2600	111125	500	2600	285446	114225	40.0%	10002	3.5%	8068	2.8%
1226 N. Jersey	226188	38888	1430	107448	11242	1350	266506	120040	45.0%	45997	17.3%	37666	14.1%
1229 Queens	341451	10807	9613	176812	1248	8913	361871	186973	51.7%	25482	7.0%	19881	5.5%
1200 New York Region	1790950	167090	53562	880334	50434	46819	2011602	977587	48.6%	232433	11.6%	200314	10.0%
1322 Baltimore	366913	61201	1640	202290	44688	1512	429754	265131	61.7%	46818	10.9%	67915	15.8%
1326 Philadelphia	285596	57507	59619	135814	36041	53410	402722	252940	62.8%	64511	16.0%	83412	20.7%
1330 C. Jersey	281543	90416	9493	142004	46263	4898	381452	241913	63.4%	60205	15.8%	71698	18.8%
1332 N. Philadelphia	350543	87534	6205	145884	56940	5960	444282	208784	47.0%	99448	22.4%	99599	22.4%
1334 S. Jersey	411503	76770	13817	142407	43299	13817	502090	199523	39.7%	149167	29.7%	149894	29.9%
1300 Philadelphia Region	1696098	373428	90774	768399	227231	79597	2160300	1075227	49.8%	420149	19.4%	472518	21.9%
1622 Syracuse	412151	136923	162581	237816	96858	160624	711655	495298	69.6%	41310	5.8%	61405	8.6%
1623 Albany	307475	67030	28313	189331	33174	28161	402818	250666	62.2%	43827	10.9%	57294	14.2%
1626 Buffalo	273247	110185	283312	168313	89328	275141	666744	532782	79.9%	12832	1.9%	23401	3.5%
1638 Nashua	197791	86890	74364	117285	70273	74364	359045	261922	72.9%	35657	9.9%	37955	10.6%
1600 Buffalo Region	1190664	401028	548570	712745	289633	538290	2140262	1540668	72.0%	133626	6.2%	180055	8.4%

CIVTOOL.xls

	TOTAL CIV			CONTRACTED CIV			total	contracted	%	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	pack	ctn	cig store	pack	ctn	cig store	civ	civ	contracted	civ	civ	civ	excl. civ.
1729 Canton	378749	134234	37645	248668	92768	33833	550628	375269	68.2%	47160	8.6%	71012	12.9%
1730 N. Pittsburgh	320763	154682	15958	220804	114981	15248	491403	351033	71.4%	23252	4.7%	37327	7.6%
1732 S. Pittsburgh	250278	127428	24084	157472	81590	23384	401790	262446	65.3%	7634	1.9%	36563	9.1%
1733 Cleveland	302365	113243	14189	206675	91978	11189	429797	309842	72.1%	12946	3.0%	31246	7.3%
1738 Harrisburg	369264	199090	12597	231719	164962	12487	580951	409168	70.4%	24827	4.3%	64891	11.2%
1700 Pittsburgh Region	1621419	728677	104473	1065338	546279	96141	2454569	1707758	69.6%	115819	4.7%	241039	9.8%
1824 Columbus	395376	136742	31081	250319	102626	29396	563199	382341	67.9%	52522	9.3%	77029	13.7%
1828 Cincinnati	321560	137516	66518	157671	114491	66172	525594	338334	64.4%	83305	15.8%	80751	15.4%
1834 Lexington	240785	114364	72439	138118	103581	66693	427588	308392	72.1%	21803	5.1%	40708	9.5%
1837 Louisville	330640	166474	89814	177207	137781	59339	586928	374327	63.8%	98803	16.8%	105061	17.9%
1838 Indianapolis	530260	212494	60943	296382	127909	58361	803697	482652	60.1%	174648	21.7%	183994	22.9%
1800 Cincinnati Region	1818621	767590	320795	1019697	586388	279961	2907006	1886046	64.9%	431081	14.8%	487543	16.8%

	TOTAL CIV			CONTRACTED CIV			total	contracted	%	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	pack	ctn	cig store	pack	ctn	cig store	civ	civ	contracted	civ	civ	civ	excl. civ.
2124 Raleigh	255602	152973	118273	168562	137856	35789	526848	342207	65.0%	12760	2.4%	83555	15.9%
2126 Winston-Salem	239049	102996	69919	180598	98920	47119	411964	326637	79.3%	8527	2.1%	31377	7.6%
2127 Asheville	260435	106797	51438	175971	96383	48893	418670	321247	76.7%	35920	8.6%	26670	6.4%
2133 Charleston	308994	124659	10114	215956	104863	9629	443767	330448	74.5%	7575	1.7%	5898	1.3%
2135 Knoxville	271929	136087	45637	175969	112276	40950	453653	329195	72.6%	29729	6.6%	29233	6.4%
2137 Columbia	320728	164692	1788	218309	154289	1347	487208	373945	76.8%	23935	4.9%	23699	4.9%
2100 Winston-Salem	1656737	788204	297169	1135365	704587	183727	2742110	2023679	73.8%	118446	4.3%	200432	7.3%
2224 Birmingham	263761	110023	8024	128927	90123	7789	381808	226839	59.4%	25472	6.7%	15656	4.1%
2226 N. Atlanta	326027	93470	381	203358	71877	300	419878	275535	65.6%	6358	1.5%	38166	9.1%
2228 S. Atlanta	265942	84395	28214	194251	74486	26904	378551	295641	78.1%	4133	1.1%	14582	3.9%
2230 Panama City	224178	80024	21728	155606	59451	21728	325930	236785	72.6%	6543	2.0%	11097	3.4%
2232 Huntsville	221644	74826	25418	146493	57230	24158	321888	227881	70.8%	13710	4.3%	15546	4.8%
2233 Macon	273283	73325	27121	173000	61493	26963	373729	261456	70.0%	16909	4.5%	15989	4.3%
2200 Atlanta Region	1574835	516063	110886	1001635	414660	107842	2201784	1524137	69.2%	73125	3.3%	111036	5.0%
2326 Tampa	294240	91903	53613	204041	55134	23613	439756	282788	64.3%	30731	7.0%	44817	10.2%
2328 West Palm Beach	267659	112654	25669	148826	64400	23580	405982	236806	58.3%	31301	7.7%	41334	10.2%
2330 Miami	220485	71891	74081	73341	38216	56737	366457	168294	45.9%	30920	8.4%	37933	10.4%
2332 Sarasota	303502	112657	30448	217219	66105	24503	446607	307827	68.9%	40559	9.1%	58090	13.0%
2335 Orlando	323279	105627	15719	234722	70511	14483	444625	319716	71.9%	51047	11.5%	50560	11.4%
2337 Jacksonville	266253	80391	51351	193759	60004	51059	397995	304822	76.6%	23509	5.9%	22225	5.6%
2300 Florida Region	1675418	575123	250881	1071908	354370	193975	2501422	1620253	64.8%	208067	8.3%	254959	10.2%
2625 Dallas	286727	126700	72695	165859	108920	62570	486122	337349	69.4%	49576	10.2%	45755	9.4%
2628 Ft. Worth	310826	105015	10717	164936	83872	10522	426558	259330	60.8%	47317	11.1%	40919	9.6%
2629 Jackson	226694	68786	67574	120275	35933	63782	363054	219990	60.6%	34196	9.4%	25247	7.0%
2635 Lafayette	220878	81235	95790	118191	55457	92216	397903	265864	66.8%	31916	8.0%	26473	6.7%
2636 Shreveport	268486	98430	52258	141803	79314	50438	419174	271555	64.8%	43591	10.4%	31524	7.5%
2637 New Orleans	289086	83419	121951	164783	46937	115278	494456	326998	66.1%	50215	10.2%	46598	9.4%
2600 Dallas Region	1602697	563585	420985	875847	410433	394806	2587267	1681086	65.0%	256811	9.9%	216516	8.4%
2925 Richmond	245495	110747	17847	143509	99061	17200	374089	259770	69.4%	7804	2.1%	29147	7.8%
2926 Alexandria	391066	124321	35953	207763	107744	34507	551340	350014	63.5%	29730	5.4%	46708	8.5%
2927 Norfolk	474872	164419	68281	347412	133636	61496	707572	542544	76.7%	22937	3.2%	42982	6.1%
2934 Fayetteville	286448	142499	55071	171946	128003	49529	484018	349478	72.2%	12990	2.7%	23825	4.9%
2936 Charleston	252160	90796	129156	139458	68946	109120	472112	317524	67.3%	36174	7.7%	45012	9.5%
2900 Richmond Region	1650041	632782	306308	1010088	537390	271852	2589131	1819330	70.3%	109635	4.2%	187674	7.2%

	TOTAL CIV			CONTRACTED CIV			total	contracted	%	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	pack	ctn	cig store	pack	ctn	cig store	civ	civ	contracted	civ	civ	civ	excl. civ.
5121 Bakersfield	215684	78296	43167	122160	59098	23063	337147	204321	60.6%	52054	15.4%	48170	14.3%
5124 San Francisco	262472	104306	113171	128817	49829	58891	479949	237537	49.5%	115939	24.2%	115028	24.0%
5126 Oakland	230739	47490	31485	89229	14049	4592	309714	107870	34.8%	58894	19.0%	58612	18.9%
5128 San Jose	220589	51203	37377	115180	24971	9088	309169	149239	48.3%	66758	21.5%	58657	19.0%
5130 Fresno	211405	62969	70144	112568	29449	23234	344518	165251	48.0%	94772	27.5%	76677	22.3%
5100 N. California Region	1140889	344264	295344	567954	177396	118868	1780497	864218	48.5%	388417	21.8%	357144	20.1%
5424 San Gabriel	193502	58637	29617	100570	43170	22423	281756	166163	59.0%	53028	18.8%	39901	14.2%
5425 W. Los Angeles	295292	69286	14093	87486	41120	11110	378671	139716	36.9%	50143	13.2%	56540	14.9%
5426 San Fernando Valley	224570	79008	26930	116241	59978	14948	330508	191167	57.8%	46587	14.1%	57783	17.8%
5428 Riverside	203973	80708	35107	123253	65280	29191	319788	217724	68.1%	42573	13.3%	47142	14.7%
5430 San Diego	211248	60581	6831	124919	48243	4490	278660	177652	63.8%	20065	7.2%	38404	13.8%
5431 N. Phoenix	458773	195464	183431	269098	182925	146681	837668	598704	71.5%	32164	3.8%	86665	10.3%
5432 Hawaii	78479	108311	300	18980	22271	300	187090	41551	22.2%	7647	4.1%	27950	14.9%
5400 S. Calif. Region	1665837	651995	296309	840547	462987	229143	2614141	1532677	58.6%	252207	9.6%	354385	13.6%
5626 S. Seattle	226876	115968	47430	118922	92399	28507	390274	239828	61.5%	64988	16.7%	56786	14.6%
5628 Portland	272841	148412	99044	168664	130317	92828	520297	391809	75.3%	37670	7.2%	33906	6.5%
5630 Spokane	159548	99808	153873	81611	78291	129808	413229	289710	70.1%	20328	4.9%	19945	4.8%
5631 Salt Lake City	136990	76956	16744	90047	58372	16166	230690	164585	71.3%	26588	11.5%	27895	12.1%
5632 Alaska	39786	52784	2200	20924	27348	2200	94770	50472	53.3%	485	0.5%	8261	8.7%
5634 Boise	101012	75304	51791	58739	48406	42789	228107	149934	65.7%	14362	6.3%	28957	12.7%
5600 Seattle Region	937053	569232	371082	538907	435133	312298	1877367	1286338	68.5%	164421	8.8%	175750	9.4%
5826 N. Houston	256847	57484	17497	163319	47696	16661	331628	227676	68.7%	16165	4.9%	41828	12.6%
5828 S. Houston	325707	57581	4365	193591	43423	4365	387653	241379	62.3%	29867	7.7%	34655	8.9%
5831 Austin	212495	76933	8558	129924	68953	7984	297986	206861	69.4%	20305	6.8%	41527	13.9%
5832 San Antonio	286065	86415	1870	155720	72297	1520	374350	229537	61.3%	12083	3.2%	37339	10.0%
5834 Abilene	118113	56413	22389	48467	46728	17274	196915	112469	57.1%	18171	9.2%	39585	20.1%
5836 El Paso	110441	38833	22603	55241	32082	14660	171877	101983	59.3%	14084	8.2%	26520	15.4%
5800 Houston Region	1309468	373659	77282	746262	311179	62464	1760409	1119905	63.6%	110675	6.3%	221454	12.6%



	TOTAL CIV			CONTRACTED CIV			total	contracted	%	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	pack	ctn	cig store	pack	ctn	cig store	civ	civ	contracted	civ	civ	civ	excl. civ.
6224 E. Chicago	345714	68305	129761	209160	49934	124642	543780	383736	70.6%	41318	7.6%	46708	8.6%
6230 W. Chicago	300331	41657	107119	170011	33525	101010	449107	304548	67.8%	70615	5.7%	56227	12.5%
6232 Milwaukee	320781	93165	62010	153739	45734	52672	475956	252145	53.0%	81733	17.2%	101219	21.3%
6234 C. Chicago	325751	22832	37369	131701	10817	34982	385952	177500	46.0%	41892	10.9%	38530	10.0%
6238 Davenport	356626	108341	24534	226487	81626	24444	489501	332557	67.9%	71683	14.6%	82821	16.9%
6239 Des Moines	159296	93995	8754	84465	77622	8354	262045	170441	65.0%	26283	10.0%	39771	15.2%
6200 Chicago Region	1808499	428295	369547	975563	299258	346104	2606341	1620925	62.2%	333524	12.8%	365292	14.0%
6322 Green Bay	214104	107894	48186	117650	74480	40770	370184	232900	62.9%	52104	14.1%	57855	15.6%
6324 St. Paul	224060	115849	24479	113440	82974	21458	364388	217872	59.8%	60187	16.5%	68012	18.7%
6326 Minneapolis	323271	120201	91542	139713	57527	72762	535014	270002	50.5%	128564	24.0%	102975	19.2%
6334 Sioux Falls	111196	53002	20783	51795	36749	18992	184981	107536	58.1%	26476	14.3%	23945	12.9%
6336 Fargo	126749	52782	8437	59730	32426	7592	187968	99748	53.1%	17931	9.5%	20374	10.8%
6338 Billings	195291	91634	45465	93673	54191	42576	332390	190440	57.3%	30945	9.3%	32381	9.7%
6300 Minneapolis Region	1194671	541362	238892	576001	338347	204150	1974925	1118498	56.6%	316207	16.0%	305542	15.5%
6625 Kansas City	340222	108011	76396	163507	86835	53395	524629	303737	57.9%	32042	6.1%	87585	16.7%
6629 Omaha	258896	164947	51621	139063	127444	50041	475464	316548	66.6%	14875	3.1%	21880	4.6%
6631 Tulsa	285662	131115	144072	154433	105847	133219	560849	393499	70.2%	14279	2.5%	47712	8.5%
6632 Denver	395600	243831	123487	232594	202182	120448	762918	555224	72.8%	4174	0.5%	40842	5.4%
6633 E. Oklahoma City	231947	116591	122264	133057	81042	109188	470802	323287	68.7%	10954	2.3%	42312	9.0%
6600 Denver Region	1512327	764495	517840	822654	603350	466291	2794662	1892295	67.7%	76324	2.7%	240331	8.6%
6722 Grand Rapids	328253	106809	13311	179649	63153	11103	448373	253905	56.6%	83603	18.6%	99944	22.3%
6724 Flint	230780	60993	24566	122831	29069	23456	316339	175356	55.4%	57756	18.3%	55466	17.5%
6728 E. Detroit	253578	25782	31507	174441	11505	30487	310867	216433	69.6%	15676	5.0%	11912	3.8%
6730 W. Detroit	228717	25389	28093	154414	8664	25179	282199	188257	66.7%	13026	4.6%	8945	3.2%
6732 Lansing	280933	56173	57070	198963	34491	53060	394176	286514	72.7%	19417	4.9%	21884	5.6%
6737 Ft. Wayne	278756	119618	93146	172268	92176	88750	491520	353194	71.9%	45434	9.2%	58521	11.9%
6700 Detroit Region	1601017	394764	247693	1002566	239058	232035	2243474	1473659	65.7%	234912	10.5%	256672	11.4%
6923 Little Rock	214661	105211	102547	94291	70464	92152	422419	256907	60.8%	55576	13.2%	62679	14.8%
6924 St. Louis	427567	123966	100516	214058	69113	96956	652049	380127	58.3%	121664	18.7%	88348	13.5%
6925 Memphis	265498	86080	91804	146621	48470	85140	443382	280231	63.2%	44789	10.1%	53156	12.0%
6937 Paducah	285782	106821	63435	190419	88397	61157	456038	339973	74.5%	32770	7.2%	48086	10.5%
6939 Nashville	280970	107540	60216	167649	89853	56866	448726	314368	70.1%	52656	11.7%	46458	10.4%
6900 St. Louis Region	1474478	529618	418518	813038	366297	392271	2422614	1571606	64.9%	307455	12.7%	298727	12.3%

northeast pack

MARKET	pack civ	contracted pack civ	% contracted	total mkt civ	pk % of mkt	rjr lock-out civ	% lockout civ	pm excl. civ	% of pm excl. civ.
1122 Portland	222370	121605	54.7%	332532	66.9%	42988	19.3%	35996	16.2%
1126 N. Boston	280238	133866	47.8%	338910	82.7%	45910	16.4%	33188	11.8%
1128 S. Boston	293621	157146	53.5%	350286	83.8%	36854	12.6%	33572	11.4%
1130 New Bedford	288289	153286	53.2%	340716	84.6%	32258	11.2%	27136	9.4%
1131 Hartford	341269	185569	54.4%	403774	84.5%	38446	11.3%	41500	12.2%
1100 Boston Region	1425787	751472	52.7%	1766218	80.7%	196456	13.8%	171392	12.0%
1221 Jersey City	207836	99635	47.9%	250157	83.1%	9886	4.8%	9731	4.7%
1222 Yonkers	223946	98724	44.1%	263106	85.1%	25110	11.2%	18861	8.4%
1223 Nassau	254775	158201	62.1%	315574	80.7%	24670	9.7%	2166	0.9%
1224 Manhattan	258469	128389	49.7%	268942	96.1%	4073	1.6%	2757	1.1%
1225 Brooklyn	278285	111125	39.9%	285446	97.5%	7697	2.8%	6178	2.2%
1226 N. Jersey	226188	107448	47.5%	266506	84.9%	16297	7.2%	9006	4.0%
1229 Queens	341451	176812	51.8%	361871	94.4%	14178	4.2%	10555	3.1%
1200 New York Region	1790950	681975	38.1%	2011602	89.0%	101911	5.7%	59254	3.3%
1322 Baltimore	366913	202290	55.1%	429754	85.4%	42893	11.7%	59321	16.2%
1326 Philadelphia	285596	135814	47.6%	402722	70.9%	46488	16.3%	60224	21.1%
1330 C. Jersey	281543	142004	50.4%	381452	73.8%	23189	8.2%	24162	8.6%
1332 N. Philadelphia	350543	145884	41.6%	444282	78.9%	84842	24.2%	85419	24.4%
1334 S. Jersey	411503	142407	34.6%	502090	82.0%	128103	31.1%	127531	31.0%
1300 Philadelphia Region	1696098	768399	45.3%	2160300	78.5%	325515	19.2%	356657	21.0%
1622 Syracuse	412151	237816	57.7%	711655	57.9%	33374	8.1%	36889	9.0%
1623 Albany	307475	189331	61.6%	402818	76.3%	15874	5.2%	19668	6.4%
1626 Buffalo	273247	168313	61.6%	666744	41.0%	8357	3.1%	11451	4.2%
1638 Nashua	197791	117285	59.3%	359045	55.1%	19324	9.8%	14362	7.3%
1600 Buffalo Region	1190664	712745	59.9%	2140262	55.6%	76929	6.5%	82370	6.9%

north east pack

	pack	contracted	%	total	pk % of	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	civ	pack civ	contracted	mkt civ	mkt	civ	civ	civ	excl. civ.
1729 Canton	378749	248668	65.7%	550628	68.8%	24018	6.3%	38289	10.1%
1730 N. Pittsburgh	320763	220804	68.8%	491403	65.3%	7658	2.4%	14865	4.6%
1732 S. Pittsburgh	250278	157472	62.9%	401790	62.3%	6699	2.7%	15893	6.4%
1733 Cleveland	302365	206675	68.4%	429797	70.4%	8873	2.9%	20846	6.9%
1738 Harrisburg	369264	231719	62.8%	580951	63.6%	12433	3.4%	30792	8.3%
1700 Pittsburgh Region	1621419	1065338	65.7%	2454569	66.1%	59681	3.7%	120685	7.4%
1824 Columbus	395376	250319	63.3%	563199	70.2%	47516	12.0%	61910	15.7%
1828 Cincinnati	321560	157671	49.0%	525594	61.2%	69312	21.6%	67122	20.9%
1834 Lexington	240785	138118	57.4%	427588	56.3%	16516	6.9%	28967	12.0%
1837 Louisville	330640	177207	53.6%	586928	56.3%	55880	16.9%	64828	19.6%
1838 Indianapolis	530260	296382	55.9%	803697	66.0%	109638	20.7%	112208	21.2%
1800 Cincinnati Region	1818621	1019697	56.1%	2907006	62.6%	298862	16.4%	335035	18.4%

## southern pack

MARKET	pack civ	contracted pack civ	% contracted	total mkt civ	pk % of mkt	rjr lock-out civ	% lockout civ	pm excl. civ	% of pm excl. civ.
2124 Raleigh	255602	168562	66%	526848	48.5%	10024	3.9%	5437	2.1%
2126 Winston-Salem	239049	180598	76%	411964	58.0%	8925	3.7%	8975	3.8%
2127 Asheville	260435	175971	68%	418670	62.2%	28685	11.0%	19214	7.4%
2133 Charleston	308994	215956	70%	443767	69.6%	6818	2.2%	4008	1.3%
2135 Knoxville	271929	175969	65%	453653	59.9%	17200	6.3%	13542	5.0%
2137 Columbia	320728	218309	68%	487208	65.8%	23047	7.2%	20902	6.5%
2100 Winston-Salem	1656737	1135365	69%	2742110	60.4%	94699	5.7%	72078	4.4%
2224 Birmingham	263761	128927	49%	381808	69.1%	23177	8.8%	13107	5.0%
2226 N. Atlanta	326027	203358	62%	419878	77.6%	5251	1.6%	38026	11.7%
2228 S. Atlanta	265942	194251	73%	378551	70.3%	2634	1.0%	10956	4.1%
2230 Panama City	224178	155606	69%	325930	68.8%	6513	2.9%	3604	1.6%
2232 Huntsville	221644	146493	66%	321888	68.9%	9841	4.4%	11124	5.0%
2233 Macon	273283	173000	63%	373729	73.1%	15293	5.6%	13716	5.0%
2200 Atlanta Region	1574835	1001635	64%	2201784	71.5%	62709	4.0%	90533	5.7%
2326 Tampa	294240	204041	69%	439756	66.9%	9978	3.4%	10257	3.5%
2328 West Palm Beach	267659	148826	56%	405982	65.9%	1188	0.4%	13070	4.9%
2330 Miami	220485	73341	33%	366457	60.2%	13703	6.2%	16962	7.7%
2332 Sarasota	303502	217219	72%	446607	68.0%	13146	4.3%	13465	4.4%
2335 Orlando	323279	234722	73%	444625	72.7%	22914	7.1%	21286	6.6%
2337 Jacksonville	266253	193759	73%	397995	66.9%	10765	4.0%	6321	2.4%
2300 Florida Region	1675418	1071908	64%	2501422	67.0%	71694	4.3%	81361	4.9%
2625 Dallas	286727	165859	58%	486122	59.0%	43787	15.3%	42708	14.9%
2628 Ft. Worth	310826	164936	53%	426558	72.9%	41029	13.2%	35459	11.4%
2629 Jackson	226694	120275	53%	363054	62.4%	16951	7.5%	9341	4.1%
2635 Lafayette	220878	118191	54%	397903	55.5%	13037	5.9%	10941	5.0%
2636 Shreveport	268486	141803	53%	419174	64.1%	29289	10.9%	17204	6.4%
2637 New Orleans	289086	164783	57%	494456	58.5%	19265	6.7%	18230	6.3%
2600 Dallas Region	1602697	875847	55%	2587267	61.9%	163358	10.2%	133883	8.4%
2925 Richmond	245495	143509	58%	374089	65.6%	5809	2.4%	15779	6.4%
2926 Alexandria	391066	207763	53%	551340	70.9%	8627	2.2%	21874	5.6%
2927 Norfolk	474872	347412	73%	707572	67.1%	14805	3.1%	20430	4.3%
2934 Fayetteville	286448	171946	60%	484018	59.2%	12611	4.4%	9598	3.4%
2936 Charleston	252160	139458	55%	472112	53.4%	17569	7.0%	21761	8.6%
2900 Richmond Region	1650041	1010088	61%	2589131	63.7%	59421	3.6%	89442	5.4%

## western pack

MARKET	pack civ	contracted pack civ	% contracted	total mkt civ	pk % of mkt	rjr lock-out civ	% lockout civ	pm excl. civ	% of pm excl. civ.
5121 Bakersfield	215684	122160	56.6%	337147	64.0%	28472	13.2%	21348	9.9%
5124 San Francisco	262472	128817	49.1%	479949	54.7%	49490	18.9%	39154	14.9%
5126 Oakland	230739	89229	38.7%	309714	74.5%	26379	11.4%	17535	7.6%
5128 San Jose	220589	115180	52.2%	309169	71.3%	34426	15.6%	22886	10.4%
5130 Fresno	211405	112568	53.2%	344518	61.4%	42481	20.1%	23491	11.1%
5100 N. California Region	1140889	567954	49.8%	1780497	64.1%	181248	15.9%	124414	10.9%
5424 San Gabriel	193502	100570	52.0%	281756	68.7%	22351	11.6%	17244	8.9%
5425 W. Los Angeles	295292	87486	29.6%	378671	78.0%	34437	11.7%	29889	10.1%
5426 San Fernando Valley	224570	116241	51.8%	330508	67.9%	21554	9.6%	25066	11.2%
5428 Riverside	203973	123253	60.4%	319788	63.8%	19689	9.7%	21742	10.7%
5430 San Diego	211248	124919	59.1%	278660	75.8%	13221	6.3%	21720	10.3%
5431 N. Phoenix	458773	269098	58.7%	837668	54.8%	20642	4.5%	39606	8.6%
5432 Hawaii	78479	18980	24.2%	187090	41.9%	4073	5.2%	14065	17.9%
5400 S. Calif. Region	1665837	840547	50.5%	2614141	63.7%	135967	8.2%	169332	10.2%
5626 S. Seattle	226876	118922	52.4%	390274	58.1%	48787	21.5%	40712	17.9%
5628 Portland	272841	168664	61.8%	520297	52.4%	26610	9.8%	23185	8.5%
5630 Spokane	159548	81611	51.2%	413229	38.6%	15204	9.5%	16047	10.1%
5631 Salt Lake City	136990	90047	65.7%	230690	59.4%	18652	13.6%	18785	13.7%
5632 Alaska	39786	20924	52.6%	94770	42.0%	75	0.2%	2675	6.7%
5634 Boise	101012	58739	58.2%	228107	44.3%	8735	8.6%	8176	8.1%
5600 Seattle Region	937053	538907	57.5%	1877367	49.9%	118063	12.6%	109580	11.7%
5826 N. Houston	256647	163319	63.6%	331628	77.4%	14712	5.7%	24934	9.7%
5828 S. Houston	325707	193591	59.4%	387653	84.0%	21485	6.6%	19805	6.1%
5831 Austin	212495	129924	61.1%	297986	71.3%	16537	7.8%	21540	10.1%
5832 San Antonio	286065	155720	54.4%	374350	76.4%	9715	3.4%	18654	6.5%
5834 Abilene	118113	48467	41.0%	196915	60.0%	12124	10.3%	18980	16.1%
5836 El Paso	110441	55241	50.0%	171877	64.3%	6195	5.6%	13970	12.6%
5800 Houston Region	1309468	746262	57.0%	1760409	74.4%	80768	6.2%	117883	9.0%

## midwestern pack

	pack	contracted	%	total	pk % of	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	civ	pack civ	contracted	mkt civ	mkt	civ	civ	civ	excl. civ.
6224 E. Chicago	345714	209160	60.5%	543780	63.6%	35551	10.3%	32711	9.5%
6230 W. Chicago	300331	170011	56.6%	449107	66.9%	60313	20.1%	48096	16.0%
6232 Milwaukee	320781	153739	47.9%	475956	67.4%	59593	18.6%	59715	18.6%
6234 C. Chicago	325751	131701	40.4%	385952	84.4%	35753	11.0%	32182	9.9%
6238 Davenport	356626	226487	63.5%	489501	72.9%	54713	15.3%	54707	15.3%
6239 Des Moines	159296	84465	53.0%	262045	60.8%	17304	10.9%	27769	17.4%
6200 Chicago Region	1808499	975563	53.9%	2606341	69.4%	263227	14.6%	255180	14.1%
6322 Green Bay	214104	117650	54.9%	370184	57.8%	31915	14.9%	31609	14.8%
6324 St. Paul	224060	113440	50.6%	364388	61.5%	38475	17.2%	42624	19.0%
6326 Minneapolis	323271	139713	43.2%	535014	60.4%	97496	30.2%	77661	24.0%
6334 Sioux Falls	111196	51795	46.6%	184981	60.1%	13299	12.0%	11790	10.6%
6336 Fargo	126749	59730	47.1%	187968	67.4%	13997	11.0%	13028	10.3%
6338 Billings	195291	93673	48.0%	332390	58.8%	13945	7.1%	15927	8.2%
6300 Minneapolis Region	1194671	576001	48.2%	1974925	60.5%	209127	17.5%	192636	16.1%
6625 Kansas City	340222	163507	48.1%	524629	64.9%	25371	7.5%	64624	19.0%
6629 Omaha	258896	139063	53.7%	475464	54.5%	5907	2.3%	19583	7.6%
6631 Tulsa	285662	154433	54.1%	560849	50.9%	10896	3.8%	40785	14.3%
6632 Denver	395600	232594	58.8%	762918	51.9%	3272	0.8%	31965	8.1%
6633 E. Oklahoma City	231947	133057	57.4%	470802	49.3%	4443	1.9%	37481	16.2%
6600 Denver Region	1512327	822654	54.4%	2794662	54.1%	49889	3.3%	194438	12.9%
6722 Grand Rapids	328253	179649	54.7%	448373	73.2%	68145	20.8%	82511	25.1%
6724 Flint	230780	122831	53.2%	316339	73.0%	45473	19.7%	44601	19.3%
6728 E. Detroit	253578	174441	68.8%	310867	81.6%	15018	5.9%	11469	4.5%
6730 W. Detroit	228717	154414	67.5%	282199	81.0%	10946	4.8%	7576	3.3%
6732 Lansing	280933	198963	70.8%	394176	71.3%	16886	6.0%	17929	6.4%
6737 Ft. Wayne	278756	172268	61.8%	491520	56.7%	33731	12.1%	42251	15.2%
6700 Detroit Region	1601017	1002566	62.6%	2243474	71.4%	190199	11.9%	206337	12.9%
6923 Little Rock	214661	94291	43.9%	422419	50.8%	32993	15.4%	21491	10.0%
6924 St. Louis	427567	214058	50.1%	652049	65.6%	76098	17.8%	54001	12.6%
6925 Memphis	265498	146621	55.2%	443382	59.9%	24848	9.4%	21927	8.3%
6937 Paducah	285782	190419	66.6%	456038	62.7%	24436	8.6%	16308	5.7%
6939 Nashville	280970	167649	59.7%	448726	62.6%	36829	13.1%	23892	8.5%
6900 St. Louis Region	1474478	813038	55.1%	2422614	60.9%	195204	13.2%	137619	9.3%

	co	contracted	%	total	co % of	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	civ	co civ	contracted	mkt civ	mkt	co civ	civ	co civ	excl. civ.
1122 Portland	46017	36185	78.6%	332532	13.8%	9832	21.4%	7659	16.6%
1126 N. Boston	12417	12417	100.0%	338910	3.7%	0	0.0%	0	0.0%
1128 S. Boston	5920	5920	100.0%	350286	1.7%	0	0.0%	0	0.0%
1130 New Bedford	6916	6916	100.0%	340716	2.0%	0	0.0%	0	0.0%
1131 Hartford	4123	4048	98.2%	403774	1.0%	0	0.0%	0	0.0%
1100 Boston Region	75393	65486	86.9%	1766218	4.3%	9832	13.0%	7659	10.2%
1221 Jersey City	0	0	0.0%	250157	0.0%		0.0%		0.0%
1222 Yonkers	7450	5950	79.9%	263106	2.8%	1500	20.1%	1200	16.1%
1223 Nassau	32469	28006	86.3%	315574	10.3%		0.0%		0.0%
1224 Manhattan	0	0	0.0%	268942	0.0%		0.0%		0.0%
1225 Brooklyn	2600	2600	100.0%	285446	0.9%		0.0%		0.0%
1226 N. Jersey	1430	1350	94.4%	266506	0.5%		0.0%		0.0%
1229 Queens	9613	8913	92.7%	361871	2.7%	700	7.3%	700	7.3%
1200 New York Region	53562	46819	87.4%	2011602	2.7%	2200	4.1%		0.0%
1322 Baltimore	1640	1512	92.2%	429754	0.4%		0.0%		0.0%
1326 Philadelphia	59619	53410	89.6%	402722	14.8%	4129	6.9%	4034	6.8%
1330 C. Jersey	9493	4898	51.6%	381452	2.5%		0.0%	4500	47.4%
1332 N. Philadelphia	6205	5960	96.1%	444282	1.4%		0.0%		0.0%
1334 S. Jersey	13817	13817	100.0%	502090	2.8%		0.0%		0.0%
1300 Philadelphia Region	90774	79597	87.7%	2160300	4.2%	4129	4.5%	8534	9.4%
1622 Syracuse	162581	160624	98.8%	711655	22.8%	1331	0.8%		0.0%
1623 Albany	28313	28161	99.5%	402818	7.0%		0.0%		0.0%
1626 Buffalo	283312	275141	97.1%	666744	42.5%		0.0%		0.0%
1638 Nashua	74364	74364	100.0%	359045	20.7%		0.0%		0.0%
1600 Buffalo Region	548570	538290	98.1%	2140262	25.6%		0.0%		0.0%

north east co

	co	contracted	%	total	co % of	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	civ	co civ	contracted	mkt civ	mkt	co civ	civ	co civ	excl. civ.
1729 Canton	37645	33833	89.9%	550628	6.8%		0.0%		0.0%
1730 N. Pittsburgh	15958	15248	95.6%	491403	3.2%	210	1.3%		0.0%
1732 S. Pittsburgh	24084	23384	97.1%	401790	6.0%		0.0%		0.0%
1733 Cleveland	14189	11189	78.9%	429797	3.3%		0.0%		0.0%
1738 Harrisburg	12597	12487	99.1%	580951	2.2%		0.0%		0.0%
1700 Pittsburgh Region	104473	96141	92.0%	2454569	4.3%	210	0.2%		0.0%
1824 Columbus	31081	29396	94.6%	563199	5.5%		0.0%		0.0%
1828 Cincinnati	66518	6612	9.9%	525594	12.7%		0.0%		0.0%
1834 Lexington	72439	66693	92.1%	427588	16.9%	3631	5.0%	5600	7.7%
1837 Louisville	89814	59339	66.1%	586928	15.3%	25698	28.6%	25698	28.6%
1838 Indianapolis	60943	58361	95.8%	803697	7.6%		0.0%		0.0%
1800 Cincinnati Region	320795	220401	68.7%	2907006	11.0%	29329	9.1%	31298	9.8%



	co	contracted	%	total	co % of	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	civ	co civ	contracted	mkt civ	mkt	co civ	civ	co civ	excl. civ.
2124 Raleigh	118273	35789	30.3%	526848	22.4%	1168	1.0%	77974	65.9%
2126 Winston-Salem	69919	47119	67.4%	411964	17.0%		0.0%	22800	32.6%
2127 Asheville	51438	48893	95.1%	418670	12.3%	1201	2.3%	1201	2.3%
2133 Charleston	10114	9629	95.2%	443767	2.3%		0.0%		0.0%
2135 Knoxville	45637	40950	89.7%	453653	10.1%	2944	6.5%	2944	6.5%
2137 Columbia	1788	1347	75.3%	487208	0.4%		0.0%		0.0%
2100 Winston-Salem	297169	183727	61.8%	2742110	10.8%	5313	1.8%	104919	35.3%
2224 Birmingham	8024	7789	97.1%	381808	2.1%		0.0%		0.0%
2226 N. Atlanta	381	300	78.7%	419878	0.1%		0.0%		0.0%
2228 S. Atlanta	28214	26904	95.4%	378551	7.5%		0.0%		0.0%
2230 Panama City	21728	21728	100.0%	325930	6.7%		0.0%		0.0%
2232 Huntsville	25418	24158	95.0%	321888	7.9%	835	3.3%		0.0%
2233 Macon	27121	26963	99.4%	373729	7.3%		0.0%		0.0%
2200 Atlanta Region	110886	107842	97.3%	2201784	5.0%	835	0.8%		0.0%
2326 Tampa	53613	23613	44.0%	439756	12.2%		0.0%		0.0%
2328 West Palm Beach	25669	23580	91.9%	405982	6.3%	456	1.8%		0.0%
2330 Miami	74081	56737	76.6%	366457	20.2%		0.0%		0.0%
2332 Sarasota	30448	24503	80.5%	446607	6.8%	1105	3.6%	1105	3.6%
2335 Orlando	15719	14483	92.1%	444625	3.5%	1100	7.0%	1100	7.0%
2337 Jacksonville	51351	51059	99.4%	397995	12.9%		0.0%		0.0%
2300 Florida Region	250881	193975	77.3%	2501422	10.0%	2661	1.1%	2205	0.9%
2625 Dallas	72695	62570	86.1%	486122	15.0%		0.0%		0.0%
2628 Ft. Worth	10717	10522	98.2%	426558	2.5%		0.0%		0.0%
2629 Jackson	67574	63782	94.4%	363054	18.6%	1688	2.5%		0.0%
2635 Lafayette	95790	92216	96.3%	397903	24.1%	817	0.9%	817	0.9%
2636 Shreveport	52258	50438	96.5%	419174	12.5%	1599	3.1%	1599	3.1%
2637 New Orleans	121951	115278	94.5%	494456	24.7%	2393	2.0%	1343	1.1%
2600 Dallas Region	420985	394806	93.8%	2587267	16.3%	6497	1.5%	3759	0.9%
2925 Richmond	17847	17200	96.4%	374089	4.8%	587	3.3%	587	3.3%
2926 Alexandria	35953	34507	96.0%	551340	6.5%	41	0.1%		0.0%
2927 Norfolk	68281	61496	90.1%	707572	9.7%		0.0%		0.0%
2934 Fayetteville	55071	49529	89.9%	484018	11.4%		0.0%	1922	3.5%
2936 Charleston	129156	109120	84.5%	472112	27.4%	12481	9.7%	15553	12.0%
2900 Richmond Region	306308	271852	88.8%	2589131	11.8%	13109	4.3%	18062	5.9%

	co	contracted	%	total	co % of	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	civ	co civ	contracted	mkt civ	mkt	co civ	civ	co civ	excl. civ.
5121 Bakersfield	43167	23063	53.4%	337147	12.8%	19392	44.9%	17987	41.7%
5124 San Francisco	113171	58891	52.0%	479949	23.6%	54180	47.9%	54180	47.9%
5126 Oakland	31485	4592	14.6%	309714	10.2%	26663	84.7%	26505	84.2%
5128 San Jose	37377	9088	24.3%	309169	12.1%	27918	74.7%	27918	74.7%
5130 Fresno	70144	23234	33.1%	344518	20.4%	46500	66.3%	46500	66.3%
5100 N. California Region	295344	118868	40.2%	1780497	16.6%	174653	59.1%	173090	58.6%
5424 San Gabriel	29617	22423	75.7%	281756	10.5%	6320	21.3%	5820	19.7%
5425 W. Los Angeles	14093	11110	78.8%	378671	3.7%	2143	15.2%	2418	17.2%
5426 San Fernando Valley	26930	14948	55.5%	330508	8.1%	8801	32.7%	10984	40.8%
5428 Riverside	35107	29191	83.1%	319788	11.0%	5160	14.7%	5160	14.7%
5430 San Diego	6831	4490	65.7%	278660	2.5%	1091	16.0%	1091	16.0%
5431 N. Phoenix	183431	146681	80.0%	837668	21.9%	1305	0.7%	8550	4.7%
5432 Hawaii	300	300	100.0%	187090	0.2%		0.0%		0.0%
5400 S. Calif. Region	296309	229143	77.3%	2614141	11.3%	24820	8.4%	34023	11.5%
5626 S. Seattle	47430	28507	60.1%	390274	12.2%	6356	13.4%	5976	12.6%
5628 Portland	99044	92828	93.7%	520297	19.0%	4969	5.0%	4969	5.0%
5630 Spokane	153873	129808	84.4%	413229	37.2%	1700	1.1%	1100	0.7%
5631 Salt Lake City	16744	16166	96.5%	230690	7.3%	1000	6.0%	1000	6.0%
5632 Alaska	2200	2200	100.0%	94770	2.3%		0.0%		0.0%
5634 Boise	51791	42789	82.6%	228107	22.7%		0.0%	7377	14.2%
5600 Seattle Region	371082	312298	84.2%	1877367	19.8%	14025	3.8%	20422	5.5%
5826 N. Houston	17497	16661	95.2%	331628	5.3%		0.0%		0.0%
5828 S. Houston	4365	4365	100.0%	387653	1.1%		0.0%		0.0%
5831 Austin	8558	7984	93.3%	297986	2.9%		0.0%		0.0%
5832 San Antonio	1870	1520	81.3%	374350	0.5%		0.0%		0.0%
5834 Abilene	22389	17274	77.2%	196915	11.4%	482	2.2%		0.0%
5836 El Paso	22603	14660	64.9%	171877	13.2%	3900	17.3%		0.0%
5800 Houston Region	77282	62464	80.8%	1760409	4.4%	4382	5.7%	0	0.0%

	co	contracted	%	total	co % of	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	civ	co civ	contracted	mkt civ	mkt	co civ	civ	co civ	excl. civ.
6224 E. Chicago	129761	124642	96.1%	543780	23.9%	961	0.7%	961	0.7%
6230 W. Chicago	107119	101010	94.3%	449107	23.9%	6798	6.3%	4730	4.4%
6232 Milwaukee	62010	52672	84.9%	475956	13.0%	4880	7.9%	4880	7.9%
6234 C. Chicago	37369	34982	93.6%	385952	9.7%	2287	6.1%	2287	6.1%
6238 Davenport	24534	24444	99.6%	489501	5.0%		0.0%		0.0%
6239 Des Moines	8754	8354	95.4%	262045	3.3%		0.0%		0.0%
6200 Chicago Region	369547	346104	93.7%	2606341	14.2%	14926	4.0%	12858	3.5%
6322 Green Bay	48186	40770	84.6%	370184	13.0%	5551	11.5%	5551	11.5%
6324 St. Paul	24479	21458	87.7%	364388	6.7%		0.0%		0.0%
6326 Minneapolis	91542	72762	79.5%	535014	17.1%	1610	1.8%	1610	1.8%
6334 Sioux Falls	20783	18992	91.4%	184981	11.2%	1051	5.1%	1051	5.1%
6336 Fargo	8437	7592	90.0%	187968	4.5%	845	10.0%	845	10.0%
6338 Billings	45465	42576	93.6%	332390	13.7%	822	1.8%	822	1.8%
6300 Minneapolis Region	238892	204150	85.5%	1974925	12.1%	9879	4.1%	9879	4.1%
6625 Kansas City	76396	53395	69.9%	524629	14.6%		0.0%	22043	28.9%
6629 Omaha	51621	50041	96.9%	475464	10.9%	379	0.7%		0.0%
6631 Tulsa	144072	133219	92.5%	560849	25.7%	329	0.2%	2408	1.7%
6632 Denver	123487	120448	97.5%	762918	16.2%		0.0%		0.0%
6633 E. Oklahoma City	122264	109188	89.3%	470802	26.0%	456	0.4%	542	0.4%
6600 Denver Region	517840	466291	90.0%	2794662	18.5%	1164	0.2%	24993	4.8%
6722 Grand Rapids	13311	11103	83.4%	448373	3.0%	1652	12.4%	1652	12.4%
6724 Flint	24566	23456	95.5%	316339	7.8%	254	1.0%	254	1.0%
6728 E. Detroit	31507	30487	96.8%	310867	10.1%		0.0%		0.0%
6730 W. Detroit	28093	25179	89.6%	282199	10.0%		0.0%		0.0%
6732 Lansing	57070	53060	93.0%	394176	14.5%		0.0%		0.0%
6737 Ft. Wayne	93146	88750	95.3%	491520	19.0%	532	0.6%	3735	4.0%
6700 Detroit Region	247693	232035	93.7%	2243474	11.0%	2438	1.0%	5641	2.3%
6923 Little Rock	102547	92152	89.9%	422419	24.3%	4256	4.2%		0.0%
6924 St. Louis	100516	96956	96.5%	652049	15.4%		0.0%		0.0%
6925 Memphis	91804	85140	92.7%	443382	20.7%	3185	3.5%		0.0%
6937 Paducah	63435	61157	96.4%	456038	13.9%		0.0%		0.0%
6939 Nashville	60216	56866	94.4%	448726	13.4%	127	0.2%		0.0%
6900 St. Louis Region	418518	392271	93.7%	2422614	17.3%	7568	1.8%	0	0.0%

	ctn	contracted	%	total	ctn % of	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	civ	ctn civ	contracted	mkt civ	mkt	ctn civ	civ	ctn civ	excl. civ.
1122 Portland	64145	60689	94.6%	332532	19.3%	1312	2.0%	1843	2.9%
1126 N. Boston	46255	28438	61.5%	338910	13.6%	328	0.7%	9616	20.8%
1128 S. Boston	50745	38759	76.4%	350286	14.5%	4369	8.6%	5496	10.8%
1130 New Bedford	45511	35138	77.2%	340716	13.4%	1681	3.7%	3095	6.8%
1131 Hartford	58382	32644	55.9%	403774	14.5%	5019	8.6%	5803	9.9%
1100 Boston Region	265038	195668	73.8%	1766218	15.0%	12709	4.8%	25853	9.8%
1221 Jersey City	42321	15727	37.2%	250157	16.9%	19854	46.9%	19854	46.9%
1222 Yonkers	31710	13528	42.7%	263106	12.1%	8369	26.4%	8139	25.7%
1223 Nassau	28330	5914	20.9%	315574	9.0%	16270	57.4%	16324	57.6%
1224 Manhattan	10473	2275	21.7%	268942	3.9%	370	3.5%	370	3.5%
1225 Brooklyn	4561	500	11.0%	285446	1.6%	1109	24.3%	1109	24.3%
1226 N. Jersey	38888	11242	28.9%	266506	14.6%	22715	58.4%	22080	56.8%
1229 Queens	10807	1248	11.5%	361871	3.0%	4511	41.7%	4331	40.1%
1200 New York Region	167090	50434	30.2%	2011602	8.3%	73198	43.8%	72207	43.2%
1322 Baltimore	61201	44688	73.0%	429754	14.2%	1028	1.7%	4891	8.0%
1326 Philadelphia	57507	36041	62.7%	402722	14.3%	8133	14.1%	13008	22.6%
1330 C. Jersey	90416	46263	51.2%	381452	23.7%	29890	33.1%	35336	39.1%
1332 N. Philadelphia	87534	56940	65.0%	444282	19.7%	8502	9.7%	7993	9.1%
1334 S. Jersey	76770	43299	56.4%	502090	15.3%	11369	14.8%	17346	22.6%
1300 Philadelphia Region	373428	227231	60.9%	2160300	17.3%	58922	15.8%	78574	21.0%
1622 Syracuse	136923	96858	70.7%	711655	19.2%	8552	6.2%	16533	12.1%
1623 Albany	67030	33174	49.5%	402818	16.6%	21673	32.3%	31519	47.0%
1626 Buffalo	110185	89328	81.1%	666744	16.5%	2372	2.2%	8418	7.6%
1638 Nashua	86890	70273	80.9%	359045	24.2%	10554	12.1%	25088	28.9%
1600 Buffalo Region	401028	289633	72.2%	2140262	18.7%	43151	10.8%	81558	20.3%

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	ctn	contracted	%	total	ctn % of	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	civ	ctn civ	contracted	mkt civ	mkt	ctn civ	civ	ctn civ	excl. civ.
1729 Canton	134234	92768	69.1%	550628	24.4%	18920	14.1%	25226	18.8%
1730 N. Pittsburgh	154682	114981	74.3%	491403	31.5%	13889	9.0%	21313	13.8%
1732 S. Pittsburgh	127428	81590	64.0%	401790	31.7%	820	0.6%	20732	16.3%
1733 Cleveland	113243	91978	81.2%	429797	26.3%	3328	2.9%	2876	2.5%
1738 Harrisburg	199090	164962	82.9%	580951	34.3%	6720	3.4%	26683	13.4%
1700 Pittsburgh Region	728677	546279	75.0%	2454569	29.7%	43677	6.0%	96830	13.3%
1824 Columbus	136742	102626	75.1%	563199	24.3%	9088	6.6%	12148	8.9%
1828 Cincinnati	137516	114491	83.3%	525594	26.2%	8332	6.1%	9079	6.6%
1834 Lexington	114364	103581	90.6%	427588	26.7%	2702	2.4%	6440	5.6%
1837 Louisville	166474	137781	82.8%	586928	28.4%	14554	8.7%	11594	7.0%
1838 Indianapolis	212494	127909	60.2%	803697	26.4%	54805	25.8%	56973	26.8%
1800 Cincinnati Region	767590	586388	76.4%	2907006	26.4%	89481	11.7%	96234	12.5%

	ctn	contracted	%	total	ctn % of	rjr lock-out	% lockout	pm excl.	% of pm
MARKET	civ	ctn civ	contracted	mkt civ	mkt	ctn civ	civ	ctn civ	excl. civ.
2124 Raleigh	152973	137856	90.1%	526848	29.0%	309	0.2%	0	0.0%
2126 Winston-Salem	102996	98920	96.0%	411964	25.0%	224	0.2%	224	0.2%
2127 Asheville	106797	96383	90.2%	418670	25.5%	5729	5.4%	5974	5.6%
2133 Charleston	124659	104863	84.1%	443767	28.1%	532	0.4%	1609	1.3%
2135 Knoxville	136087	112276	82.5%	453653	30.0%	9044	6.6%	12028	8.8%
2137 Columbia	164692	154289	93.7%	487208	33.8%	0	0.0%	2174	1.3%
2100 Winston-Salem	788204	704587	89.4%	2742110	28.7%	15838	2.0%	22009	2.8%
2224 Birmingham	110023	90123	81.9%	381808	28.8%	1458	1.3%	1096	1.0%
2226 N. Atlanta	93470	71877	76.9%	419878	22.3%	1169	1.3%	140	0.1%
2228 S. Atlanta	84395	74486	88.3%	378551	22.3%	1499	1.8%	3604	4.3%
2230 Panama City	80024	59451	74.3%	325930	24.6%	177	0.2%	614	0.8%
2232 Huntsville	74826	57230	76.5%	321888	23.2%	3468	4.6%	4545	6.1%
2233 Macon	73325	61493	83.9%	373729	19.6%	1174	1.6%	1673	2.3%
2200 Atlanta Region	516063	414660	80.4%	2201784	23.4%	8945	1.7%	11672	2.3%
2326 Tampa	91903	55134	60.0%	439756	20.9%	20493	22.3%	33961	37.0%
2328 West Palm Beach	112654	64400	57.2%	405982	27.7%	19050	16.9%	29461	26.2%
2330 Miami	71891	38216	53.2%	366457	19.6%	15512	21.6%	20267	28.2%
2332 Sarasota	112657	66105	58.7%	446607	25.2%	29937	26.6%	43273	38.4%
2335 Orlando	105627	70511	66.8%	444625	23.8%	26577	25.2%	27288	25.8%
2337 Jacksonville	80391	60004	74.6%	397995	20.2%	12687	15.8%	15892	19.8%
2300 Florida Region	575123	354370	61.6%	2501422	23.0%	124256	21.6%	170142	29.6%
2625 Dallas	126700	108920	86.0%	486122	26.1%	1635	1.3%	1066	0.8%
2628 Ft. Worth	105015	83872	79.9%	426558	24.6%	4476	4.3%	4165	4.0%
2629 Jackson	68786	35933	52.2%	363054	18.9%	12509	18.2%	13216	19.2%
2635 Lafayette	81235	55457	68.3%	397903	20.4%	9798	12.1%	6289	7.7%
2636 Shreveport	98430	79314	80.6%	419174	23.5%	5484	5.6%	5419	5.5%
2637 New Orleans	83419	46937	56.3%	494456	16.9%	11512	13.8%	10929	13.1%
2600 Dallas Region	563585	410433	72.8%	2587267	21.8%	45414	8.1%		0.0%
2925 Richmond	110747	99061	89.4%	374089	29.6%	696	0.6%	11127	10.0%
2926 Alexandria	124321	107744	86.7%	551340	22.5%	1643	1.3%	6086	4.9%
2927 Norfolk	164419	133636	81.3%	707572	23.2%	1396	0.8%	15552	9.5%
2934 Fayetteville	142499	128003	89.8%	484018	29.4%	0	0.0%	11612	8.1%
2936 Charleston	90796	68946	75.9%	472112	19.2%	6265	6.9%	5999	6.6%
2900 Richmond Region	632782	537390	84.9%	2589131	24.4%	10000	1.6%	50376	8.0%

MARKET	ctn civ	contracted ctn civ	% contracted	total mkt civ	ctn % of mkt	rjr lock-out ctn civ	% lockout civ	pm excl. ctn civ	% of pm excl. civ.
5121 Bakersfield	78296	59098	75.5%	337147	23.2%	2896	3.7%	5859	7.5%
5124 San Francisco	104306	49829	47.8%	479949	21.7%	9102	8.7%	16591	15.9%
5126 Oakland	47490	14049	29.6%	309714	15.3%	1903	4.0%	2953	6.2%
5128 San Jose	51203	24971	48.8%	309169	16.6%	1517	3.0%	3247	6.3%
5130 Fresno	62969	29449	46.8%	344518	18.3%	4619	7.3%	4755	7.6%
5100 N. California Region	344264	177396	51.5%	1780497	19.3%	20037	5.8%	33405	9.7%
5424 San Gabriel	58637	43170	73.6%	281756	20.8%	9685	16.5%	10956	18.7%
5425 W. Los Angeles	69286	41120	59.3%	378671	18.3%	1139	1.6%	14065	20.3%
5426 San Fernando Valley	79008	59978	75.9%	330508	23.9%	761	1.0%	13707	17.3%
5428 Riverside	80708	65280	80.9%	319788	25.2%	5071	6.3%	12474	15.5%
5430 San Diego	60581	48243	79.6%	278660	21.7%	672	1.1%	12268	20.3%
5431 N. Phoenix	195464	182925	93.6%	837668	23.3%	1551	0.8%	29114	14.9%
5432 Hawaii	108311	22271	20.6%	187090	57.9%	1458	1.3%	4668	4.3%
5400 S. Calif. Region	651995	462987	71.0%	2614141	24.9%	20337	3.1%	97252	14.9%
5626 S.Seattle	115968	92399	79.7%	390274	29.7%	9102	7.8%	9967	8.6%
5628 Portland	148412	130317	87.8%	520297	28.5%	5613	3.8%	5382	3.6%
5630 Spokane	99808	78291	78.4%	413229	24.2%	3370	3.4%	2730	2.7%
5631 Salt Lake City	76956	58372	75.9%	230690	33.4%	6568	8.5%	7710	10.0%
5632 Alaska	52784	27348	51.8%	94770	55.7%	400	0.8%	5846	11.1%
5634 Boise	75304	48406	64.3%	228107	33.0%	5729	7.6%	13506	17.9%
5600 Seattle Region	569232	435133	76.4%	1877367	30.3%	30782	5.4%	45141	7.9%
5826 N. Houston	57484	47696	83.0%	331628	17.3%	832	1.4%	15435	26.9%
5828 S. Houston	57581	43423	75.4%	387653	14.9%	6803	11.8%	14265	24.8%
5831 Austin	76933	68953	89.6%	297986	25.8%	1548	2.0%	17949	23.3%
5832 San Antonio	86415	72297	83.7%	374350	23.1%	0	0.0%	15845	18.3%
5834 Abilene	56413	46728	82.8%	196915	28.6%	3623	6.4%	18465	32.7%
5836 El Paso	38833	32082	82.6%	171877	22.6%	1750	4.5%	9691	25.0%
5800 Houston Region	373659	311179	83.3%	1760409	21.2%	14556	3.9%	91650	24.5%

MARKET	ctn civ	contracted ctn civ	% contracted	total mkt civ	co % of mkt	rjr lock-out co civ	% lockout civ	pm excl. co civ	% of pm excl. civ.
6224 E. Chicago	68305	49934	73.1%	543780	12.6%	3773	5.5%	12146	17.8%
6230 W. Chicago	41657	33525	80.5%	449107	9.3%	646	1.6%	2003	4.8%
6232 Milwaukee	93165	45734	49.1%	475956	19.6%	14761	15.8%	34819	37.4%
6234 C. Chicago	22832	10817	47.4%	385952	5.9%	100	0.4%	937	4.1%
6238 Davenport	108341	81626	75.3%	489501	22.1%	14135	13.0%	26430	24.4%
6239 Des Moines	93995	77622	82.6%	262045	35.9%	9703	10.3%	11681	12.4%
6200 Chicago Region	428295	299258	69.9%	2606341	16.4%	43118	10.1%	88016	20.6%
6322 Green Bay	107894	74480	69.0%	370184	29.1%	13282	12.3%	19064	17.7%
6324 St. Paul	115849	82974	71.6%	364388	31.8%	21449	18.5%	24996	21.6%
6326 Minneapolis	120201	57527	47.9%	535014	22.5%	28006	23.3%	23167	19.3%
6334 Sioux Falls	53002	36749	69.3%	184981	28.7%	11217	21.2%	10047	19.0%
6336 Fargo	52782	32426	61.4%	187968	28.1%	6604	12.5%	6399	12.1%
6338 Billings	91634	54191	59.1%	332390	27.6%	12981	14.2%	12922	14.1%
6300 Minneapolis Region	541362	338347	62.5%	1974925	27.4%	93539	17.3%	96595	17.8%
6625 Kansas City	108011	86835	80.4%	524629	20.6%	6486	6.0%	654	0.6%
6629 Omaha	164947	127444	77.3%	475464	34.7%	8397	5.1%	2509	1.5%
6631 Tulsa	131115	105847	80.7%	560849	23.4%	1972	1.5%	4443	3.4%
6632 Denver	243831	202182	82.9%	762918	32.0%	660	0.3%	3650	1.5%
6633 E. Oklahoma City	116591	81042	69.5%	470802	24.8%	5502	4.7%	4065	3.5%
6600 Denver Region	764495	603350	78.9%	2794662	27.4%	23017	3.0%	15321	2.0%
6722 Grand Rapids	106809	63153	59.1%	448373	23.8%	12376	11.6%	13050	12.2%
6724 Flint	60993	29069	47.7%	316339	19.3%	10839	17.8%	9769	16.0%
6728 E. Detroit	25782	11505	44.6%	310867	8.3%	450	1.7%	935	3.6%
6730 W. Detroit	25389	8664	34.1%	282199	9.0%	918	3.6%	663	2.6%
6732 Lansing	56173	34491	61.4%	394176	14.3%	1691	3.0%	2981	5.3%
6737 Ft. Wayne	119618	92176	77.1%	491520	24.3%	8141	6.8%	7865	6.6%
6700 Detroit Region	394764	239058	60.6%	2243474	17.6%	34415	8.7%	35263	8.9%
6923 Little Rock	105211	70464	67.0%	422419	24.9%	16733	15.9%	37262	35.4%
6924 St. Louis	123966	69113	55.8%	652049	19.0%	29905	24.1%	23410	18.9%
6925 Memphis	86080	48470	56.3%	443382	19.4%	12355	14.4%	19002	22.1%
6937 Paducah	106821	88397	82.8%	456038	23.4%	6590	6.2%	27967	26.2%
6939 Nashville	107540	89853	83.6%	448726	24.0%	10218	9.5%	18040	16.8%
6900 St. Louis Region	529618	366297	69.2%	2422614	21.9%	75801	14.3%	125681	23.7%



### \*\*\* DOCUMENTATION - WHL\_P\_97.PPT\*\*\*

#### *User Instructions for WHL\_P\_97.PPT - Wholesale PARTNERS Presentation (January - June 1997).*

#### **Before you begin, please note the following:**

- > Any numbers entered must be entered as WHOLE numbers to ONE decimal place (e.g., 25.2).
- > Any Negative Numbers must be entered with the minus sign (e.g., -.4).
- > When working in EXCEL, all fields have been protected **except** for the input fields. Therefore, the user may use the TAB key to move to the input cells. If the user does not use the TAB key, the user must click once on the input cell.
- > If working in EXCEL, the user must close EXCEL before moving to the next slide. To do this, click once anywhere outside the spreadsheet.
- > All input fields have been shaded with Pale Yellow on Slides 16 and 17.
- > **Most** of the slides available to customize require limited input (Account name and #, Base SOM, SOM Results). Payments and scales are automatically calculated based on user input.
- > As information, slides 19 - 24 contain 1997 PARTNERS Rules and Regulations (January - June).

#### **NOW LET'S BEGIN!**

- **Copy** the file named WHL\_P\_97.PPT from the directory G:\\_sales\\_97plans\whltool to your hard drive. (It is recommended to save the file to the C:\Data\Powerpnt directory).
  - Start MicroSoft PowerPoint (Version 4.0).
  - Open the file WHL\_P\_97.PPT from the C:\ drive.
  - Only Slides 1, 6, 16, and 17 can be customized. **IMPORTANT: Slides 16 and 17 have all input fields highlighted in Pale Yellow.** In order to see the input fields clearly on these slides, the **ZOOM CONTROL must be changed to 75%** before entering any data. To change the ZOOM CONTROL, Click on the Down Arrow next to the Zoom Control on the Tool Bar and Click on 75%.
  - Slide 1 can be customized to include the "Customer Name". Click once inside the box and type the "Customer Name". After typing the name, Click outside the box to complete your entry. **DO NOT PRESS ENTER.**
  - Slide 6 should be customized to list **Your Objectives**. Click inside the red box and begin typing the objectives. Objectives will be denoted by a "berger dot". There may be multiple sentences in individual objectives. Type in all verbage for an objective and punctuate as necessary. When complete, press the ENTER key to move to the next objective. Click off the slide when done.
  - Slide 16, "Plan A Payment Example", has all input fields highlighted in Pale Yellow.
    - Change Zoom Control to 75% as instructed above.
    - Account Name and Account # should be entered by clicking in each box and entering the appropriate information. Click outside the box when completed. **DO NOT PRESS ENTER.**
    - Using the UP or DOWN Arrow on the scroll bar on the right side, position the slide to view the Payment Grid. Double Click on the word "Payment". EXCEL will open and the grid will appear.
    - Click on the pale yellow input field in the row labeled "Category II". Answer the question with Y or N. Press TAB to move to the next input field.
    - Enter the Base SOM for Total RJR. Press TAB. Enter the Results (+ / -) for Total RJR. Press TAB. Continue to enter the same data for RJR SOS by entering the data and pressing the TAB key. The Category II payment will automatically be calculated based on your input.
- REMEMBER:** All numbers must be entered as whole numbers to one decimal place (e.g., 25.2).

If any number is a negative, the negative sign must be entered. **NOTE: Category II payment will be calculated as \$.00 unless the account has met ALL Performance Requirements.**

- TAB to the first input field (pale yellow) under Category III. Enter the Base for RJR Full Price. Press TAB. Enter the Results (+ / -) for RJR Full Price. Press TAB. Continue to enter the Base and Results (+ / -) for CAMEL EX REG and DORAL by entering the data and pressing the TAB key. The Category III payment will automatically be calculated based on your input and the National Share Objective.

- When all input has been entered, click outside the spreadsheet to close EXCEL. This will enable you to move to the next slide. Zoom back to 33% when you move to the next slide.

- Slide 17, "Plan G Payment Example", has all input fields highlighted in Pale Yellow.

- Change Zoom Control to 75% as instructed above.

- Account Name and Account # should be entered by clicking in each box and entering the appropriate information. Click outside the box when completed. **DO NOT PRESS ENTER.**

- Using the UP or DOWN Arrow on the scroll bar on the right side, position the slide to view the Payment Grid. Double Click on the word "Payment". EXCEL will open and the grid will appear.

- Click on the pale yellow input field in the row labeled "Category II". Answer the question with Y or N. Press TAB to move to the next input field.

- Enter the Base SOM for RJR SOS. Press TAB. Enter the Results (+ / -) for RJR SOS. The Category II payment will automatically be calculated based on your input. **REMEMBER: All numbers must be entered as whole numbers to one decimal place (e.g., 25.2). If any number is a negative, the negative sign must be entered. NOTE: Category II payment will be calculated as \$.00 unless the account has met ALL Performance Requirements.**

- TAB to the first input field (pale yellow) under Category III. Enter the Base for RJR Full Price. Press TAB. Enter the Results (+ / -) for RJR Full Price. Press TAB. Continue to enter the Base and Results (+ / -) for CAMEL EX REG and DORAL by entering the data and pressing the TAB key. The Category III payment will automatically be calculated based on your input and the National Share Objective.

- When all input has been entered, click outside the spreadsheet to close EXCEL. This will enable you to move to the next slide. Zoom back to 33% when you move to the next slide.

- To print this presentation, click on FILE, PRINT. The user may print All Slides, the Current Slide, or Selected Slides. Click on your choice and then click on OK.
- Save your work if desired. However, these files should be saved on the C drive under C:\DATA\POWERPNT Directory. To save on the C drive, please do the following:

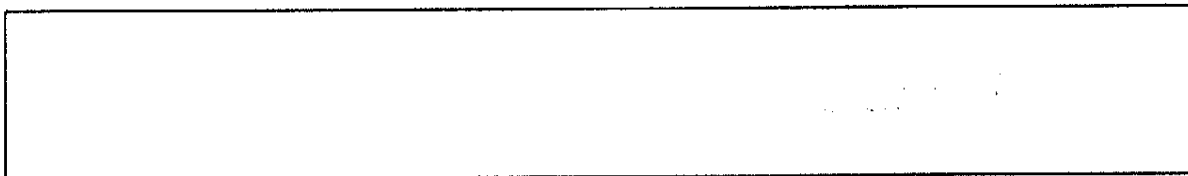
1. Click on FILE, SAVE AS from the menu.
2. Be sure the Drive is selected is C:\ and the Directories selected are DATA\POWERPNT.
3. Enter the name of the file in the FILE NAME box.
4. Click on OK.

The file will be saved by the specified name on the C:\DATA\POWERPNT Directory.



# PARTNERS

## Partnership In Maximizing Category Profit



Program Period:  
January - June, 1997

*RJ Reynolds*  
Tobacco Company

51988 7231

# 1997 Retail Emphasis

- Retail Partners Accrual to be used primarily for price promoting Full Price Product.
  - Spending / Discounting more equally divided across National geography.
  - Partners promotions will no longer be tied to Retail Accrual.
- RJR fixturing resources to be reallocated / evaluated to ensure our efforts align with emphasis by class of trade.
- Continued support of Cigarette / Tobacco Store format, Package outlet (Convenience Gas) and Carton outlets committed to the category.

# *Continued Commitment to Partnership*

- Dedicated RJR Personnel to serve as Category Advisors for the Distribution Community.
- As **PARTNERS**, continue to aggressively defend the Rights of Adult Smokers and the ability to market Tobacco Products effectively throughout the United States.
- Continue to evaluate and test New Brands (to include New Technology Products) and take to the Marketplace as **PARTNERS**.



# What Are RJR / PARTNERS Program Objectives ?

- Grow RJR Total Share of Market
- Grow RJR Share of Savings Category
- Grow RJR Full Price Share of Market
- Grow CAMEL (excluding Regular) Share of Market
- Grow DORAL Share of Savings

# PARTNERS

## Key Program Comparisons

### July - December 1996

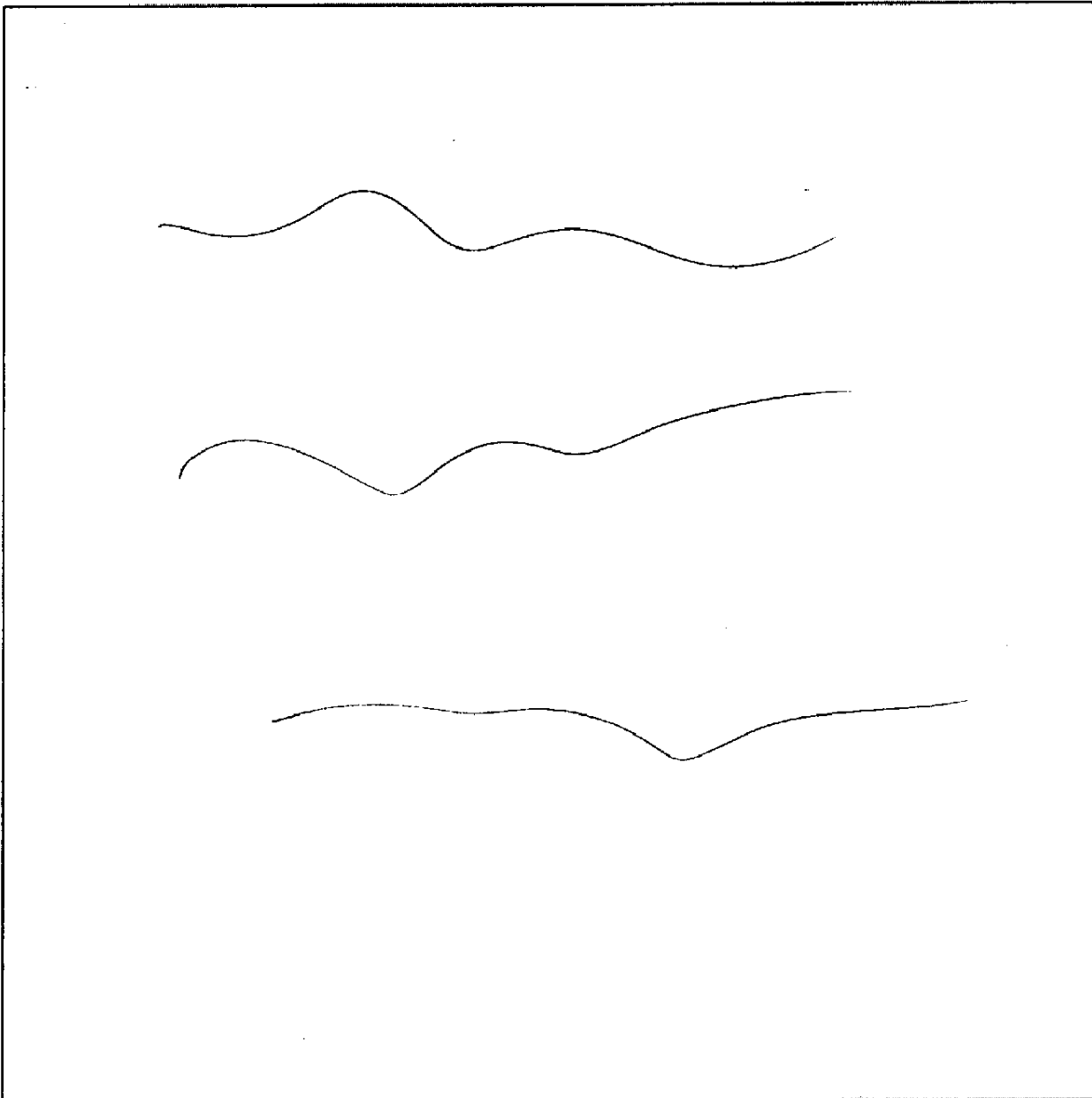
- Only one Plan.
- Program aligned with Company and RJR Regional Objectives.
- \$.44 Maximum Payment on all RJR Volume.
- Has a provision that allows RJR to compete fairly in retail stores owned by the Participating Account.
- Doral Share of Market Performance Objective.
- Base Share Determination:
  - January - March 1996 compared to January - June 1996 . . .
  - Lower of the Two

### January - June 1997

- Two Plans - "A" and "G".
- Program aligned with National Company Objectives which are employee objectives as well.
- \$.32 or \$.34 Maximum Payment on all RJR Volume.
- Has a provision that allows RJR to compete fairly in retail stores owned by the Participating Account.
- Doral Share of Savings Performance Objective.
- Base Share Determination:
  - July - December Program Period Ending Results.

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Tobacco Company

# What Are *Your* Objectives ?

A large rectangular box containing three horizontal wavy lines, intended for a user to write their objectives.



# PARTNERS Structure

## ◆ *Two Payment and Performance Plans:*

- **Plan A**

- Three (3) Program Categories
- Five (5) Opportunities to Earn \$

- **Plan G**

- Three (3) Program Categories
- Five (5) Opportunities to Earn \$

## ◆ *PARTNERS Program Period: December 30 - June 29*



# PARTNERS Payment Plan A - Category I

- **\$.03 Per Carton on All RJR/Forsyth Products sold to your Customers during December 30 - June 29th provided all Requirements are met**
  - **Requirements**
    - Information Provided Weekly via Tape or Disk
    - Information Must Be
      - Account*
      - Brand*
      - Manufacturer*
      - Promotional SKU*
- } Specific
- Payment will be made during the Program at two (2) intervals for Sales Information submitted during the following Time Periods:
  - 1st Quarter, 1997
  - 2th Quarter, 1997

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*Note: If you have questions concerning  
Weekly Sales Information, you should  
contact the Partners Help Desk at  
1-800-230-9372.*

# **PARTNERS Payment (Cont'd)**

## **Plan A - Category II**

- **\$0.08 Per Carton on All RJR/Forsyth Products sold to your Customers during December 30 - June 29th provided all Requirements are met.**
- **Requirements**
  - **Promotion** - Efficient / Effective Shipment of Designated RJR Premiums / Promotions during specified time frame as communicated by your RJR Representative
  - **Distribution** - Accept All New RJR Brand Styles during the Introductory Period and Maintain Inventory available for sale to Customers in designated Geographical Areas for a minimum of six months. Assist in communicating the availability of New Products to Retail.
  - **Returned Goods** - Accept Damaged and/or Out-Dated RJR Products from your Customers and RJR Sales Personnel for return to Winston-Salem
  - **Share of Market** - RJR Total Share of Market *or* RJR Share of Savings Category change from base must be equal to or greater than RJR National Objective.
    - RJR Total Share of Market Objective: TBD
    - RJR Share of Savings Objective: TBD

  
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# **PARTNERS Payment (Cont'd)**

## **Plan A - Category III**

**There are Three (3) Separate Opportunity Areas for Earning Dollars on ALL RJR/Forsyth Cartons Sold to your Customers (January - June):**

- RJR Full Price Share of Market
- CAMEL (Excluding Regular) Share of Market
- DORAL Share of Savings

The results achieved in each of the opportunity areas during the program period will determine your per carton rate payment. The payment for each opportunity area will be made on all RJR volume. For example, if you achieve the maximum result for each opportunity area, you would receive a Category III payment of \$.21 per carton on all of your RJR volume.

FULL PRICE		CAMEL EX REGULAR		DORAL	
SOM Results	Cents per Carton	SOM Results	Cents per Carton	SOS Results	Cents per Carton
TBD	0¢	TBD	0¢	TBD	0¢
National Objective TBD	1¢	National Objective TBD	1¢	National Objective TBD	1¢
TBD	2¢	TBD	2¢	TBD	2¢
TBD	3¢	TBD	3¢	TBD	3¢
TBD	8¢	TBD	4¢	TBD	4¢
TBD	12¢	TBD	5¢	TBD	4¢

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# **PARTNERS Payment (Cont'd)**

## **Plan A - Category II and III**

- **Retail Presence Volume Disqualification**
  - Eliminate payment on percent of volume shipped to retail stores owned, operated or affiliated with participating account if the following requirement is **not** met:
    - RJR must be on a Retail Marketing Plan as requested.



# PARTNERS Payment Plan G- Category I

Same As "A"

- **\$.03 Per Carton on All RJR/Forsyth Products sold to your Customers during December 30 - June 29th provided all Requirements are met**
  - **Requirements**
    - Information Provided Weekly via Tape or Disk
    - Information Must Be
      - Account*
      - Brand*
      - Manufacturer*
      - Promotional SKU*
- } Specific
- Payment will be made during the Program at two (2) intervals for Sales Information submitted during the following Time Periods:
    - 1st Quarter, 1997
    - 2th Quarter, 1997

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*Note: If you have questions concerning Weekly Sales Information, you should contact the Partners Help Desk at 1-800-230-9372.*

# **PARTNERS Payment (Cont'd)**

## **Plan G- Category II**

- **\$.10 Per Carton on All RJR/Forsyth Products sold to your Customers during December 30 - June 29th provided all Requirements are met.**
- **Requirements**
  - Promotion - Efficient / Effective Shipment of Designated RJR Premiums / Promotions during specified time frame as communicated by your RJR Representative.
  - Distribution - Accept All New RJR Brand Styles during the Introductory Period and Maintain Inventory available for sale to Customers in designated Geographical Areas for a minimum of six months. Assist in communicating the availability of New Products to Retail.
  - Returned Goods - Accept Damaged and/or Out-Dated RJR Products from your Customers and RJR Sales Personnel for return to Winston-Salem.
  - \* • Share of Savings can decline no more than 2.0 from your base.
  - \* • Make Joint Presentations to retailers with RJR as requested, to assist RJR in selling an industry approach.
  - \* • Make Joint Presentations to retailers with RJR as requested, to gain a RJR Third Tier Brand.
  - \* • If applicable, any of your owned / operated or affiliated retail stores must participate in a RJR Retail Marketing Plan agreement at Level 2 or 3.

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# PARTNERS Payment (Cont'd)

## Plan G- Category III

Same as "A" 21¢

There are Three (3) Separate Opportunity Areas for Earning Dollars on ALL RJR/Forsyth Cartons Sold to your Customers (January - June):

- RJR Full Price Share of Market
- CAMEL (Excluding Regular) Share of Market
- DORAL Share of Savings

The results achieved in each of the opportunity areas during the program period will determine your per carton rate payment. The payment for each opportunity area will be made on all RJR volume. For example, if you achieve the maximum result for each opportunity area, you would receive a Category III payment of \$.21 per carton on all of your RJR volume.

FULL PRICE		CAMEL EX REGULAR		DORAL	
SOM Results	Cents per Carton	SOM Results	Cents per Carton	SOS Results	Cents per Carton
TBD	0¢	TBD	0¢	TBD	0¢
National Objective TBD	1¢	National Objective TBD	1¢	National Objective TBD	1¢
TBD	2¢	TBD	2¢	TBD	2¢
TBD	3¢	TBD	3¢	TBD	3¢
TBD	8¢	TBD	4¢	TBD	4¢
TBD	12¢	TBD	5¢	TBD	4¢

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# Plan A and G

## Base SOM/SOS Determination

### Current Partners Plan A Customers

*(Partners Participants: July, 1996 - December, 1996)*

The PARTNERS (January - June) Base SOM/SOS will be your July - December 1996 program ending results for the following:

- Total RJR SOM
- RJR Share of Savings
- RJR Full Price SOM
- CAMEL Brand Family (ex. Reg) SOM
- DORAL Brand Family SOS

### New Plan A and G Customers *(No prior Partners participation)*

- The Base SOM/SOS will be determined from your Weekly Sales Data (January - February)

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# Plan A Payment Example

Account Name:

Account # :

**Payment**

<b>Category I</b>		<b>Sales Information</b>		\$ .03
<b>Category II</b>		<b>Meet Performance Requirements (Y/N)</b>		
	<b>Base SOM</b>	<b>National Share Objective</b>	<b>Achieved SOM</b>	<b>Results (+/-)</b>
Tot RJR SOM		TBD	0.0	
Tot RJR SOS		TBD	0.0	
<b>Category II</b>		\$ .00		
<b>Category III</b>				
	<b>Base</b>	<b>Achieved</b>	<b>Results (+/-)</b>	
RJR Full Price		0.0		
Camel Ex Reg		0.0		
DORAL		0.0		
		<b>Total RJR Per Carton Payment</b>		
		\$ .03		

FULL PRICE		CAMEL EX REGULAR		DORAL	
SOM Results	Cents per Carton	SOM Results	Cents per Carton	SOS Results	Cents per Carton
TBD	0¢	TBD	0¢	TBD	0¢
National Objective TBD	1¢	National Objective TBD	1¢	National Objective TBD	1¢
TBD	2¢	TBD	2¢	TBD	2¢
TBD	3¢	TBD	3¢	TBD	3¢
TBD	8¢	TBD	4¢	TBD	4¢
TBD	12¢	TBD	5¢	TBD	4¢

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# Plan G Payment Example

Account Name: \_\_\_\_\_

Account # : \_\_\_\_\_

**Payment**

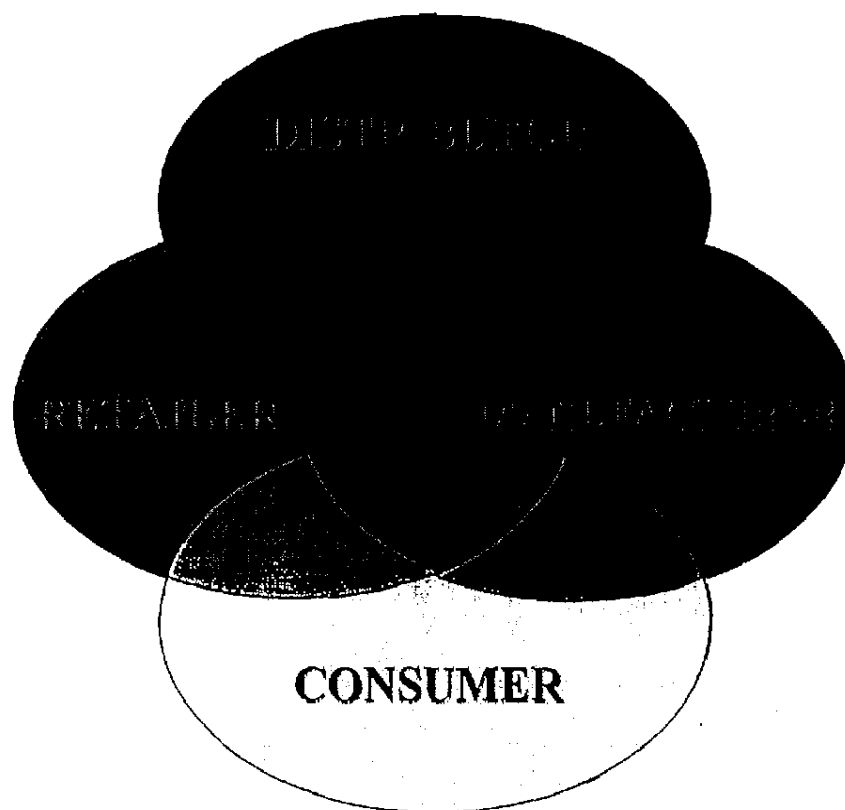
Category I		Sales Information		\$ .03
Category II		Meet Performance Requirements (Y/N)		
	<b>Base SOM</b>	<b>National Share Objective</b>	<b>Achieved SOM</b>	<b>Results (+/-)</b>
Tot RJR SOS		TBD	0.0	
Category II				\$ .00
Category III				
	<b>Base</b>	<b>Achieved</b>	<b>Results (+/-)</b>	
RJR Full Price		0.0		
Camel Ex Reg		0.0		
DORAL		0.0		
		Total RJR Per Carton Payment		\$ .03

FULL PRICE		CAMEL EX REGULAR		DORAL	
SOM Results	Cents per Carton	SOM Results	Cents per Carton	SOS Results	Cents per Carton
TBD	0¢	TBD	0¢	TBD	0¢
National Objective TBD	1¢	National Objective TBD	1¢	National Objective TBD	1¢
TBD	2¢	TBD	2¢	TBD	2¢
TBD	3¢	TBD	3¢	TBD	3¢
TBD	8¢	TBD	4¢	TBD	4¢
TBD	12¢	TBD	5¢	TBD	4¢

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# PARTNERS Summary

- Add Significant Profitability to RJR Full Price Brands as well as All Other RJR / Forsyth Brands
- Financially Rewarding to Your Business
- Success for YOU, Your Customers, Consumers and RJR



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# PARTNERS

## Rules and Procedures

Program Period:  
January - June, 1997

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# 1997 PARTNERS Program

## Rules and Procedures

- ◆ All Direct buying customers of R.J. Reynolds Tobacco Company (RJR) have the opportunity to participate in the PARTNERS Program.
- ◆ Customer participation, performance, and eligibility will be determined and measured by each RJR ship-to location during a Program Period. A Program Period will be six consecutive months, or other periods, designated by RJR.
- ◆ To participate in the PARTNERS Program, the customer must be enrolled for each ship-to location at the beginning of a Program Period and provide RJR with information it deems necessary to make initial Share-of-Market (SOM) and inventory determinations. A ship-to location may not enroll in the PARTNERS Program after a Program period has begun.
- ◆ PARTNERS Program payments will be made to eligible customer ship-to locations that provide information to RJR as required by the Sales Information Reporting requirements / instructions and achieve certain RJR performance criteria and SOM results during a Program Period. The Payment amount will vary depending on the number of RJR cartons sold to retail, and the amount of change in RJR SOM.
- ◆ PARTNERS Program Plan A participants will not be paid in Category II or III on the percent of volume shipped to retail stores owned / operated or affiliated with participating account if the following requirement is not met:
  - RJR must be on a Retail Marketing Plan as requested.
- ◆ During the last month of each PARTNERS Program Performance period, any volume exceeding 120% of the previous five months average will be excluded from the share calculation process. This applies to each category in the PARTNERS Program (Full Price, Camel, Doral, Total RJR and Share of Savings).

# 1997 PARTNERS Program

## Rules and Procedures (cont'd)

- ◆ The amount of PARTNERS Program payments for an eligible ship-to location will be calculated by multiplying (1) the reported number of cartons sold by customer ship-to location to retail during the Program Period (or such shorter interval designated by RJR), times (2) the appropriate per carton payment rates from the Program payment schedules. The maximum number of cartons on which payments can be earned is 105% of direct purchases from RJR during a Program Period or other designated payment interval.
- ◆ At the beginning of a Program Period, RJR will determine for each participating ship-to location a Base SOM for RJR brands. At the close of a Program Period, RJR will also determine the SOM for RJR brands achieved by the ship-to location during the Program Period. This determination will be made from customer information provided under the Sales Information Reporting Plan. The appropriate per carton payment rate from the Program payment schedule is determined by the comparison of the Base SOM with the SOM achieved during the Program Period.
- ◆ SOM determinations are based upon bona fide unit sales (cartons) to retail and other stamped products required to be reported by a ship-to location. SOM will be calculated to one decimal place (e.g., 31.2). Rounding will not be utilized (e.g.,  $31.2769 = 31.2$ ).
- ◆ After a Program Period begins, no adjustments will be made in SOM determinations or Program payment schedules because of changes or shifts in the customer base serviced by a ship-to location. For example, if a retail chain purchases from Distributor A but then becomes a direct purchaser of cigarettes from manufacturers or shifts its business to Distributor B, no adjustment will be made in the SOM determinations or Program payment schedules for Distributor A or Distributor B.

# 1997 PARTNERS Program

## Rules and Procedures (cont'd)

- ◆ If feasible, RJR will make such equitable adjustments as it deems appropriate in SOM determinations, carton sales, and Program payment schedules when there is a consolidation of participating ship-to locations which are under common ownership during a Program Period. Any plans to consolidate participating locations should be coordinated with RJR as early as possible.
- ◆ To be eligible for a PARTNERS Program Payment, a participating ship-to location must, throughout the Program Period, remain actively engaged in the cigarette distribution business and a direct purchasing customer of RJR.
- ◆ All cigarette brands distributed by RJR, including brands of Forsyth Tobacco Products and RJR Macdonald, are included in payment calculations and SOM determinations. RJR will designate which of its brands are considered full price and savings for purposes of the PARTNERS Program.
- ◆ Sales Information Reports which are untimely, contain incorrect or incomplete information, are in improper format / form or otherwise do not comply with Plan requirements may cause the ship-to location to be removed from the PARTNERS Program and lose its eligibility for any program payment.
- ◆ Sales Information Reporting Requirements:
  - ① All products purchased by the customer or any affiliates, including its subsidiaries and its parent company, and sold to retail customers must be included in the customer's sales information reporting.
  - ② All products for which the customer provides tax stamping services to third parties must be included in Sales Information reporting even though the product may not be purchased by the customer.
  - ③ Any product purchased by retail stores or other outlets owned and operated by the customer or any affiliates must be included in the

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# 1997 PARTNERS Program

## Rules and Procedures (cont'd)

customer's sales information reporting when in RJR's judgment these purchases are skewed to selected brands resulting in distorted "sales to retail" S.O.M. calculations.

- ④ Any products purchased by the customer or any affiliates that are sold to other direct buying customers of any cigarette manufacturer must be included in the PARTNERS Program sales information reporting by the selling customer.
  - ⑤ Direct Account must provide a quarterly inventory of all manufacturers brands by specific UPC by Company.
  - ⑥ Comply with detailed reporting instruction documents issued by RJR.
- ◆ Payment will be made by check or credited to customer bank account via E.F.T. as soon as practicable after a Program Period ends and accurate SOM, performance qualification, and RJR carton sales have been determined and verified to the satisfaction of RJR. In instances of ownership changes for participating ship-to locations, RJR will make PARTNERS Program payment only to the owner of record as of the end of the Program Period. Payment will not be prorated. The owner of record is determined from RJR records of direct buying customers.
  - ◆ RJR will have the right to audit, as and when it deems necessary, customer books and records relating to any information provided pursuant to the PARTNERS Program. Customer will be required to provide reasonable cooperation and make available relevant books and records for it and its affiliates. Customer must require that the following records be maintained and preserved for the current and previous two Program Periods:
    - ① Invoices and disbursement records related to the purchase of product from manufacturers and any other source(s) from which product is obtained.
    - ② Inventory records, by manufacturer product code, coinciding with

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# 1997 PARTNERS Program

## Rules and Procedures (cont'd)

the beginning and ending dates of each Program Period.

- ③ Invoices and cash receipt records related to the sale of product to retailers or any other customer(s).
- ④ Computerized records to support the data provided to RJR.
- ⑤ Tax Stamping records.

RJR will also have the right to conduct a physical count of customer cigarette inventory. Customer refusal to permit audit or inventory count as required by RJR will cause customer to lose its eligibility for payment and disqualify customer from further Program participation during the Program Period.

- ◆ Any customer providing false or misleading information, either deliberately or through gross negligence, will lose its eligibility for payment and will be eliminated from participation in the PARTNERS Program for the current and future Program Periods. Such conduct may also cause customer to lose its direct purchaser status.
- ◆ All issues arising from the PARTNERS Program, including interpretation and application of Program requirements and the Rules and Procedures and Determinations of SOM, sales, and inventories, will be resolved by RJR in its sole discretion. The decision of RJR on such matters will be final.
- ◆ No customer is permitted to deduct any part of its PARTNERS Program payment or anticipated payment off invoice.
- ◆ No direct buying customer is eligible for payment under the PARTNERS Program if it or an affiliated company has past-due invoices from RJR or Forsyth Tobacco Products at the end of the Program Period.
- ◆ RJR reserves the right to retain allowances due under the PARTNERS Program as an offset for outstanding invoices from RJR or Forsyth Tobacco Products. RJR also reserves the right to modify or discontinue the PARTNERS Program at any time.

*RJ Reynolds*  
Tobacco Company

CIGARETTE/TOBACCO STORES

51988 7255

## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

### **INTRODUCTION**

**IN 1997, THE CIGARETTE / TOBACCO STORE (CTS) CLASS OF TRADE WILL CONTINUE ITS RAPID GROWTH WITH EXPANSION INTO MARKETPLACES THROUGHOUT THE COUNTRY.**

**ALTHOUGH WE SAW A BIG JUMP IN THE NUMBER OF NEW CTS's OPENED THIS YEAR, THE LEVEL OF INTEREST IN THIS CATEGORY SUGGESTS WE'VE ONLY SEEN THE BEGINNING. CONSIDER THE FOLLOWING FACTS:**

- **TODAY THE CTS's ARE PREYING ON VULNERABLE SUPERMARKET VOLUME**
  - **THEY WILL ALSO NEED TO GAIN BUSINESS FROM OTHER OUTLET TYPES TO BE SUCCESSFUL.**
- **CTS OPERATORS ARE BETTING THAT LEGISLATION WILL DRIVE "NEW BUSINESS" INTO THEIR "RESTRICTED ACCESS" VENUES.**
- **LEGISLATIVE PRESSURES FROM BOTH LOCAL AND FEDERAL LEVELS ARE FORCING ALL COMMITTED RETAILERS TO CONSIDER CONTINGENCY STRATEGIES.**
- **CANDY AND TOBACCO DISTRIBUTORS WILL EITHER LEAD THEIR KEY CUSTOMERS INTO THE CHANNEL OR OPEN THEIR OWN STORES TO PROTECT THEIR VOLUME  
OR . . . SOME MAY NOT SURVIVE!**

## '97 CIGARETTE / TOBACCO STORE PROGRAM

### INTRODUCTION (cont.)

- **THE STORE-IN-A-STORE CONCEPT WILL EMERGE IN '97 AS AN ALTERNATIVE TO THE FREE STANDING CTS.**
  - THIS CONCEPT IS A RESPONSIVE, LESS EXPENSIVE STRATEGY TO MAINTAIN/BUILD CATEGORY PROFITABILITY.
  - ALLOWS AGGRESSIVE CONVENIENCE STORE OPERATORS TO COMPETITIVELY MARKET THEIR NUMBER ONE CATEGORY (AND OTHER ADULT ORIENTED CATEGORIES) IN A RESTRICTED ACCESS ENVIRONMENT.
  - ALSO PROTECTS VOLUME FROM CIGARETTE / TOBACCO STORE PROLIFERATION.
- **SUPERMARKETS WILL NOT ADDRESS THE LEGISLATIVE ISSUES WITH THE SAME SENSE OF URGENCY AS CONVENIENCE STORES.**
  - HIGHER VOLUME CHAINS WILL CONSIDER STORE-IN-A-STORE AS A MEANS OF PROTECTING SALES, PROFIT AND CUSTOMER SATISFACTION.
- **PM WILL CONTINUE TO DRIVE CTS GROWTH WITH ALL INTERESTED RETAILERS AND WHOLESALERS.**
  - THEIR PLAN DOES NOT INCLUDE RJR!

**WE HAVE AN OPPORTUNITY TO PLAY A SIGNIFICANT LEADERSHIP ROLE AS THESE CONCEPTS EXPAND. OUR ABILITY TO COMMUNICATE RETAIL PROGRAMS AND BRAND MESSAGES TO CONSUMERS EFFECTIVELY, MUST BE PRESERVED.**

## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

### **OBJECTIVE**

EDUCATE ALL WHOLESALE AND RETAIL PARTNERS ON THE VOLUME RISKS ASSOCIATED WITH THE CIGARETTE TOBACCO STORE GROWTH TRENDS. AGGRESSIVELY LEAD AND SUPPORT IDENTIFIED STRATEGIC TRADE PARTNERS AND POTENTIAL NEW TRADE PARTNERS THROUGH THE RAPID GROWTH OF THE TRADE CATEGORY TO ENSURE THAT AN RJR PROGRAM IS MAINTAINED IN 85% OF THE CHANNEL CIV.

### **STRATEGIES**

- PRIORITY #1 - SELL RJR'S CTS PROGRAM AS PART OF A MULTI-PLAYER INDUSTRY APPROACH THAT IS BEST FOR RJR, THE RETAILER, AND THE RETAILER'S CUSTOMERS VS. PM PREMIUM TOBACCO STORE PROGRAM (EXCLUSIVITY) WITH AN EMPHASIS ON A CLEAN ENVIRONMENT.
- TARGET RJR RESOURCES AGAINST SIGNIFICANT MARKETPLACE OPPORTUNITIES:
  - VOLUME (CIV)
  - COMPETITIVE ACTIVITY
  - PRICING
  - CURRENT CIGARETTE / TOBACCO STORE INFLUENCE
- WE MUST UNDERSTAND THE RETAILERS COMMITMENT LEVEL BEFORE PLEDGING RJR RDA, PROMOTIONAL AND FIXTURING RESOURCES.
  - CAUTION SHOULD BE EXERCISED IN HOW MUCH WE INVEST IN A NEW OUTLET UNTIL WE SEE A STRONG LEVEL OF COMMITMENT AND VOLUME POTENTIAL. RDA'S SHOULD BE PAID IN LINE WITH ACTUAL VOLUME VS. EXPECTED VOLUME.

## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

### **STRATEGIES (cont.)**

- **PROVIDE FIELD SALES WITH A SET OF FLEXIBLE AND COMPETITIVE RETAIL PROGRAMS THAT WILL DELIVER TO THE CONTRACTED C.I.V. OBJECTIVE.**
  - **PROGRAM OPTIONS HAVE BEEN EXPANDED TO FOUR (4) DIFFERENT CONTRACT TYPES**
  - **VOLUME CATEGORIES HAVE BEEN EXPANDED**
  - **EXTERIOR SIGNAGE PROGRAM (LAST YEARS LEVEL 1 - DRIVE-THRU CONTRACT)**
  - **LEVEL 2 CONTRACT NON-ENHANCED. CHANGES TO VOLUME AND PRESENCE REQUIREMENTS.**
  - **LEVEL 2 CONTRACT ENHANCED. CHANGES TO DRIVE CLEAN STORE FORMAT AND PRICE CATEGORY ZONING.**
  - **LEVEL 3 CONTRACT. SETS UP A TWO MANUFACTURER PRESENCE SITUATION.**
- **EXECUTE BOTH THE STRATEGY AND THE BUDGET FROM THE FIELD!**

## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

### **STRATEGY**

**PRIORITY #1 - WE MUST SELL RJR'S CIGARETTE / TOBACCO STORE PROGRAMS AS PART OF A MULTI-PLAYER INDUSTRY APPROACH THAT IS BEST FOR RJR, THE RETAILER, AND THE RETAILER'S CUSTOMERS VS. PM PREMIUM TOBACCO STORE PROGRAM (EXCLUSIVITY). IN '97 WE EXPECT PHILIP MORRIS TO PLACE AN EVEN GREATER EMPHASIS ON SELLING THEIR EXCLUSIVE PREMIUM TOBACCO STORE PROGRAM THEN EVER BEFORE.**

- THE CATEGORY ADVISOR MUST EDUCATE KEY RETAILERS ON HOW TO MOVE FORWARD INTO THIS CLASS OF TRADE.**
- KEEPING OUR CUSTOMERS APPRISED OF FDA AND LOCAL LEGISLATIVE ACTIVITY THAT WILL IMPACT THEIR BUSINESSES, IS CRITICAL.**
- OUR CIGARETTE / TOBACCO STORE PROGRAM RECOMMENDATIONS MUST HAVE FLEXIBILITY TO ALLOW RETAILERS OPTIONS IN CHOOSING WHICH INDUSTRY PLAYERS TO CONTRACT. AN RDA PREMIUM WILL BE PAID TO INCENT A CLEAN, UNCLUTTERED, SMOKER FRIENDLY RETAIL ENVIRONMENT.**



## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

### **STRATEGY (cont.)**

- **KNOWLEDGE OF COMPETITIVE PROGRAMS IS KEY. UPDATES WILL BE PROVIDED THROUGH THE RETAIL CONTRACT REFERENCE SCREEN.**

#### **COMPETITIVE TOPLINE:**

- **BAT HAS INTRODUCED A SOLID CIGARETTE / TOBACCO STORE SPECIFIC CONTRACT.**
  - **DESIGNED TO FIT WITH INDUSTRY SET.**
  - **REASONABLE REQUIREMENTS.**
  - **COMPETITIVE RDA RATES.**
- **PM WILL GENERALLY CONTRACT AT MPL 1 IN AN INDUSTRY SET ONLY AFTER THEIR EXCLUSIVE OFFER HAS BEEN REFUSED.**
  - **REQUIREMENTS ARE VERY DEMANDING.**
  - **RDA IS WEAK AT MPL 1 WHEN COMPARED TO THEIR REQUIREMENTS.**
  - **RETAILERS OFTEN RELUCTANTLY CONTRACT WITH PM, THEIR OPTIONS HAVE BEEN LIMITED.**
  - **PM'S MPL 2 REQUIREMENTS BORDER ON EXCLUSIVITY; COEXISTENCE WITH RJR IS DIFFICULT BECAUSE OF EXCLUSIVE PROMOTIONAL DISPLAY REQUIREMENTS.**
- **WHEN RETAILERS OPT NOT TO CONTRACT WITH PM - WE MUST "SEIZE THE OPPORTUNITY" TO LOCK-IN A GREATER PERCENTAGE OF SPACE AND ADVERTISING PRESENCE.**

## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

### **STRATEGY**

- **TARGET RJR RESOURCES AGAINST SIGNIFICANT MARKETPLACE OPPORTUNITIES:**
  - **VOLUME (CIV)**
  - **COMPETITIVE ACTIVITY**
  - **PRICING**
  - **CURRENT CIGARETTE / TOBACCO STORE INFLUENCE**
- **IN ADDITION TO LOCATIONS THAT HAVE BEEN IDENTIFIED BY RETAILERS, REGION BUSINESS MANAGERS CAN HELP IDENTIFY MARKETS WHERE GROWTH CAN BE BENEFICIAL TO BOTH THE RETAILER AND RJR AS WELL.**
  - **UNDERDEVELOPED CIGARETTE / TOBACCO STORE MARKETPLACE**
  - **AND/OR AREAS THAT CURRENTLY HAVE A HIGH CIV PERCENTAGE OF PM EXCLUSIVITY**

## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

### **STRATEGY (cont.)**

- **RETAILERS AND WHOLESALERS WILL BE MAKING AN AGGRESSIVE MOVE INTO THIS RELATIVELY NEW RETAIL FORMAT AND THEY'LL BE LOOKING TO PARTNER WITH THE CATEGORY ADVISOR THAT CAN PROVIDE BOTH KNOWLEDGE AND RESOURCES TO BUILD THEIR BUSINESS, LET'S MAKE SURE IT'S WIN, WIN !**
- **UNDERSTAND THE LEVEL OF RETAILER COMMITMENT BEFORE PLEDGING RJR RDA, PROMOTIONAL AND FIXTURING RESOURCES.**
  - **WE MUST PARTNER WITH THE RETAILER THAT IS COMMITTED TO THE CATEGORY FOR THE LONG TERM AND IS WILLING TO MAKE THE INVESTMENTS IN THEIR BUSINESSES ACCORDINGLY.**
  - **STORE-IN-A-STORE RECONFIGURATION OR OPENING FREE STANDING CIGARETTE / TOBACCO STORES BOTH REQUIRE AN INVESTMENT COMMITMENT BY THE RETAILER.**
  - **LESS COMMITTED CONVENIENCE STORE RETAILERS WILL ATTEMPT TO FEND OFF THE C/T STORE GROWTH BY SIMPLY GETTING INTO CARTON SALES.**
  - **ALTHOUGH THIS ACTION IS A PROACTIVE ATTEMPT TO PROTECT THE RETAILERS BUSINESS IT DOES NOT DEAL WITH LONGER TERM ISSUES OF RESTRICTED ACCESS.**
  - **RJR SHOULD NOT BE WILLING TO PROVIDE FIXTURING RESOURCES TO PACK OUTLETS THAT SIMPLY WANT TO SELL CARTONS.**
  - **TO BETTER UNDERSTAND THE COMMITMENT LEVEL OF THE RETAILER YOU SHOULD ALWAYS USE THE DISCOVERY PROCESS QUESTIONNAIRE.**

## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

### **STRATEGY**

- **CIGARETTE / TOBACCO STORE CONTRACT OPTIONS FOR 1997 MUST PROVIDE FLEXIBILITY TO COMPETE WITH COMPETITIVE PROGRAMS AND PROVIDE RJR THE OPPORTUNITY OF GAINING ADDITIONAL PRESENCE.**
  - **TWO NEW ENTRY RJR VOLUME BUCKETS FOR '97 WILL BE AVAILABLE FOR ALL (4) CONTRACT PROGRAMS:**
    - **80-99**
    - **100-140**
  - **BENEFITS OF THE NEW ENTRY LEVELS RANGES:**
    - **CONTRACT NEW LOCATIONS AT A LOWER, MORE REALISTIC VOLUME RANGE VS. GOING TO THE FORMER ENTRY POINT (141 RJR CARTONS PER WEEK) FOR NEW OUTLETS.**
    - **COMPETITIVE WITH OTHER INDUSTRY STRUCTURES.**
    - **ALLOWS LEGITIMATE RATES FOR LOW RJR SHARE MARKETS.**
    - **CTS PROLIFERATION WILL HAVE AN IMPACT ON WEEKLY RJR VOLUME.**

## '97 CIGARETTE / TOBACCO STORE PROGRAM

### STRATEGY (cont.)

- RETAIL ACCRUAL RATES HAVE BEEN EXTENDED OUT SEVEN ADDITIONAL (7) LEVELS FOR LEVEL 2 ENHANCED AND LEVEL 3 ONLY.
  - STRENGTHENS OUR "BUNDLE" OF DEDICATED RESOURCES AGAINST PM FLEX FUNDS.
  - SIGNIFICANT DEFENSE DOLLARS ARE BEING SPENT IN THIS CLASS OF TRADE TODAY.
  - NEW LEVELS COVER UP TO 3000 RJR CARTONS PER WEEK
  - RDA CAPS REMAIN THE SAME AS THE '96 PROGRAM,
  - THIS CHANGE WAS ADDED TO STRENGTHEN THE OVERALL BUNDLE OF DEDICATED RESOURCES IN THE HIGHER VOLUME OUTLETS WHERE PM'S EXCLUSIVE OFFER BEGINS TO DISTANCE THE INDUSTRY AND RJR ACHIEVES PREFERRED PRESENCE MERCHANDISING SITUATION (I.E., LEVEL 3 OR LEVEL 2 ENHANCED).

RJR VOL. RANGE	LEVEL 1 RETAIL ACCRUAL	LEVEL 2 RETAIL ACCRUAL	LEVEL 3 RETAIL ACCRUAL
1057-1300	\$514	\$1,030	\$1,286
1301-1500	\$606	\$1,213	\$1,516
1501-1700	\$693	\$1,386	\$1,733
1701-1900	\$780	\$1,59	\$1,949
1901-2100	\$866	\$1,732	\$2,166
2101-2350	\$964	\$1,927	\$2,409
2351-2600	\$1,072	\$2,144	\$2,680
2601-3000	\$1,213	\$2,425	\$3,032

## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

### **1997 PRESENCE CONTRACTS:**

- **CIGARETTE / TOBACCO STORE EXTERIOR SIGNAGE PROGRAM**

- LAST YEARS THE LEVEL 1 CIGARETTE OUTLET CONTRACT WAS INTRODUCED TO SECURE HIGH IMPACT SIGNAGE FOR DRIVE-THRU LOCATIONS THAT DID NOT ALLOW WALK-IN TRAFFIC.
- THIS YEAR THAT SAME PROGRAM WILL BE AVAILABLE BUT RENAMED TO ELIMINATE CONFUSION WITH OUR SELF-SERVICE CTS CONTRACT LEVELS.
- THE EXTERIOR SIGNAGE PROGRAM IS NOT TO BE USED AS AN OVERLAY TO ANY OTHER CONTRACT.
- LEVEL 1 CONTRACTS SIGNED IN '96 WILL NOT NEED TO BE RESIGNED.
- AS IN '96 RETAILERS SIGNED TO THIS CONTRACT WILL BE ELIGIBLE FOR THE RETAIL ACCRUAL PROGRAM.

## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

- **CTS LEVEL 2 NON-ENHANCED**

- **BASIC REQUIREMENTS REMAIN THE SAME. THE '97 CONTRACT REQUIREMENT LANGUAGE HAS BEEN STRENGTHENED TO LOCK-IN PERMANENCE WITH EACH REQUIREMENT.**
  - **FULL PRICE CARTON MERCHANDISER(S) FOR RJR FULL PRICE CARTONS IN A PRIMARY POSITION WITHIN THE STORE WHERE ALL FULL PRICE BRANDS ARE MERCHANDISED OR AS DETERMINED BY RJR.**
  - **PERMANENT RJR FULL PRICE PROMOTIONAL DISPLAY IN PRIMARY POSITION.**
  - **CARTON MERCHANDISER(S) FOR RJR SAVINGS BRANDS IN A PRIMARY SAVINGS BRAND POSITION WITHIN THE STORE WHERE SAVINGS BRANDS ARE MERCHANDISED OR AS DETERMINED BY RJR.**
  - **PERMANENT RJR SAVINGS BRAND PROMOTIONAL DISPLAY IN A PRIMARY POSITION.**
  - **PARITY REPRESENTATION FOR RJR DISPLAYS AT REGISTER (SELLING AREA), FULL PRICE AND SAVINGS BRANDS.**
  - **EXTERIOR "HIGH IMPACT" SIGNAGE IN A PRIMARY POSITION.**
- **PERMANENT FIXTURING AND PERMANENTLY AFFIXED SIGNAGE WILL BE CRITICAL IN AN FDA REGULATED ENVIRONMENT.**
- **WE SHOULD ATTEMPT TO RESIGN CURRENT LEVEL 2 CONTRACTED RETAILERS TO SECURE THESE ELEMENTS.**
  - **TEMPORARY DISPLAYS MAY SATISFY OUR REQUIREMENTS IF TEMPORARY UNITS ARE BEING USED ON AN ONGOING BASIS. RJR MUST CLAIM PERMANENT PROMOTIONAL SPACE, REGARDLESS OF WHETHER PERMANENT OR TEMPORARY VEHICLES ARE UTILIZED.**
- **CONTRACT PAYMENT GRIDS REMAIN CAPPED AT \$1000.**
- **USE THE LEVEL 2 NON-ENHANCED CONTRACT WHEN THE INDUSTRY IS REPRESENTED AMID OTHER CATEGORIES IN A HIGHLY CLUTTERED, UNORGANIZED SETTING.**

## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

- **CTS LEVEL 2 ENHANCED**

- **ENHANCEMENT DOLLARS (\$1 - \$200) ARE AVAILABLE TO LEVEL 2 CONTRACT PROVIDED THE FOLLOWING REQUIREMENTS ARE MET:**
  - **FULL PRICE / BRANDED SAVINGS / ALL OTHER SAVINGS "ZONING"**
    - **FULL PRICE STANDARD PRODUCT MERCHANDISED IN "FRONT OF STORE" EQUAL TO FULL PRICE % BUSINESS.**
    - **BRANDED SAVINGS STANDARD PRODUCT LOCATED IN SECONDARY POSITION IN THE STORE EQUAL TO THE % OF BUSINESS IN BRANDED SAVINGS CATEGORY.**
    - **ALL OTHER SAVINGS BRANDS IN LEAST FOCAL POSITION IN THE STORE NOT TO EXCEED THE % OF BUSINESS IN "ALL OTHER" SAVINGS CATEGORY.**
  - **ALL PROMOTIONAL DISPLAYS ARE LOCATED WITHIN THE APPROPRIATE PRICE TIER SECTIONS OF THE STORE. NO COMPETITIVE PROMOTIONAL DISPLAYS MAY OBSTRUCT RJR'S PERMANENT MERCHANDISING SECTIONS.**
  - **RJR'S PERCENTAGE OF TEMPORARY DISPLAYS IS NO LESS THAN RJR SOM IN EACH ZONE.**
  - **RJR'S PERMANENT AND TEMPORARY ADVERTISING IS NO LESS THAN RJR SOM.**
  - **ALL ADVERTISING IS CONFINED TO RESPECTIVE ZONED AREA**
    - **FULL PRICE ADVERTISING TO FULL PRICE ZONE**
    - **BRANDED SAVINGS ADVERTISING TO BRANDED SAVINGS ZONE**
    - **ALL OTHER SAVINGS ADVERTISING TO ALL OTHER SAVINGS ZONE**



## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

### **CTS LEVEL 3 (NEW CONTRACT LEVEL)**

- **LEVEL 3 HAS BEEN DEVELOPED FOR SITUATIONS WHERE THE RETAILER CHOOSES TO PARTICIPATE IN PRESENCE PROGRAMS FROM TWO OR LESS MANUFACTURERS. THE SAME REQUIREMENTS AS LEVEL 2 ENHANCED CONTRACTS APPLY WITH THE ADDITION OF:**
  - **PROVIDING RJR HAS AN OPPORTUNITY TO GAIN 50% OF AVAILABLE PERMANENT ADVERTISING OR RJR'S % OF TOTAL INDUSTRY RETAIL DISPLAY ALLOWANCES (RDA'S) . . . . WHICHEVER IS GREATER.**
  - **TEMPORARY ADVERTISING IS PROHIBITED WITH THE EXCEPTION OF PROMOTIONAL ADVERTISING COPY ON TEMPORARY PROMOTIONAL DISPLAYS.**
- **WHEN THE RETAILER OPTS NOT TO CONTRACT WITH THE INDUSTRY, WE SHOULD MAKE EVERY EFFORT TO STRENGTHEN OUR PERMANENT PRESENCE.**
- **THE LEVEL 3 RATES ARE COMPRISED OF A COMBINATION OF LEVEL 2 AND A PERCENTAGE OF THE SIGNAGE COMPONENT RATES PROVIDING THE FIELD WITH A VERY COMPETITIVE PROGRAM OPTION WHEN ONLY (2) MANUFACTURERS ARE CONTRACTING FOR PRESENCE.**
- **THE ENHANCEMENT DOLLARS OF \$1 - \$200 ARE AVAILABLE FOR LEVEL 3 PARTICIPANTS.**

## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

### **INCREMENTAL PRESENCE COMPONENTS**

- **HIGH IMPACT PROGRAM UPGRADES DESIGNED TO INCREASE BRAND AWARENESS WILL BE INTRODUCED DURING '97 . THESE CIGARETTE / TOBACCO STORE SPECIFIC FEATURE DISPLAY, SIGNAGE AND BRAND AWARENESS VEHICLES, WILL BE MADE AVAILABLE TO RETAIL OUTLETS THAT QUALIFY FOR LEVEL 2 ENHANCED OR LEVEL 3 CONTRACTS.**
  - **THIS ENVIRONMENT GIVES OUR PROGRAMS THE BEST CHANCE OF COMMUNICATING BRAND MESSAGES AND INTERACTING WITH THE CONSUMER VS. THE CLUTTERED CIGARETTE OUTLET THAT RETAILS A WIDE VARIETY OF CATEGORIES**
- **EXAMPLES OF THESE PROGRAM UPGRADES INCLUDE;**
  - **WATERFALL CARTON MERCHANDISING TO FEATURE WINSTON, CAMEL AND/OR DORAL**
  - **HIGH IMPACT SIGNAGE**
  - **MOTORSPORTS TRADITIONS SECTION & DIRECT ORDER STATUS**
  - **BRAND CONTINUITY PACKAGE**
- **SINCE THIRD PARTY INSTALLATION IS GENERALLY REQUIRED FOR MOST HIGH IMPACT ITEMS AND RJR EXPERIENCES A HIGHER THAN NORMAL PROGRAM COST, A THREE YEAR COMMITMENT WILL BE REQUIRED FROM THE RETAILER PRIOR TO PROGRAM IMPLEMENTATION. RETAILER'S COMMITMENT WILL BE DOCUMENTED VIA A CONTRACT ADDENDUM.**

## **'97 CIGARETTE / TOBACCO STORE PROGRAM**

### **STRATEGY**

- **EXECUTE BOTH THE STRATEGY AND THE BUDGET FROM THE FIELD.**
  - **BUDGETS FOR BOTH CONTRACTS AND FIXTURING AND CTS HIGH IMPACT ITEMS WILL BE ESTABLISHED ON A SALES AREA BASIS.**
    - **THIS DECISION SHOULD NOT CHANGE THE WAY WE PURSUE BUSINESS OPPORTUNITIES AS LONG AS THERE IS A CLEAR UNDERSTANDING OF THE STRATEGIES AND GUIDELINES.**
    - **THE GROWTH OF THIS SEGMENT COULD PUT AN UNREALISTIC STRAIN ON OUR BUDGETS IF GOOD RESOURCE MANAGEMENT PRACTICES ARE NOT ADHERED TO.**

## '97 CIGARETTE / TOBACCO STORE RESOURCE OPTIONS

EXTERIOR SIGNAGE PROGRAM	LEVEL 2	LEVEL 2 ENHANCED LEVEL 3
<ul style="list-style-type: none"> <li>• HIGH IMPACT EXTERIOR SIGNAGE PIECES                             <ul style="list-style-type: none"> <li>- AWNING</li> <li>- MARQUEE</li> <li>- TRAILER SIGN</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• HIGH IMPACT EXTERIOR SIGNAGE PIECES</li> <li>• STANDARD INTERIOR PDI</li> <li>• PACKAGE MERCHANDISER(S)</li>   <li>• CARTON MERCH. FOR RJR BRANDS</li> <li>• PROMOTIONAL PLATFORM(S)                             <ul style="list-style-type: none"> <li>- TEMPORARY AND PERMANENT</li> </ul> </li>   <li>• PERMANENT COUNTER DISPLAYS</li> </ul>	<p>ALL LEVEL 2 ELEMENTS PLUS:</p> <ul style="list-style-type: none"> <li>• HIGH IMPACT INTERIOR SIGNAGE</li>   <li>• WATERFALL CARTON MERCHANDISER(S)</li>   <li>• BRAND CONTINUITY PROGRAMS (TO BE ANNOUNCED)</li>   <li>• MOTORSPORTS TRADITIONS NASCAR PROGRAM</li> </ul>

## **'97 CIGARETTE / TOBACCO STORE RESOURCE OPTIONS**

### **SELLING STRATEGY / IMPLEMENTATION STRATEGY**

- **RETAILERS WILL BE LOOKING FOR LEADERSHIP AS THEY CONSIDER HOW TO RESPOND TO THIS TRADE CLASS. WE NEED TO PROVIDE LEADERSHIP!**
- **THE FOLLOWING STEPS MUST BE TAKEN WITH CURRENT RETAIL AND WHOLESALE PARTNERS:**
  - A) WE MUST EDUCATE ALL OUR WHOLESALE AND RETAIL PARTNERS ON THE POTENTIAL VOLUME RISKS ASSOCIATED WITH THE SIGNIFICANT GROWTH OF CIGARETTE STORES USING THE MATERIALS PROVIDED IN THE RETAIL TOOLS SECTION.**
  - B) AFTER HAVING A FULL UNDERSTANDING OF WHERE OUR MARKETPLACE NEEDS ARE THROUGH THE CIV ANALYSIS AND C.O. INDEX ANALYSIS WE MUST:**
    - **OUTLINE IN PRIORITY ORDER WHICH WHOLESALE OR RETAIL PARTNERS WE ARE GOING TO "LEAD AND SUPPORT" VERSUS WHO WE ARE GOING TO "COUNSEL" ONLY.**
  - C) OUR PRIORITY ORDER FOR THOSE PARTNERS WE WILL "LEAD AND SUPPORT" IS AS FOLLOWS:**
    - 1. KEY WHO KEY RETAIL PARTNERS THAT ARE SIGNIFICANT TODAY AND WILL BE SIGNIFICANT PLAYERS IN THE FUTURE THAT CURRENTLY DO BUSINESS IN OUR IDENTIFIED MARKETPLACE NEEDS AREAS.**

## **'97 CIGARETTE / TOBACCO STORE RESOURCE OPTIONS**

### **SELLING STRATEGY / IMPLEMENTATION STRATEGY (CONT.)**

- 2. KEY WHOLESALE PARTNERS THAT CAN SIGNIFICANTLY INFLUENCE CRITICAL RETAILERS THEY SUPPLY TO CHANGE THEIR CURRENT MERCHANDISING PHILOSOPHIES TO RESTRICTED ACCESS OR FREE STANDING CIGARETTE TOBACCO STORES.**
  - 3. KEY WHOLESALE PARTNERS ON OPENING THEIR OWN CIGARETTE / TOBACCO STORES AFTER RJR HAS BEEN UNSUCCESSFUL SHIFTING CURRENT KEY RETAIL PARTNERS TO GET INTO THE BUSINESS.**
  - 4. IF UNSUCCESSFUL WITH ABOVE, WE SHOULD APPROACH KEY RETAILERS IN OTHER GEOGRAPHIES TO CONSIDER OPENING FREE STANDING CIGARETTE / TOBACCO STORES IN MARKETS WE HAVE IDENTIFIED AS NEED AREAS.**
  - 5. LAST RESORT SHOULD BE NEW / EMERGING TRADE PARTNERS WHO WANT TO GET INTO THE CIGARETTE / TOBACCO STORE BUSINESS.**
- D) IT IS CRITICAL TO SEPARATE OUR RETAIL PARTNERS INTO THE LARGE GROUP THAT WE WILL COUNSEL ONLY VERSUS THE VERY SELECTED GROUP WE WILL LEAD / SUPPORT AND PROVIDE MERCHANDISING / PDI RESOURCES TO AS THE "SELECTED STRATEGIC PARTNERS".**

## **'97 CIGARETTE / TOBACCO STORE RESOURCE OPTIONS**

### **SELLING STRATEGY / IMPLEMENTATION STRATEGY (CONT.)**

**E) THOSE KEY PARTNERS THAT HAVE DECIDED TO ENTER THE CIGARETTE / TOBACCO STORE BUSINESS SHOULD BE PRESENTED THE 1997 CTS CONTRACTS IN THE FOLLOWING ORDER OF PRIORITY:**

- 1ST PRIORITY -- LEVEL 2 ENHANCED -- THIS PROGRAM SUPPORTS RJR'S POSITION AS THE CATEGORY ADVISOR AND ORGANIZES THE STORE LAYOUT IN A CLEAN, UNCLUTTERED ENVIRONMENT THAT IS CONSISTENT WITH NEW EMERGING FORMATS.**
- 2ND PRIORITY -- LEVEL 3 -- PROVIDES RJR WITH A PRESENCE AND DISPLAY ADVANTAGE IN SITUATIONS IN WHICH THE PARTNER CHOOSES NOT TO PARTICIPATE IN A TOTAL INDUSTRY FORMAT.**
- LAST RESORT -- LEVEL 2 (STANDARD CONTRACT) -- PROVIDES RJR THE ABILITY TO ACHIEVE SPACE AND PRESENCE TO RJR SOM, BUT DOES LITTLE TO PRECLUDE A "CLUTTERED" ENVIRONMENT.**

**F) RETAILERS THAT TODAY HAVE NOT COMMITTED TO RJR'S CIGARETTE / TOBACCO STORE CONCEPT SHOULD BE COUNSELED BY RJR TO:**

- PROTECT THEIR VOLUME VIA COMMUNICATING A CARTON SALES PROGRAM**
- UTILIZE THEIR GONDOLA SHELVING FOR CARTONS**
- PRICE COMMUNICATION MUST BE MAXIMIZED**
- RETAILERS MUST HAVE A CONTINGENCY PLAN FOR A RESTRICTED ACCESS ENVIRONMENT SHOULD IT BE MANDATED BY FEDERAL, STATE, OR LOCAL REGULATIONS.**
- RETAILERS MUST MAKE COMMITMENTS TO MAINTAIN THEIR BUSINESS AS RJR FIXTURE RESOURCES ARE LIMITED.**

# **R.J. Reynolds Tobacco Company**

## **Cigarette/Tobacco Store-Special Fixture/PDI Contract Addendum**

Account Name: \_\_\_\_\_

R.J. Reynolds Tobacco Company will provide a special fixture/PDI merchandising system to all qualifying Enhanced Level 2 and Level 3 Retail Marketing Plan Cigarette/Tobacco stores that sell cigarettes. R.J. Reynolds Tobacco Company will maintain these special fixture(s)/PDI item(s) during the useful life of the fixtures.

In consideration for R.J. Reynolds Tobacco Company's supplying you with special fixtures(s)/PDI item(s), the retailer agrees to:

1. Maintain the advertising copy provided by R.J. Reynolds Tobacco Co. on the fixture(s)/PDI item(s) for the life of the fixture(s).
2. R.J. Reynolds Tobacco Co. reserves the right to periodically change the advertising copy.
3. Prohibit the placement of any posters, shelf strips, decals, displays or other promotional materials, on any part of the special fixture(s)/PDI item(s), except for those provided by R.J. Reynolds Tobacco Co.
4. Load the special fixture(s) according to a plan-o-gram provided by R.J. Reynolds Tobacco Co.
5. Utilize the special fixture(s)/PDI item(s) at the intended location(s) at retail, for no less than three years.
6. In the event the retailer elects to remove the special fixture(s)/PDI item(s) within the three year time period, the retailer will reimburse R.J. Reynolds Tobacco Co. the cost of the fixture/PDI item(s) plus the installation cost. RJR reserves the right to withhold contractual payments as partial payment of this liability.
7. Should the federal, state or local government regulate the sales or merchandising of cigarettes to an extent that the parties cannot lawfully carry out the merchandising and display provisions of this agreement, then in that event, this agreement shall terminate as to the affected stores, with no further payments or obligations due, with respect to the affected stores.
8. Inform the R.J. Reynolds Tobacco Co. representative within the required time period for future special fixture(s)/PDI item(s) to meet new and remodeled store requirements. The set lead time of \_\_\_\_\_ weeks is required for delivery of any additional special fixture(s)/PDI item(s).
9. This agreement may be changed only by written agreement of the parties, signed by both parties involved.
10. The special fixture(s)/ PDI item(s) remains the property of R.J. Reynolds Tobacco Co.
11. The special fixture(s)/PDI item(s) requested are as follows:

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

We / I understand that failure of performance of any of the above terms and conditions will no longer entitle retailer to participate in the R.J. Reynolds Tobacco Company merchandising service offered, or to utilize in any way the special fixture(s)/PDI item(s) furnished by R.J. Reynolds Tobacco Company.

Retailer Name / Title : \_\_\_\_\_  
Approval Signed : \_\_\_\_\_  
Date : \_\_\_\_\_

RJR Tob. Co.  
Approval Name / Title : \_\_\_\_\_  
Signed : \_\_\_\_\_  
Date : \_\_\_\_\_

51988 7276



TRADITIONAL CARTON OUTLETS

51988 7277

## RJR 1997 RATE SCHEDULE

### TRADITIONAL CARTON SELF-SERVICE

										ACCRUAL					
RA	IND VOLWK	RJR		RJR AVG	Meeting Competition		LEVEL 2		RETAIL ASSIST	L1	L2	L3	L1M	L2M	L3M
	RJR @ 30SOM	VOL RANGE		VOL/WEEK	\$PER/MO.	PER CTN	\$PER/MO.	P/CTN	\$PER/MO	\$0.10	\$0.20	\$0.25	\$0.15	\$0.30	\$0.375
		<70cpw							\$1-\$75	N/A	N/A	N/A	N/A	N/A	N/A
A	248	70	79	75	\$77	\$0.24	N/A			N/A	N/A	N/A	N/A	N/A	N/A
B	298	80	99	90	\$85	\$0.22	\$174	\$0.45		\$40	\$80	\$100	\$58	\$116	\$145
C	400	100	140	120	\$114	\$0.22	\$234	\$0.45		\$52	\$104	\$130	\$78	\$156	\$195
D	530	141	177	159	\$151	\$0.22	\$310	\$0.45		\$70	\$140	\$175	\$105	\$207	\$258
E	665	178	221	200	\$181	\$0.21	\$371	\$0.43		\$86	\$172	\$215	\$129	\$261	\$324
F	835	222	279	251	\$228	\$0.21	\$456	\$0.42		\$108	\$216	\$270	\$162	\$327	\$408
G	1042	280	345	313	\$259	\$0.19	\$541	\$0.40		\$136	\$272	\$340	\$204	\$408	\$507

### TRADITIONAL CARTON NON SELF-SERVICE

										ACCRUAL						
IND VOLWK		RJR		RJR AVG	Meeting Competition		LEVEL 2		TOTAL NSS		L1	L2	L3	L1M	L2M	L3M
RJR @ 30SOM		VOL RANGE		VOL/WEEK	\$PER/MO.	PER CTN	\$PER/MO.	P/CTN	\$PER/MO.	P/CTN	\$0.10	\$0.20	\$0.25	\$0.15	\$0.30	\$0.375
RA		<70cpw					\$1-\$75				N/A	N/A	N/A	N/A	N/A	N/A
A	248	70	79	75	\$48	\$0.15	N/A		N/A		N/A	N/A	N/A	N/A	N/A	N/A
B	298	80	99	90	\$61	\$0.16	\$128	\$0.33	\$81	\$0.21	\$39	\$78	\$97	\$58	\$116	\$145
C	400	100	140	120	\$71	\$0.14	\$171	\$0.33	\$109	\$0.21	\$52	\$104	\$130	\$78	\$156	\$195
D	530	141	177	159	\$83	\$0.12	\$227	\$0.33	\$145	\$0.21	\$70	\$138	\$172	\$105	\$207	\$258
E	665	178	221	200	\$95	\$0.11	\$268	\$0.31	\$164	\$0.19	\$86	\$174	\$216	\$129	\$261	\$324
F	835	222	279	251	\$119	\$0.11	\$325	\$0.30	\$206	\$0.19	\$108	\$218	\$272	\$162	\$327	\$408
G	1043	280+		313	\$136	\$0.10	\$407	\$0.30	\$258	\$0.19	\$136	\$272	\$338	\$204	\$408	\$507

## RJR 1997 RATE SCHEDULE

### TRADITIONAL CARTON SELF-SERVICE

	IND VOL/WK RJR @ 30SOM	RJR VOL RANGE	RJR AVG VOL/WEEK	Meeting Competition \$PER/MO. PER CTN		LEVEL 2 \$PER/MO. P/CTN		RETAIL ASSIST \$PER/MO	ACCRUAL					
									L1	L2	L3	L1M	L2M	L3M
									\$0.10	\$0.20	\$0.25	\$0.15	\$0.30	\$0.375
RA		<70cpw						\$1-\$75 <80 CPW	N/A	N/A	N/A	N/A	N/A	N/A
A	248	70 79	75	\$75	\$0.23	N/A			<del>\$32</del>	<del>\$66</del>	<del>\$82</del>	<del>\$48</del>	<del>\$99</del>	<del>\$123</del>
B	298	80 99	90	\$85	\$0.22	\$174	\$0.45		\$40	\$78	\$98	\$60	\$117	\$147
C	400	100 140	120	\$114	\$0.22	\$234	\$0.45		\$52	\$104	\$130	\$78	\$156	\$195
D	530	141 177	159	\$151	\$0.22	\$310	\$0.45		\$70	\$138	\$172	\$105	\$207	\$258
E	665	178 221	200	\$181	\$0.21	\$371	\$0.43		\$86	\$174	\$216	\$129	\$261	\$324
F	835	222 279	251	\$228	\$0.21	\$456	\$0.42		\$108	\$218	\$272	\$162	\$327	\$408
G	1042	280 345	313	\$259	\$0.19	\$541	\$0.40		\$136	\$272	\$338	\$204	\$408	\$507

### TRADITIONAL CARTON NON SELF-SERVICE

										ACCRUAL						
IND VOL/WK	RJR		RJR AVG	Meeting Competition		LEVEL 2		TOTAL NSS		L1	L2	L3	L1M	L2M	L3M	
	RJR @ 30SOM	VOL RANGE	VOL/WEEK	\$PER/MO.	PER CTN	\$PER/MO.	P/CTN	\$PER/MO.	P/CTN	\$0.10	\$0.20	\$0.25	\$0.15	\$0.30	\$0.375	
RA		<70cpw				\$1-\$75				N/A	N/A	N/A	N/A	N/A	N/A	
A	248	70 79	75	\$48	\$0.15	N/A		N/A		<del>\$32</del>	<del>N/A</del>	<del>\$66</del>	<del>\$82</del>	<del>\$48</del>	<del>\$99</del>	<del>\$123</del>
B	298	80 99	90	\$61	\$0.16	\$128	\$0.33	\$81	\$0.21	\$40	\$78	\$98	\$60	\$117	\$147	
C	400	100 140	120	\$71	\$0.14	\$171	\$0.33	\$109	\$0.21	\$52	\$104	\$130	\$78	\$156	\$195	
D	530	141 177	159	\$83	\$0.12	\$227	\$0.33	\$145	\$0.21	\$70	\$138	\$172	\$105	\$207	\$258	
E	665	178 221	200	\$95	\$0.11	\$268	\$0.31	\$164	\$0.19	\$86	\$174	\$216	\$129	\$261	\$324	
F	835	222 279	251	\$119	\$0.11	\$325	\$0.30	\$206	\$0.19	\$108	\$218	\$272	\$162	\$327	\$408	
G	1043	280+	313	\$136	\$0.10	\$407	\$0.30	\$258	\$0.19	\$136	\$272	\$338	\$204	\$408	\$507	

# TRADITIONAL CARTON OUTLETS

51988 7280

## **TRADITIONAL CARTON OUTLET OBJECTIVES/STRATEGIES**

### **OBJECTIVE:**

**MAINTAIN CRITICAL PRESENCE AND MERCHANDISING VEHICLES IN HIGHLY TARGETED KEY PLAYERS BASED ON RETAILER'S COMMITMENT TO THE CIGARETTE CATEGORY AND THEIR WILLINGNESS TO GROW THEIR VOLUME. (NATIONAL CIV% ESTIMATED AT 60%, REDUCED FROM 71%).**

### **STRATEGIES:**

- **IMPLEMENT RDA PACKAGE TO MEET PM EXCLUSIVITY IN TARGETED OUTLET LIST WITH FULL BUNDLED MARKETING PLAN APPROACH.**
- **ALIGN CRITICAL RJR RESOURCES, BOTH PACK AND CARTON PLATFORMS, WITH KEY CATEGORY PLAYERS.**
- **RESET CONTRACT AND FIXTURE REQUIREMENTS CONGRUENT WITH RJR VOLUME AND PROFITABILITY EXPECTATIONS.**
- **REDUCE BUDGETS DEDICATED TO CARTON OUTLETS (I.E., RDA, FIXTURE, TPI, ETC.) IN A MANNER THAT PROTECTS RJR VOLUME / PROFITABILITY AND DEFINES FINITE LEVEL OF RJR PARTNERSHIP.**
- **RETAIN AVAILABILITY OF RETAIL ASSIST CONTRACTS AND/OR FIXTURE AGREEMENTS TO UTILIZE ON AN "AS-NEEDED" BASIS WHERE WE MAINTAIN FIXTURES AND PRESENCE IN CALLS LESS THAN 70 CTNS. / WK. RJR VOLUME.**
- **EXECUTE THE STRATEGY AND BUDGET IN THE FIELD.**

## **TRADITIONAL CARTON OUTLET OBJECTIVES/STRATEGIES**

- ALL CARTON OUTLET PLANS HAVE BEEN TERMINATED AS OF DECEMBER 31, 1996 PER THE CUSTOMER LETTER SENT IN MID-OCTOBER.
- RJR WILL RE-SIGN CARTON OUTLET CONTRACT BASED ON REGIONAL PLANS APPROVED BY THE RSM AND AVP.
- NET NEW CARTON OUTLET CONTRACT REQUIREMENTS INCLUDE:

### **ALL CARTON OUTLET RETAIL MARKETING PLANS**

- ELIMINATION OF INDUSTRY VOLUME HURDLE OF 225 CARTONS PER WEEK ON ALL CARTON OUTLET PLANS.
- ADDITION OF "LESS THAN 50% ALL COMMODITY VOLUME" IN ENTRY CRITERIA TO DEFINE PLAN SPECIFICALLY TO CARTON OUTLETS.

## **TRADITIONAL CARTON OUTLET OBJECTIVES/STRATEGIES**

### **MEETING COMPETITION CARTON OUTLET RETAIL MARKETING PLANS**

- ELIGIBILITY CRITERIA STATED IN THE CONTRACT (VOLUME, ETC.) IS USED TO IDENTIFY A NARROW CATEGORY OF OUTLETS FOR WHICH WE WILL CONSIDER "MEETING COMPETITION" OFFERS. HOWEVER, JUST BECAUSE AN OUTLET MEETS THE ELIGIBILITY CRITERIA DOES NOT MEAN WE SHOULD OFFER THE ACCOUNT THIS CONTRACT. YOU MUST USE YOUR BEST BUSINESS JUDGMENT IN SELECTING THE MOST APPROPRIATE RETAILER FOR IMPLEMENTATION OF THIS CONTRACT.
- THE 1996 LEVEL 1 RETAIL MARKETING PLANS FOR CARTON OUTLETS HAVE BEEN MODIFIED AND RENAMED AS A "MEETING COMPETITION" CONTRACT FOR 1997 TO REFLECT THE WAY THE CONTRACT HAS BEEN UTILIZED.
- ALLOWS FIELD SALES TO UTILIZE ON AN RJR TARGETED BASIS AS WE DESIRE TO "MEET, BUT NOT BEAT COMPETITION".
  - PREVIOUS "SHARE OF MARKET" REQUIREMENT HAS BEEN ELIMINATED.
  - RJR ENTRY VOLUME REQUIREMENT REMAINS AT 70 RJR CPW.
  - ALL CONTRACT PAYMENT RATES HAVE BEEN REDUCED VERSUS 1996 RATES.
- MEETING COMPETITION CONTRACTS MAY ONLY BE UTILIZED WHEN LEVEL 2 AND RETAIL ASSIST CONTRACT PRESENTATIONS HAVE BEEN REFUSED AND A COMPETITOR IS CONTRACTED IN PRIMARY POSITION. PM EXCLUSIVE ACCOUNTS ARE A PRIME EXAMPLE.
- MEETING COMPETITION CONTRACTS ARE TO BE UTILIZED TO ACQUIRE A SECONDARY PRODUCT POSITION FOR RJR AND AVOID A TOTALLY DISADVANTAGED SITUATION WHEN APPROPRIATE.
- RETAILERS THAT DO NOT QUALIFY FOR A LEVEL 2 AGREEMENT, DUE TO LOW VOLUME, CAN BE OFFERED RJR'S RETAIL ASSIST CARTON OUTLET CONTRACT TO MAINTAIN PRIMARY POSITION FOR RJR.

## **TRADITIONAL CARTON OUTLET OBJECTIVES/STRATEGIES**

### **LEVEL 2 CARTON OUTLET RETAIL MARKETING PLANS**

- **LEVEL 2 RETAIL MARKETING PLANS FOR CARTON OUTLETS IN 1996 HAVE BEEN MODIFIED FOR 1997 AS FOLLOWS:**
  - **RJR ENTRY VOLUME REQUIREMENT HAS INCREASED TO 80 RJR CPW.**
  - **ALL CONTRACT PAYMENT RATES HAVE BEEN REDUCED VERSUS 1996 RATES.**

### **TOTAL NSS CARTON OUTLET RETAIL MARKETING PLANS**

- **ALL NSS3 RETAIL MARKETING PLANS FOR CARTON OUTLETS IN 1996 HAVE BEEN RENAMED "TOTAL NON-SELF-SERVICE" FOR 1997 FOR PROGRAM SIMPLIFICATION.**

### **RETAIL ASSIST CONTRACTS**

- **RETAIL ASSIST CONTRACT WILL BE AVAILABLE IN 1997 FOR LOW VOLUME CARTON OUTLETS THAT NO LONGER QUALIFY, DUE TO VOLUME CRITERIA, FOR LEVEL 2.**
- **ALL RETAIL ASSIST CONTRACTS REQUIRE RSM APPROVAL PRIOR TO RETAILER COMMITMENT.**
- **IT IS NOT RJR'S INTENTION TO PUSH FOR EXPANDING NET NEW RETAIL ASSIST CONTRACTS IN 1997.**



## TRADITIONAL CARTON OUTLET OBJECTIVES/STRATEGIES

### RETAIL ASSIST CONTRACTS (CONT.)

- SITUATIONS WHERE RETAIL ASSIST CONTRACTS MAY BE DESIRABLE INCLUDE:
  - HIGH VISIBILITY / HIGH TRAFFIC LOCATIONS
  - RETAILER AGREES TO MAINTAIN RJR FIXTURES THAT ARE CURRENTLY ON LOCATION ON A COST SHARE BASIS, HOWEVER, NEW FIXTURES WILL NOT BE AVAILABLE FOR RETAIL ASSIST RETAILERS.
- RETAIL ASSIST CONTRACT GRID IS A VARIABLE RATE (\$1 - \$75 / STORE / MO.). THE MAXIMUM MONTHLY PAYMENT OF \$75 PER STORE MAY NOT BE EXCEEDED. PAYMENTS THAT APPROACH THE \$75 / MO. MAXIMUM SHOULD BE FOR OPTIMAL SELF-SERVICE CONDITIONS (I.E., NSS SHOULD BE \$1 - \$45 / STORE/MO.) PAYMENT RATES OFFERED TO COMPETING CUSTOMERS IN A TRADE AREA SHOULD BE CONSISTENT.

## TRADITIONAL CARTON OUTLET OBJECTIVES/STRATEGIES

### RETAIL ASSIST CONTRACTS (CONT.)

- CONDITIONS THAT MAY WARRANT RETAIL ASSIST CONTRACTS INCLUDE:
  - HIGH VISIBILITY / HIGH TRAFFIC LOCATIONS
  - RETAILER AGREES TO MAINTAIN RJR FIXTURES THAT ARE CURRENTLY ON LOCATION ON A COST SHARE BASIS, HOWEVER, NEW FIXTURES WILL NOT BE AVAILABLE FOR RETAIL ASSIST RETAILERS.
  - RJR HAS A LEGITIMATE BUSINESS REASON FOR MAINTAINING A RETAIL MARKETING PLAN CONTRACT AS A RETAIL ASSIST.
- RETAIL ASSIST CONTRACT GRID IS A VARIABLE RATE (\$1 - \$75 / STORE / MO.). THE MAXIMUM MONTHLY PAYMENT OF \$75 PER STORE MAY NOT BE EXCEEDED. PAYMENTS THAT APPROACH THE \$75 / MO. MAXIMUM SHOULD BE FOR OPTIMAL SELF-SERVICE CONDITIONS (I.E., NSS SHOULD BE PROPORTIONATELY LESS).

## **TRADITIONAL CARTON OUTLET OBJECTIVES/STRATEGIES**

### **ENHANCEMENT \$ USAGE**

- **ENHANCEMENT \$ USAGE MAY BECOME NECESSARY BASED ON THE MARKETPLACE SITUATION. BOTTOMLINE, USAGE OF ENHANCEMENT \$ ABOVE STANDARD CONTRACT RATES MUST BE APPROVED BY RSM USING THE SAME METHODOLOGY AS WAS APPLIED IN 1996. FIELD SALES CONTINUES TO DO AN OUTSTANDING JOB IN THE TARGETING OF ENHANCEMENT \$ FOR THE BENEFIT OF RJR AND THERE IS EVERY EXPECTATION THAT THIS PERFORMANCE WILL NOT CHANGE.**
- **ENHANCEMENT \$ USAGE, AS IN 1996, REQUIRES THOROUGH ANALYZATION PRIOR TO RETAIL COMMITMENT. AS RJR PROFITABILITY IS AFFECTED, A PROFITABILITY ANALYSIS IS NECESSARY FOR AN EDUCATED DECISION. OTHER MARKET FACTORS MUST ALSO BE CONSIDERED, AS IS DONE IN OUR CURRENT PRACTICES, AS THE DECISION IS NOT INTENDED TO BE BASED SOLELY ON FINANCIAL CONSIDERATIONS.**
- **ENHANCEMENT \$ RANGE FOR 1997 WILL BE EXPANDED TO \$1 - \$300 VARIABLE PAYMENT. THE DECISION TO EXPAND THE ENHANCEMENT RANGE FROM THE CURRENT \$1 - \$200 IS BASED ON THE FACTS THAT OUR STANDARD RATES ARE SUBSTANTIALLY REDUCED VS. 1996 AND FIELD SALES HAS DEMONSTRATED THEIR HIGH LEVEL OF COMPETENCY IN MANAGING THIS APPROACH.**

## TRADITIONAL CARTON OUTLET OBJECTIVES/STRATEGIES

### ENHANCEMENT \$ USAGE (CONT.)

- **ENHANCEMENT \$ USAGE GUIDELINES FOR 1997 ARE AS FOLLOWS:**
  - **ENHANCEMENT \$ MAY BE UTILIZED IN TANDEM WITH THE NEW MEETING COMPETITION (PREVIOUSLY LEVEL 1) CONTRACT AT A LOWER LEVEL. THIS SCENARIO MAY BE NECESSARY IN MARKETS WHERE RJR SOM IS UNDER DEVELOPED VERSUS B&W AND/OR LORILLARD TO SECURE RJR'S SECONDARY POSITION IN CARTON OUTLETS. THE EXPECTATION IS THAT THIS WILL BE THE EXCEPTION VERSUS THE RULE. TOTAL RJR PAYMENT SHOULD NOT EXCEED THE HIGHEST COMPETITOR OFFER.**
  - **ENHANCEMENT \$ MAY ALSO BE UTILIZED IN TANDEM WITH LEVEL 2 CONTRACTS ONLY IN OUTLETS IN WHICH RJR VOLUME MEETS OR EXCEEDS 100 CPW (CARTONS PER WEEK). RETAILERS THAT FALL WITHIN THE 80 - 99 RJR VOLUME RANGE WILL QUALIFY FOR STANDARD RATES ONLY. ANY EXCEPTIONS TO THIS GUIDELINE MUST BE APPROVED BY THE AVP. TOTAL RJR PAYMENT SHOULD NOT EXCEED THE HIGHEST COMPETITOR OFFER.**

## **TRADITIONAL CARTON OUTLET OBJECTIVES/STRATEGIES**

### **STORE FORMAT CONSIDERATIONS**

- 1997 RETAIL MARKETING PLANS FOR TRADITIONAL CARTON OUTLETS WERE DEFINED AND WRITTEN TO SUPPORT THE MAJORITY OF FIELD SALES NEEDS IN CONTRACTING THESE OUTLETS.
- AS TRADE SEGMENTS BEGIN TO "BLUR" IN 1997 AND BEYOND, IT IS CRITICAL THAT USAGE IS DEFINED FOR EACH OF OUR RJR MARKETING PLAN CONTRACT TYPES.
- AS A SELECT FEW OF OUR TRADITIONAL CARTON OUTLET PARTNERS ARE HIGH VOLUME, HIGH VOLUME IN AND OF ITSELF IS NOT A STRONG ENOUGH CRITERIA FOR THE RETAILER TO QUALIFY FOR A CONTRACT OTHER THAN A TRADITIONAL CARTON OUTLET PLAN.
- FOR TRADITIONAL CARTON OUTLETS TO QUALIFY FOR AN RJR CIGARETTE/TOBACCO STORE CONTRACT PLAN, THE RETAILER MUST CONFIGURE THE CIGARETTE/TOBACCO DEPARTMENT IN A MANNER SIMILAR TO A CIGARETTE/TOBACCO STORE. EXAMPLES, THOUGH NOT INCLUSIVE, INCLUDE:
  - STORE-IN-A-STORE
  - "RESTRICTED ACCESS" AREA (NSS DOES NOT FIT THE "RESTRICTED ACCESS" DEFINITION)
  - PROMOTE AND DISPLAY THE CATEGORY IN A CIGARETTE/TOBACCO STORE MANNER
  - PROVIDE SELF-SERVICE ACCESS TO ALL PRODUCT AND PROMOTIONS
  - WILLINGNESS TO PROVIDE ENHANCED MERCHANDISING/PRESENCE TO CIGARETTE MANUFACTURERS
- EXCEPTIONS TO CONTRACT APPLICATION IN TRADITIONAL CARTON OUTLETS MUST BE APPROVED BY THE RSM PRIOR TO RETAILER COMMITMENT. EXCEPTIONS THAT MAY EXTEND BEYOND REGIONAL BOUNDARIES SHOULD BE APPROVED BY THE AVP.
- THIS SAME GUIDELINE APPLIES TO OTHER TRADE SEGMENTS (I.E., PACK OUTLETS) THAT MAY BE CONSIDERING FORMAT CHANGES BOTH NOW AND IN THE FUTURE.

**R. J. REYNOLDS TOBACCO COMPANY  
RETAIL PARTNERS MARKETING PLAN CONTRACT  
SELF-SERVICE CARTON OUTLET  
MEETING COMPETITION**

Retailer represents that its outlets meet the following eligibility criteria:

- 61% or more total industry volume sold by the carton and the Cigarette Category represents less than 50% All Commodity Volume (ACV).
- Minimum 70 cartons of RJR brands sold per week.
- Distribution of all RJR brands in all price tiers as required.

**MERCHANDISING/PRESENCE ELEMENT REQUIREMENTS**

- Self-Service Package Merchandiser(s)
  - Loose pack merchandiser(s) for all brands available for sale.
  - RJR supplied package merchandiser, with promotional/display area as requested by RJR, and areas designated for RJR advertising. RJR space, not including display space, will be equal to RJR Share of Market, not less than 25%. RJR brands will be positioned beginning on the top shelf of the merchandiser(s) and continued on lower shelves in a contiguous manner, until space requirement is satisfied. If merchandiser is exclusive RJR, space for RJR brands must also be maintained on all other industry package merchandiser with space allocated equal to RJR Share of Market.
- OR
- On competitive supplied package merchandiser(s) RJR brands will be positioned contiguously in the secondary company position, as approved by the RJR representative, with space allocated equal to RJR Share of Market, not less than 25%.
- If an RJR package merchandiser is not utilized, RJR must have the ability to promote utilizing a promotional display vehicle as approved by the RJR Representative.
- Self-Service Carton Merchandiser(s) -- (Competitive or Retailer supplied fixtures only)
  - Merchandiser will be adequate in size to satisfy retail sales of all brands sold.
  - Space for RJR brands will be equal to RJR Share of Market, not less than 25%. Space requirement will be determined based on 5-carton high rows.
  - Location for RJR brands will begin in a secondary company position and continue in a contiguous manner until space requirements are satisfied.
- Other

RJR reserves the right for final approval of display/advertising types, sizes and locations. Displays, fixtures, and free standing signage will be lit as designated by RJR.

**ADDITIONAL MERCHANDISING/PRESENCE REQUIREMENTS**

- Retailer further agrees to:
  - Provide promotional assistance as requested by RJR.
  - Display RJR "Lowest" brands, if applicable
  - Provide RJR accurate volume information
    - Authorize primary and other suppliers to release brand style volume information to RJR.
  - Provide RJR share of space equal to RJR Share of Market on other carton merchandisers, if applicable. Minimum acceptable space as determined by an RJR Representative.
  - Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.
  - Accept new RJR brand styles, as requested.
  - Permit RJR to make reasonable audits of performance and to inspect and rotate RJR products.
- RJR option for exclusive promotion period.
- Permanent RJR advertising will be affixed to RJR displays/merchandisers utilized under this agreement. Retailer will not permit additional advertising of any kind, including that relating to retailers own products, to be affixed to or interfere with RJR displays.
- Changes in agreed location of displays/advertising, or effectiveness of location will result termination of this agreement.
- Restricting RJR's ability to display, promote or distribute RJR brands or the ability to compete equally with other tobacco companies in all areas at retail, will result in termination of the agreement.
- RJR reserves the right to modify or terminate this agreement after notice to retailer. In the event of failure of performance by the retailer, this contract may be terminated by RJR forthwith and without notice.

**MERCHANDISING/PRESENCE PAYMENT**

RJR volume will be determined by the average weekly sales of all RJR brands during the most recent 3-month period.

RJR will pay eligible retailer \$\_\_\_\_\_ per month, for performance of all requirements under this agreement.

R. J. Reynolds Tobacco Company will make payments by check as soon as practicable after the end of each calendar quarter. Payments will be made for eligible stores rendering full performance during a quarter, and on a pro rata basis for stores rendering performance for less than one full quarter, but more than one calendar month. Retailer will not deduct amounts due under contract from invoices due RJR.

**RETAIL ACCRUAL PROGRAM ELEMENTS**

- Retailers must sell at least 80+ cartons of RJR brands per week to receive Retail Accrual.
- Qualifying Merchandising/Presence elements of RJR's Retail Partners Marketing Plan.
- All requirements/criteria stated in Merchandising/Presence section are applicable to Retail Accrual program.

**Program Options**

Option 1: RJR Retail Accrual - monthly accrual based on Level 1 RJR volume grid.

Option 2: RJR Retail Accrual with Retailer/RJR Match - monthly accrual with additional Retailer/RJR Match funds based on Level 1 RJR volume grid.

**RETAIL ACCRUAL PROGRAM OPTION REQUIREMENTS**

**OPTION 1**

- Accrual process will begin on contract signing date if prior to the 15th day of the month. Sign up after the 15th day of the month will start accrual the following month.
- Retail Accrual funds are to be utilized to promote selected RJR Full Price and Savings Brands as designated by an RJR Representative.
- All promotions require approval by RJR prior to implementation.
- Retailer reimbursement will occur as soon as practicable following successful completion of the subject pre-approved RJR Retail Accrual promotion.
- RJR Promotion Dollar Liability is limited to the allocated dollar amount of Retail Accrual as designated by RJR.
- Retail Accrual funds will be accrued by the month. Funds accrued during one calendar quarter are available for use immediately.
- Unused funds may be carried over to the subsequent quarter with prior approval by RJR.
- Funds not utilized for the designated year may not be carried over to the subsequent year.

**OPTION 2**

- All requirements/benefits stated in Option 1 are applicable to Option 2.
- Retailer must provide matching funds in an amount equal to 50% of Option 1 rate. Retailer match dollars are utilized in the same manner as Option 1 funds and are payable not later than individual promotion completion.
- RJR will provide additional funds in an amount equal to Retailer Match monies. RJR Match monies will be accrued on a monthly basis and are available for use on the same basis as the Option 1 funds.

**R. J. REYNOLDS TOBACCO COMPANY  
RETAIL PARTNERS MARKETING PLAN CONTRACT  
SELF-SERVICE CARTON OUTLET  
MEETING COMPETITION**

**ADDITIONAL RETAIL ACCRUAL REQUIREMENTS**

- Display size, quantity, promotional timeframe, and promotional type will be approved by an RJR Representative.
- Promotional advertising associated with RJR Brands will be affixed to, or above each display, as approved by an RJR Representative.
- Retailer will not permit advertising of any kind, including that relating to retailers own products, to be affixed to RJR displays (temporary and/or permanent) without prior consent of RJR.
- Retailer agrees to maintain RJR displays and signage (temporary and/or permanent) in an unobstructed manner, in the location agreed upon by an RJR Representative. Changes in location of displays, or effectiveness of display location, will terminate this agreement.
- Should retailer be permanently disqualified under RJR's Retail Partners Merchandising/Presence programs, participation in the Retail Accrual program and all other RJR Promotional programs will be terminated.

**Request for Taxpayer Identification Number and Certification**

R. J. Reynolds Tobacco Company must backup withhold tax at the rate of 31% from payee if the payee fails to provide R. J. Reynolds Tobacco Company with sufficient correct information to issue a Form 1099 to such payee for any calendar year. With an individual proprietorship, this information is the person's individual name and either his/her social security number (S.S. No.) or the employer identification number (EIN) for the proprietorship. In addition to the payee's individual name, the payee may also provide the business name for the sole proprietorship, provided the individual name is listed before the business name. (Sole proprietors may not furnish only the business name.) With respect to corporations, partnerships, estates, trusts, and similar entities, the necessary information is the entity's name and employer identification number (EIN) as it appears on IRS Form 975 (Assignment of Employer Identification Number).

Type of Organization: Corporation ☐ Sole Proprietor ☐ Partnership, Estate, Trust, etc. ☐

Is this a corporation exempt from backup withholding? Yes ☐ No ☐

Please use the appropriate line to fill in the name and Taxpayer Identification Number:

Corporation Name \_\_\_\_\_ EIN \_\_\_\_\_

or  
Sole Proprietor's Name \_\_\_\_\_ S.S. No. \_\_\_\_\_

Sole Proprietor's Business Name \_\_\_\_\_ EIN \_\_\_\_\_

or  
Partnership, Estate, Trust, etc. \_\_\_\_\_ EIN \_\_\_\_\_

\_\_\_\_\_  
Address (Number, street, and apt. or suite number)

\_\_\_\_\_  
Address (City, state, and ZIP code)

**Certification:**

Under penalties of perjury, I certify that:

1. The number shown above is my correct taxpayer identification number (or I am waiting for a number to be issued to me) and

2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service that I am subject to backup withholding as a result of a failure to report all interest dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

Certification Instructions: You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest on your tax return.

Store Name (Please Print) \_\_\_\_\_ RJR Account No. \_\_\_\_\_

Street Address \_\_\_\_\_ RJR Territory No. \_\_\_\_\_

City/State \_\_\_\_\_ Zip Code \_\_\_\_\_

Call Classification \_\_\_\_\_ Branch (If Chain) \_\_\_\_\_

Type	# Stores	Monthly Payment	Total Quarterly Dollar Amount
			\$
			\$
			\$
TOTAL			

Date Contract Signed \_\_\_\_\_

Retailer's Signature \_\_\_\_\_

Title: \_\_\_\_\_

Contract Effective Date \_\_\_\_\_

R. J. REYNOLDS TOBACCO COMPANY

By: \_\_\_\_\_

FUNCTION	CONTRACT TYPE	PLAN	UNITS	RATE	EFFECTIVE MO/YR
A=ADD					
E=END					
D=DELETE					
C=CHANGE					

**R. J. REYNOLDS TOBACCO COMPANY  
RETAIL PARTNERS MARKETING PLAN CONTRACT  
NON-SELF-SERVICE CARTON OUTLET  
MEETING COMPETITION**

Retailer represents that its outlets meet the following eligibility criteria:

- 51% or more total industry volume sold by the carton and the Cigarette Category represents less than 50% All Commodity Volume (ACV).
- Minimum 70 cartons of RJR brands sold per week.
- Distribution of all RJR brands in all price tiers as required.

**MERCHANDISING/PRESENCE ELEMENT REQUIREMENTS**

- Self-Service Package Merchandiser(s)
  - Loose pack merchandiser(s) for all brands available for sale.
  - RJR supplied package merchandiser, with promotional/display area as requested by RJR, and areas designated for RJR advertising. RJR space, not including display space, will be equal to RJR Share of Market, not less than 25%. RJR brands will be positioned beginning on the top shelf of the merchandiser(s) and continued on lower shelves in a contiguous manner, until space requirement is satisfied. If merchandiser is exclusive RJR, space for RJR brands must also be maintained on all other industry package merchandiser with space allocated equal to RJR Share of Market.
- OR**
- On competitive supplied package merchandiser(s) RJR brands will be positioned continuously in the secondary company position, as approved by the RJR representative, with space allocated equal to RJR Share of Market, not less than 25%.
- If an RJR package merchandiser is not utilized, RJR must have the ability to promote utilizing a promotional display vehicle as approved by the RJR Representative.
- Non-Self-Service Carton Merchandiser(s) - (Competitive or Retailer supplied fixtures only)
  - Merchandiser will be adequate in size to satisfy retail sales of all brands sold.
  - Space for RJR brands will be equal to RJR Share of Market, not less than 25%. Space requirement will be determined based on 5-carton high rows.
  - Location for RJR brands will begin in a secondary company position and continue in a contiguous manner until space requirements are satisfied.
- Other

RJR reserves the right for final approval of display/advertising types, sizes and locations. Displays, fixtures, and free standing signage will be lit as designated by RJR.

**ADDITIONAL MERCHANDISING/PRESENCE REQUIREMENTS**

- Retailer further agrees to:
  - Provide promotional assistance as requested by RJR.
  - Display RJR "Lowest" brands, if applicable
  - Provide RJR accurate volume information
    - Authorize primary and other suppliers to release brand style volume information to RJR.
  - Provide RJR share of space equal to RJR Share of Market on other carton merchandisers, if applicable. Minimum acceptable space as determined by an RJR Representative.
  - Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.
  - Accept new RJR brand styles, as requested.
  - Permit RJR to make reasonable audits of performance and to inspect and rotate RJR products.
- RJR option for exclusive promotion period.
- Permanent RJR advertising will be affixed to RJR displays/merchandisers utilized under this agreement. Retailer will not permit additional advertising of any kind, including that relating to retailers own products, to be affixed to or interfere with RJR displays.
- Changes in agreed location of displays/advertising, or effectiveness of location will result termination of this agreement.
- Restricting RJR's ability to display, promote or distribute RJR brands or the ability to compete equally with other tobacco companies in all areas at retail, will result in termination of the agreement.
- RJR reserves the right to modify or terminate this agreement after notice to retailer. In the event of failure of performance by the retailer, this contract may be terminated by RJR forthwith and without notice.

**MERCHANDISING/PRESENCE PAYMENT**

RJR volume will be determined by the average weekly sales of all RJR brands during the most recent 3-month period.

RJR will pay eligible retailer \$\_\_\_\_\_ per month, for performance of all requirements under this agreement.

R. J. Reynolds Tobacco Company will make payments by check as soon as practicable after the end of each calendar quarter. Payments will be made for eligible stores rendering full performance during a quarter, and on a pro rata basis for stores rendering performance for less than one full quarter, but more than one calendar month. Retailer will not deduct amounts due under contract from invoices due RJR.

**RETAIL ACCRUAL PROGRAM ELEMENTS**

- Retailers must sell at least 80+ cartons of RR brands per week to receive Retail Accrual.
- Qualifying Merchandising/Presence elements of RJR's Retail Partners Marketing Plan.
- All requirements/criteria stated in Merchandising/Presence section are applicable to Retail Accrual program.

**Program Options**

Option 1: RJR Retail Accrual - monthly accrual based on Level 1 RJR volume grid.

Option 2: RJR Retail Accrual with Retailer/RJR Match - monthly accrual with additional Retailer/RJR Match funds based on Level 1 RJR volume grid.

**RETAIL ACCRUAL PROGRAM OPTION REQUIREMENTS**

**OPTION 1**

- Accrual process will begin on contract signing date if prior to the 15th day of the month. Sign up after the 15th day of the month will start accrual the following month.
- Retail Accrual funds are to be utilized to promote selected RJR Full Price and Savings Brands as designated by an RJR Representative.
- All promotions require approval by RJR prior to implementation.
- Retailer reimbursement will occur as soon as practicable following successful completion of the subject pre-approved RJR Retail Accrual promotion.
- RJR Promotion Dollar Liability is limited to the allocated dollar amount of Retail Accrual as designated by RJR.
- Retail Accrual funds will be accrued by the month. Funds accrued during one calendar quarter are available for use immediately.
- Unused funds may be carried over to the subsequent quarter with prior approval by RJR.
- Funds not utilized for the designated year may not be carried over to the subsequent year.

**OPTION 2**

- All requirements/benefits stated in Option 1 are applicable to Option 2.
- Retailer must provide matching funds in an amount equal to 50% of Option 1 rate. Retailer match dollars are utilized in the same manner as Option 1 funds and are payable not later than individual promotion completion.
- RJR will provide additional funds in an amount equal to Retailer Match monies. RJR Match monies will be accrued on a monthly basis and are available for use on the same basis as the Option 1 funds.



**R. J. REYNOLDS TOBACCO COMPANY  
RETAIL PARTNERS MARKETING PLAN CONTRACT  
SELF-SERVICE CARTON OUTLET  
LEVEL 2**

**ADDITIONAL RETAIL ACCRUAL REQUIREMENTS**

- Display size, quantity, promotional timeframe, and promotional type will be approved by an RJR Representative.
- Promotional advertising associated with RJR Brands will be affixed to, or above each display, as approved by an RJR Representative.
- Retailer will not permit advertising of any kind, including that relating to retailers own products, to be affixed to RJR displays (temporary and/or permanent) without prior consent of RJR.
- Retailer agrees to maintain RJR displays and signage (temporary and/or permanent) in an unobstructed manner, in the location agreed upon by an RJR Representative. Changes in location of displays, or effectiveness of display location, will terminate this agreement.
- Should retailer be permanently disqualified under RJR's Retail Partners Merchandising/Presence programs, participation in the Retail Accrual program and all other RJR Promotional programs will be terminated.

**Request for Taxpayer Identification Number and Certification**

R. J. Reynolds Tobacco Company must backup withhold tax at the rate of 31% from payee if the payee fails to provide R. J. Reynolds Tobacco Company with sufficient correct information to issue a Form 1099 to such payee for any calendar year. With an individual proprietorship, this information is the person's individual name and either his/her social security number (S.S. No.) or the employer identification number (EIN) for the proprietorship. In addition to the payee's individual name, the payee may also provide the business name for the sole proprietorship, provided the individual name is listed before the business name. (Sole proprietors may not furnish only the business name.) With respect to corporations, partnerships, estates, trusts, and similar entities, the necessary information is the entity's name and employer identification number (EIN) as it appears on IRS Form 575 (Assignment of Employer Identification Number).

Type of Organization: Corporation ☐ Sole Proprietor ☐ Partnership, Estate, Trust, etc. ☐

Is this a corporation exempt from backup withholding? Yes ☐ No ☐

Please use the appropriate line to fill in the name and Taxpayer Identification Number:

Corporation Name \_\_\_\_\_ EIN \_\_\_\_\_

or  
Sole Proprietor's Name \_\_\_\_\_ S.S. No. \_\_\_\_\_

Sole Proprietor's Business Name \_\_\_\_\_ EIN \_\_\_\_\_

or  
Partnership, Estate, Trust, etc. \_\_\_\_\_ EIN \_\_\_\_\_

\_\_\_\_\_  
Address (Number, street, and apt. or suite number)

\_\_\_\_\_  
Address (City, state, and ZIP code)

**Certification:**

Under penalties of perjury, I certify that:

1. The number shown above is my correct taxpayer identification number (or I am waiting for a number to be issued to me) and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

**Certification Instructions:** You must cross out Item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest on your tax return.

Store Name (Please Print) \_\_\_\_\_ RJR Account No. \_\_\_\_\_

Street Address \_\_\_\_\_ RJR Territory No. \_\_\_\_\_

City/State \_\_\_\_\_ Zip Code \_\_\_\_\_

Call Classification \_\_\_\_\_ Branch (If Chain) \_\_\_\_\_

Type	# Stores	Monthly Payment	Total Quarterly Dollar Amount
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
TOTAL			_____

\_\_\_\_\_  
Date Contract Signed

\_\_\_\_\_  
Retailer's Signature

\_\_\_\_\_  
Title:

\_\_\_\_\_  
Contract Effective Date

R. J. REYNOLDS TOBACCO COMPANY

By: \_\_\_\_\_

FUNCTION	CONTRACT TYPE	PLAN	UNITS	RATE	EFFECTIVE MO/YR
A=ADD					
E=END					
D=DELETE					
C=CHANGE					

51988 7293

**R. J. REYNOLDS TOBACCO COMPANY  
RETAIL PARTNERS MARKETING PLAN CONTRACT  
NON-SELF-SERVICE CARTON OUTLET  
MEETING COMPETITION**

R. J. Reynolds Tobacco Company (RJR) is pleased to announce the following Retail Partners program, effective January 1, 1997, for all retail stores that meet the following criteria:

- 51% or more total industry volume sold by the carton and the Cigarette Category represents less than 50% All Commodity Volume (ACV).
- Minimum 70 cartons of RJR brands sold per week.
- Distribution of all RJR brands in all price tiers as required.

Retailers not meeting the above requirements should discuss alternatives with an RJR representative.

**MERCHANDISING/PRESENCE ELEMENT REQUIREMENTS**

- Self-Service Package Merchandiser(s)
  - Loose pack merchandiser(s) for all brands available for sale.
  - RJR supplied package merchandiser, with promotional/display area as requested by RJR, and areas designated for RJR advertising. RJR space, not including display space, will be equal to RJR Share of Market, not less than 25%. RJR brands will be positioned beginning on the top shelf of the merchandiser(s) and continued on lower shelves in a contiguous manner, until space requirement is satisfied. If merchandiser is exclusive RJR, space for RJR brands must also be maintained on all other industry package merchandiser with space allocated equal to RJR Share of Market.
- OR**
- On competitive supplied package merchandiser(s) RJR brands will be positioned contiguously in the secondary company position, as approved by the RJR representative, with space allocated equal to RJR Share of Market, not less than 25%.
- If an RJR package merchandiser is not utilized, RJR must have the ability to promote utilizing a promotional display vehicle as approved by the RJR Representative.
- Non-Self-Service Carton Merchandiser(s) -- (Competitive or Retailer supplied fixtures only)
  - Merchandiser will be adequate in size to satisfy retail sales of all brands sold.
  - Space for RJR brands will be equal to RJR Share of Market, not less than 25%. Space requirement will be determined based on 5-carton high rows.
  - Location for RJR brands will begin in a secondary company position and continue in a contiguous manner until space requirements are satisfied.
- Other

RJR reserves the right for final approval of display/advertising types, sizes and locations. Displays, fixtures, and free standing signage will be lit as designated by RJR.

**ADDITIONAL MERCHANDISING/PRESENCE REQUIREMENTS**

- Retailer further agrees to:
  - Provide promotional assistance as requested by RJR.
  - Display RJR "Lowest" brands, if applicable
  - Provide RJR accurate volume information
    - Authorize primary and other suppliers to release brand style volume information to RJR.
  - Provide RJR share of space equal to RJR Share of Market on other carton merchandisers, if applicable. Minimum acceptable space as determined by an RJR Representative.
  - Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.
  - Accept new RJR brand styles, as requested.
  - Permit RJR to make reasonable audits of performance and to inspect and rotate RJR products.
- RJR option for exclusive promotion period.
- Permanent RJR advertising will be affixed to RJR displays/merchandisers utilized under this agreement. Retailer will not permit additional advertising of any kind, including that relating to retailers own products, to be affixed to or interfere with RJR displays.
- Changes in agreed location of displays/advertising, or effectiveness of location will result termination of this agreement.
- Restricting RJR's ability to display, promote or distribute RJR brands or the ability to compete equally with other tobacco companies in all areas at retail, will result in termination of the agreement.
- RJR reserves the right to modify or terminate this agreement after notice to retailer. In the event of failure of performance by the retailer, this contract may be terminated by RJR forthwith and without notice.

**MERCHANDISING/PRESENCE PAYMENT**

RJR volume will be determined by the average weekly sales of all RJR brands during the most recent 3-month period.  
RJR will pay qualifying retailer \$\_\_\_\_\_ per month, for performance of all requirements under this agreement.

R. J. Reynolds Tobacco Company will make payments by check as soon as practicable after the end of each calendar quarter. Payments will be made for stores rendering full performance during a quarter, and on a pro rata basis for stores rendering performance for less than one full quarter, but more than one calendar month. Retailer will not deduct amounts due under contract from Invoices due RJR.

**RETAIL ACCRUAL PROGRAM ELEMENTS**

- Qualifying Merchandising/Presence elements of RJR's Retail Partners Marketing Plan.
- All requirements/criteria stated in Merchandising/Presence section are applicable to Retail Accrual program.

**Program Options**

- Option 1: RJR Retail Accrual - monthly accrual based on Level 1 RJR volume grid.
- Option 2: RJR Retail Accrual with Retailer/RJR Match - monthly accrual with additional Retailer/RJR Match funds based on Level 1 RJR volume grid.

**RETAIL ACCRUAL PROGRAM OPTION REQUIREMENTS**

- OPTION 1**
- Accrual process will begin on contract signing date if prior to the 15th day of the month. Sign up after the 15th day of the month will start accrual the following month.
  - Retail Accrual funds are to be utilized to promote selected RJR Full Price and Savings Brands as designated by an RJR Representative.
  - All promotions require approval by RJR prior to implementation.
  - Retailer reimbursement will occur as soon as practicable following successful completion of the subject pre-approved RJR Retail Accrual promotion.
  - RJR Promotion Dollar Liability is limited to the allocated dollar amount of Retail Accrual as designated by RJR.
  - Retail Accrual funds will be accrued by the month. Funds accrued during one calendar quarter are available for use immediately.
  - Unused funds may be carried over to the subsequent quarter with prior approval by RJR.
  - Funds not utilized for the designated year may not be carried over to the subsequent year.
- OPTION 2**
- All requirements/benefits stated in Option 1 are applicable to Option 2.
  - Retailer must provide matching funds in an amount equal to 50% of Option 1 rate. Retailer match dollars are utilized in the same manner as Option 1 funds and are payable not later than individual promotion completion.
  - RJR will provide additional funds in an amount equal to Retailer Match monies. RJR Match monies will be accrued on a monthly basis and are available for use on the same basis as the Option 1 funds.

**R. J. REYNOLDS TOBACCO COMPANY  
RETAIL PARTNERS MARKETING PLAN CONTRACT  
NON-SELF-SERVICE CARTON OUTLET  
MEETING COMPETITION**

**ADDITIONAL RETAIL ACCRUAL REQUIREMENTS**

- Display size, quantity, promotional timeframe, and promotional type will be approved by an RJR Representative.
- Promotional advertising associated with RJR Brands will be affixed to, or above each display, as approved by an RJR Representative.
- Retailer will not permit advertising of any kind, including that relating to retailers own products, to be affixed to RJR displays (temporary and/or permanent) without prior consent of RJR.
- Retailer agrees to maintain RJR displays and signage (temporary and/or permanent) in an unobstructed manner, in the location agreed upon by an RJR Representative. Changes in location of displays, or effectiveness of display location, will terminate this agreement.
- Should retailer be permanently disqualified under RJR's Retail Partners Merchandising/Presence programs, participation in the Retail Accrual program and all other RJR Promotional programs will be terminated.

**Request for Taxpayer Identification Number and Certification**

R. J. Reynolds Tobacco Company must backup withhold tax at the rate of 31% from payee if the payee fails to provide R. J. Reynolds Tobacco Company with sufficient correct information to issue a Form 1099 to such payee for any calendar year. With an individual proprietorship, this information is the person's individual name and either his/her social security number (S.S. No.) or the employer identification number (EIN) for the proprietorship. In addition to the payee's individual name, the payee may also provide the business name for the sole proprietorship, provided the individual name is listed before the business name. (Sole proprietors may not furnish only the business name.) With respect to corporations, partnerships, estates, trusts, and similar entities, the necessary information is the entity's name and employer identification number (EIN) as it appears on IRS Form 575 (Assignment of Employer Identification Number).

Type of Organization: Corporation ☐ Sole Proprietor ☐ Partnership, Estate, Trust, etc. ☐

Is this a corporation exempt from backup withholding? Yes ☐ No ☐

Please use the appropriate line to fill in the name and Taxpayer Identification Number:

Corporation Name \_\_\_\_\_ EIN \_\_\_\_\_  
or  
Sole Proprietor's Name \_\_\_\_\_ S.S. No. \_\_\_\_\_  
Sole Proprietor's Business Name \_\_\_\_\_ EIN \_\_\_\_\_  
or  
Partnership, Estate, Trust, etc. \_\_\_\_\_ EIN \_\_\_\_\_

Address (Number, street, and apt. or suite number)

Address (City, state, and ZIP code)

**Certification:**

Under penalties of perjury, I certify that:

1. The number shown above is my correct taxpayer identification number (or I am waiting for a number to be issued to me) and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

Certification instructions: You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest on your tax return.

Store Name (Please Print) \_\_\_\_\_ RJR Account No. \_\_\_\_\_  
Street Address \_\_\_\_\_ RJR Territory No. \_\_\_\_\_  
City/State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Call Classification \_\_\_\_\_ Branch (If Chain) \_\_\_\_\_

Type	# Stores	Monthly Payment	Total Quarterly Dollar Amount
			\$
			\$
			\$
TOTAL			

Date Contract Signed \_\_\_\_\_ Retailer's Signature \_\_\_\_\_  
Title: \_\_\_\_\_  
Contract Effective Date \_\_\_\_\_ R. J. REYNOLDS TOBACCO COMPANY  
By: \_\_\_\_\_

FUNCTION	CONTRACT TYPE	PLAN	UNITS	RATE	EFFECTIVE MO/YR
A=ADD					
E=END					
D=DELETE					
C=CHANGE					

**R. J. REYNOLDS TOBACCO COMPANY  
RETAIL PARTNERS MARKETING PLAN CONTRACT  
NON-SELF-SERVICE CARTON OUTLET  
LEVEL 2**

R. J. Reynolds Tobacco Company (RJR) is pleased to announce the following Retail Partners program, effective January 1, 1997, for all retail stores that meet the following criteria:

- 51% or more total industry volume sold by the carton and the Cigarette Category represents less than 50% All Commodity Volume (ACV).
- Minimum 80 cartons of RJR brands sold per week.
- Distribution of all RJR brands in all price tiers as required.

Retailers not meeting the above requirements should discuss alternatives with an RJR representative.

**MERCHANDISING/PRESENCE PROGRAM ELEMENTS**

- RJR Self-Service Package Merchandiser(s), including applicable signage.
- RJR (or approved) Non-Self-Service Carton Merchandiser, including applicable canopy signage.

**MERCHANDISING/PRESENCE ELEMENT REQUIREMENTS**

- RJR Self-Service Package Merchandiser(s)
  - Loose pack merchandiser(s) for all brands available for sale, or RJR brands exclusively. Merchandiser(s) must include promotion/display area as requested by RJR, and areas designated for RJR advertising. If merchandiser is exclusive RJR, space for RJR brands must also be maintained on industry merchandiser.
  - Merchandiser(s) will be located adjacent to an active checklane, as approved by an RJR representative.
  - Merchandiser(s) will be adequate in size to satisfy retailer sales of RJR and/or all industry brands.
  - RJR space on merchandiser(s), not including display space, will be equal to RJR's Share of Market, not less than 25%. Location of RJR brands will begin on top shelf of merchandiser(s) and continue on lower shelves in a contiguous manner, until space requirement is satisfied.
- RJR (or approved) Non-Self-Service Carton Merchandiser with canopy signage
  - Merchandiser will be adequate in size to satisfy retailer sales of all brands sold, as approved by an RJR representative.
  - Space for RJR brands will be equal to RJR Share of Market (minimum acceptable space as determined by RJR). Space requirement will be determined based on 7-high rows for top shelf and 5-high rows for all other shelves.
  - Location for RJR brands will begin on top shelf of merchandiser and continue on lower shelves in a contiguous manner, until space requirement is satisfied.
  - Merchandisers and canopy will include areas designated for RJR advertising.
  - Merchandiser must have designated sections for Full Price and Savings Brands.
- Other

RJR reserves the right for final approval of display/advertising types, sizes and locations. Displays, fixtures, and free standing signage will be lit as designated by RJR.

**ADDITIONAL MERCHANDISING/PRESENCE REQUIREMENTS**

- Retailer further agrees to:
  - Provide promotional assistance as requested by RJR.
  - Display RJR "Lowest" brands, if applicable
  - Provide RJR accurate volume information
    - Authorize primary and other suppliers to release brand style volume information to RJR.
  - Provide RJR share of available signage equal to RJR Share of Market.
  - Provide RJR share of space equal to RJR share of market on carton merchandisers, if applicable. Minimum acceptable space as determined by an RJR Representative.
  - Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.
  - Accept new RJR brand styles, as requested.
  - Permit RJR to make reasonable audits of performance and to inspect and rotate RJR products.
- Permanent RJR advertising will be affixed to RJR displays/merchandisers utilized under this agreement. Retailer will not permit additional advertising of any kind, including that relating to retailers own products, to be affixed to or above RJR merchandiser(s) utilized under this agreement.
- Changes in agreed location of displays/advertising, or effectiveness of location will result termination of this agreement.
- Restricting RJR's ability to display, promote or distribute RJR brands or the ability to compete equally with other tobacco companies in all areas at retail, will result in termination of the agreement.
- RJR reserves the right to modify or terminate this agreement after notice to retailer. In the event of failure of performance by the retailer, this contract may be terminated by RJR forthwith and without notice.

**MERCHANDISING/PRESENCE PAYMENT**

RJR volume will be determined by the average weekly sales of all RJR brands during the most recent 3-month period.  
RJR will pay qualifying retailer \$\_\_\_\_\_ per month, for performance of all requirements under this agreement.

R. J. Reynolds Tobacco Company will make payments by check as soon as practicable after the end of each calendar quarter. Payments will be made for stores rendering full performance during a quarter, and on a pro rata basis for stores rendering performance for less than one full quarter, but more than one calendar month. Retailer will not deduct amounts due under contract from invoices due RJR.

**RETAIL ACCRUAL PROGRAM ELEMENTS**

- Qualifying Merchandising/Presence elements of RJR's Retail Partners Marketing Plan.
- All requirements/criteria stated in Merchandising/Presence section are applicable to Retail Accrual program.

**Program Options**

Option 1: RJR Retail Accrual - monthly accrual based on RJR volume grid.

Option 2: RJR Retail Accrual with Retailer/RJR Match - monthly accrual with additional Retailer/RJR Match funds based on RJR volume grid.

**RETAIL ACCRUAL PROGRAM OPTION REQUIREMENTS**

**OPTION 1**

- Accrual process will begin on contract signing date if prior to the 15th day of the month. Sign up after the 15th day of the month will start accrual the following month.
- Retail Accrual funds are to be utilized to promote selected RJR Full Price and Savings Brands as designated by an RJR Representative.
- All promotions require approval by RJR prior to implementation.
- Retailer reimbursement will occur as soon as practicable following successful completion of the subject pre-approved RJR Retail Accrual promotion.
- RJR Promotion Dollar Liability is limited to the allocated dollar amount of Retail Accrual as designated by RJR.
- Retail Accrual funds will be accrued by the month. Funds accrued during one calendar quarter are available for use immediately.
- Unused funds may be carried over to the subsequent quarter with prior approval by RJR.
- Funds not utilized for the designated year may not be carried over to the subsequent year.

**OPTION 2**

- All requirements/benefits stated in Option 1 are applicable to Option 2.
- Retailer must provide matching funds in an amount equal to 50% of Option 1 rate. Retailer match dollars are utilized in the same manner as Option 1 funds and are payable not later than individual promotion completion.
- RJR will provide additional funds in an amount equal to Retailer Match monies. RJR Match monies will be accrued on a monthly basis and are available for use on the same basis as the Option 1 funds.

**R. J. REYNOLDS TOBACCO COMPANY**  
**RETAIL PARTNERS MARKETING PLAN CONTRACT**  
**NON-SELF-SERVICE CARTON OUTLET**  
**LEVEL 2**

**ADDITIONAL RETAIL ACCRUAL REQUIREMENTS**

- Display size, quantity, promotional timeframe, and promotional type will be approved by an RJR Representative.
- Promotional advertising associated with RJR Brands will be affixed to, or above each display, as approved by an RJR Representative.
- Retailer will not permit advertising of any kind, including that relating to retailers own products, to be affixed to RJR displays (temporary and/or permanent) without prior consent of RJR.
- Retailer agrees to maintain RJR displays and signage (temporary and/or permanent) in an unobstructed manner, in the location agreed upon by an RJR Representative. Changes in location of displays, or effectiveness of display location, will terminate this agreement.
- Should retailer be permanently disqualified under RJR's Retail Partners Merchandising/Presence programs, participation in the Retail Accrual program and all other RJR Promotional programs will be terminated.

**Request for Taxpayer Identification Number and Certification**

R. J. Reynolds Tobacco Company must backup withhold tax at the rate of 31% from payee if the payee fails to provide R. J. Reynolds Tobacco Company with sufficient correct information to issue a Form 1099 to such payee for any calendar year. With an individual proprietorship, this information is the person's individual name and either his/her social security number (S.S. No.) or the employer identification number (EIN) for the proprietorship. In addition to the payee's individual name, the payee may also provide the business name for the sole proprietorship, provided the individual name is listed before the business name. (Sole proprietors may not furnish only the business name.) With respect to corporations, partnerships, estates, trusts, and similar entities, the necessary information is the entity's name and employer identification number (EIN) as it appears on IRS Form 975 (Assignment of Employer Identification Number).

Type of Organization: Corporation ☐ Sole Proprietor ☐ Partnership, Estate, Trust, etc. ☐

Is this a corporation exempt from backup withholding? Yes ☐ No ☐

Please use the appropriate line to fill in the name and Taxpayer Identification Number:

Corporation Name \_\_\_\_\_ EIN \_\_\_\_\_  
 or  
 Sole Proprietor's Name \_\_\_\_\_ S.S. No. \_\_\_\_\_  
 Sole Proprietor's Business Name \_\_\_\_\_ EIN \_\_\_\_\_  
 or  
 Partnership, Estate, Trust, etc. \_\_\_\_\_ EIN \_\_\_\_\_

Address (Number, street, and apt. or suite number) \_\_\_\_\_

Address (City, state, and ZIP code) \_\_\_\_\_

**Certification:**

Under penalties of perjury, I certify that:

- The number shown above is my correct taxpayer identification number (or I am waiting for a number to be issued to me) and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service that I am subject to backup withholding as a result of a failure to report all interest dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

**Verification Instructions:** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest on your tax return.

Store Name (Please Print) \_\_\_\_\_ RJR Account No. \_\_\_\_\_  
 Street Address \_\_\_\_\_ RJR Territory No. \_\_\_\_\_  
 City/State \_\_\_\_\_ Zip Code \_\_\_\_\_  
 Call Classification \_\_\_\_\_ Branch (if Chain) \_\_\_\_\_

Type	# Stores	Monthly Payment	Total Quarterly Dollar Amount
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
TOTAL			_____

Date Contract Signed \_\_\_\_\_ Retailer's Signature \_\_\_\_\_  
 Title: \_\_\_\_\_  
 R. J. REYNOLDS TOBACCO COMPANY  
 Contract Effective Date \_\_\_\_\_ By: \_\_\_\_\_

FUNCTION	CONTRACT TYPE	PLAN	UNITS	RATE	EFFECTIVE MO/YR
A=ADD					
E=END					
D=DELETE					
C=CHANGE					

51988 7297

**R. J. REYNOLDS TOBACCO COMPANY  
RETAIL PARTNERS MARKETING PLAN CONTRACT  
TOTAL NON-SELF-SERVICE CARTON OUTLET**

R. J. Reynolds Tobacco Company (RJR) is pleased to announce the following Retail Partners program, effective January 1, 1997, for all retail stores that meet the following criteria:

- 51% or more total industry volume sold by the carton and the Cigarette Category represents less than 50% All Commodity Volume (ACV).
- Minimum 80 cartons of RJR brands sold per week.
- Merchandise all cartons and packs in a non self-service or limited self-service manner.
- Distribution of all RJR brands in all price tiers as required.

Retailers not meeting the above requirements should discuss alternatives with an RJR representative.

**MERCHANDISING/PRESENCE PROGRAM ELEMENTS**

- RJR (or approved) Package Merchandiser(s), including applicable signage.
- RJR (or approved) Non-Self-Service Carton Merchandiser, including applicable canopy signage.

**MERCHANDISING/PRESENCE ELEMENT REQUIREMENTS**

- RJR (or approved) Package Merchandiser(s)
  - Loose pack merchandiser(s) for all brands available for sale. Merchandiser(s) must include promotion/display area as requested by RJR, and areas designated for RJR advertising.
  - Merchandiser(s) will be adequate in size to satisfy retailer sales of RJR and/or all Industry brands.
  - RJR space on merchandiser(s), not including display space, will be equal to RJR's Share of Market, not less than 25%. Location of RJR brands will begin on top shelf of merchandiser(s) and continue on lower shelves in a contiguous manner, until space requirement is satisfied.
- RJR (or approved) Carton Merchandiser with canopy signage
  - Merchandiser will be adequate in size to satisfy retailer sales of all brands sold, as approved by an RJR representative.
  - Space for RJR brands will be equal to RJR Share of Market (minimum acceptable space as determined by RJR). Space requirement will be determined based on 7-high rows for top shelf and 5-high rows for all other shelves.
  - Location for RJR brands will begin on top shelf of merchandiser and continue on lower shelves in a contiguous manner, until space requirement is satisfied.
  - Merchandisers and canopy will include areas designated for RJR advertising.
  - Merchandiser must have designated sections for Full Price and Savings Brands.
- Other

RJR reserves the right for final approval of display/advertising types, sizes and locations. Displays, fixtures, and free standing signage will be lit as designated by RJR.

**ADDITIONAL MERCHANDISING/PRESENCE REQUIREMENTS**

- If additional cigarette displays, either temporary or permanent, are permitted, RJR will have the option to place a similar display and not be disadvantaged.
- Retailer further agrees to:
  - Provide RJR accurate volume information
    - Authorize primary and other suppliers to release brand style volume information to RJR.
  - Provide RJR share of available signage equal to RJR Share of Market.
  - Provide RJR share of space equal to RJR share of market on carton merchandisers, if applicable. Minimum acceptable space as determined by an RJR Representative.
  - Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.
  - Accept new RJR brand styles, as requested.
  - Permit RJR to make reasonable audits of performance and to inspect and rotate RJR products.
- Permanent RJR advertising will be affixed to RJR displays/merchandisers utilized under this agreement. Retailer will not permit additional advertising of any kind, including that relating to retailers own products, to be affixed to or above RJR merchandiser(s) utilized under this agreement.
- Changes in agreed location of displays/advertising, or effectiveness of location will result termination of this agreement.
- Restricting RJR's ability to display, promote or distribute RJR brands or the ability to compete equally with other tobacco companies in all areas at retail, will result in termination of the agreement.
- RJR reserves the right to modify or terminate this agreement after notice to retailer. In the event of failure of performance by the retailer, this contract may be terminated by RJR forthwith and without notice.

**MERCHANDISING/PRESENCE PAYMENT**

RJR volume will be determined by the average weekly sales of all RJR brands during the most recent 3-month period.

RJR will pay qualifying retailer \$\_\_\_\_\_ per month, for performance of all requirements under this agreement.

R. J. Reynolds Tobacco Company will make payments by check as soon as practicable after the end of each calendar quarter. Payments will be made for stores rendering full performance during a quarter, and on a pro rata basis for stores rendering performance for less than one full quarter, but more than one calendar month. Retailer will not deduct amounts due under contract from invoices due RJR.

**RETAIL ACCRUAL PROGRAM ELEMENTS**

- Qualifying Merchandising/Presence elements of RJR's Retail Partners Marketing Plan.
- All requirements/criteria stated in Merchandising/Presence section are applicable to Retail Accrual program.

**Program Options**

Option 1: RJR Retail Accrual - monthly accrual based on RJR volume grid.

Option 2: RJR Retail Accrual with Retailer/RJR Match - monthly accrual with additional Retailer/RJR Match funds based on RJR volume grid.

**RETAIL ACCRUAL PROGRAM OPTION REQUIREMENTS**

**OPTION 1**

- Accrual process will begin on contract signing date if prior to the 15th day of the month. Sign up after the 15th day of the month will start accrual the following month.
- Retail Accrual funds are to be utilized to promote selected RJR Full Price and Savings Brands as designated by an RJR Representative.
- All promotions require approval by RJR prior to implementation.
- Provide promotional assistance as requested by RJR.
  - Display RJR "Lowest" brands, if applicable Retailer reimbursement will occur as soon as practicable following successful completion of the subject pre-approved RJR Retail Accrual promotion.
- RJR Promotion Dollar Liability is limited to the allocated dollar amount of Retail Accrual as designated by RJR.
- Retail Accrual funds will be accrued by the month. Funds accrued during one calendar quarter are available for use immediately.
- Unused funds may be carried over to the subsequent quarter with prior approval by RJR.
- Funds not utilized for the designated year may not be carried over to the subsequent year.

**OPTION 2**

- All requirements/benefits stated in Option 1 are applicable to Option 2.
- Retailer must provide matching funds in an amount equal to 50% of Option 1 rate. Retailer match dollars are utilized in the same manner as Option 1 funds and are payable not later than individual promotion completion.
- RJR will provide additional funds in an amount equal to Retailer Match monies. RJR Match monies will be accrued on a monthly basis and are available for use on the same basis as the Option 1 funds.

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**R. J. REYNOLDS TOBACCO COMPANY  
RETAIL PARTNERS MARKETING PLAN CONTRACT  
TOTAL NON-SELF-SERVICE CARTON OUTLET**

**ADDITIONAL RETAIL ACCRUAL REQUIREMENTS**

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Type of Organization: Corporation ☐ Sole Proprietor ☐ Partnership, Estate, Trust, etc. ☐

Is this a corporation exempt from backup withholding? Yes ☐ No ☐

Please use the appropriate line to fill in the name and Taxpayer Identification Number:

Corporation Name \_\_\_\_\_ EIN \_\_\_\_\_  
or  
Sole Proprietor's Name \_\_\_\_\_ S.S. No. \_\_\_\_\_  
Sole Proprietor's Business Name \_\_\_\_\_ EIN \_\_\_\_\_  
or  
Partnership, Estate, Trust, etc. \_\_\_\_\_ EIN \_\_\_\_\_

Address (Number, street, and apt. or suite number) \_\_\_\_\_

Address (City, state, and ZIP code) \_\_\_\_\_

**Certification:**

Under penalties of perjury, I certify that:

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Street Address \_\_\_\_\_ RJR Territory No. \_\_\_\_\_  
City/State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Call Classification \_\_\_\_\_ Branch (If Chain) \_\_\_\_\_

Type	# Stores	Monthly Payment	Total Quarterly Dollar Amount
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
_____	_____	_____	\$ _____
TOTAL			_____

Date Contract Signed \_\_\_\_\_ Retailer's Signature \_\_\_\_\_  
Title: \_\_\_\_\_  
Contract Effective Date \_\_\_\_\_ R. J. REYNOLDS TOBACCO COMPANY  
By: \_\_\_\_\_

FUNCTION	CONTRACT TYPE	PLAN	UNITS	RATE	EFFECTIVE MO/YR
A=ADD	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E=END	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D=DELETE	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C=CHANGE	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PACK OUTLET OBJECTIVE/  
STRATEGIES, NEW DISPLAY  
ROLLOUT

51988 7300



Cover Roll-out  
\* New  
1-1-7

# PACK OUTLET OBJECTIVES / STRATEGIES, NEW DISPLAY ROLLOUT

## **PACK OUTLET OBJECTIVES/STRATEGIES**

### **OBJECTIVE:**

**CONTINUE TO IMPROVE QUALITY OF UNIVERSE FOR IMMEDIATE AND LONG-TERM BRAND GROWTH BY:**

- MAINTAINING YEAR-END 1996 PACK OUTLET UNIVERSE AND SPENDING**
- CONVERTING PM EXCLUSIVE RETAILERS TO CO-EXISTENCE APPROACH ON A TARGETED BASIS**

### **STRATEGIES:**

- CONTINUE TO HOLD ALL RJR RESOURCES FROM RJR "LOCK-OUT" CALLS.**
- MAINTAIN "BUNDLED" MARKETING PLAN APPROACH WITH FURTHER INTEGRATION OF WHOLESALE AND RETAIL PROGRAMS.**
- ADJUST FACINGS MIX ON SAVINGS AND FULL PRICE BASED ON MARKETPLACE OPPORTUNITIES.**
- CREATE VIABLE NSS APPROACH THAT DELIVERS TO ABOVE OBJECTIVES BASED ON CREDIBLE RESEARCH DATA.**
- EXPANSION OF DISPLAY VEHICLES THAT COMMUNICATE MULTIPLE RJR BRAND INITIATIVES EFFECTIVELY.**
- ASSUME THE "EDUCATOR" ROLE IN PROVIDING MEANINGFUL AND TIMELY INFORMATION TO THE TRADE AS IT RELATES TO REGULATION ISSUES AND RECOMMENDED FUTURE FORMATS (RESTRICTED ACCESS).**
- LEAD IDENTIFIED TRADE PARTNERS INTO THE CIGARETTE / TOBACCO STORE BUSINESS.**
- EXECUTE THE STRATEGY AND A BUDGET IN THE FIELD.**

## PACK OUTLET OBJECTIVES/STRATEGIES

### SUMMARY:

IT WILL NOT BE NECESSARY TO RE-NEGOTIATE / RE-SIGN 1996 RETAIL MARKETING PLAN CONTRACTS FOR PACK OUTLETS IN 1997. FIELD SALES HAS MADE SIGNIFICANT STRIDES IN THE QUALITY AND QUANTITY OF RJR'S PACK OUTLET UNIVERSE THAT WILL SERVE AS A STRONG FOUNDATION IN 1997.

LEGISLATED NSS PACK OUTLET CONTRACTS WILL BE AVAILABLE TO THE FIELD BASED ON RESEARCH FINDINGS THAT ARE CURRENTLY UNDERWAY TO DETERMINE WHETHER THE SELF-SERVICE DISPLAY WITH NON-ACCESSIBLE PRODUCT TO THE CONSUMER IS ADVANTAGEOUS TO RJR VERSUS A BACKBAR DISPLAY POSITION. PAYMENT GRIDS HAVE BEEN ESTABLISHED FOR LEGISLATED NSS PACK OUTLETS THAT ALIGN WITH OUR CURRENT LEVEL 1, 2, AND 3 CONTRACT SCENARIOS RESPECTIVELY. PAYMENT RATES FOR THESE CONTRACTS ARE PROJECTED AT THE APPROXIMATE MIDPOINT BETWEEN CURRENT SELF-SERVICE AND NSS RATES. THE CONTRACTS THEMSELVES MIRROR OUR CURRENT SELF-SERVICE PACK OUTLET CONTRACTS IN THAT THEY REQUIRE SELF-SERVICE DISPLAY POSITIONS, HOWEVER, AN ADDITIONAL REQUIREMENT STATES THAT PRODUCT MUST BE INACCESSIBLE BY THE CONSUMER. THIS SCENARIO CAN BE ACCOMPLISHED THROUGH THE IMPLEMENTATION OF SECURITY SHIELDS ON OUR CURRENT SELF-SERVICE DISPLAYS SHOULD WE MOVE FORWARD WITH THIS CONTRACT APPROACH.

ENHANCEMENT \$ WILL BE UTILIZED, IF NECESSARY, TO COUNTER COMPETITIVE CONTRACT REWRITES FOR 1997 USING THE SAME METHODOLOGY AS IN 1996. TARGETING OF PM EXCLUSIVE RETAILERS FOR CONVERSION TO CO-EXISTENCE WILL BE DONE INITIALLY ON A NATIONAL LEVEL WITH ACCOUNT EXECUTIVE ACCOUNTS RECEIVING FIRST PRIORITY. SECONDARY PRIORITY TARGETS WILL BE DEVELOPED ON THE SUCCESS RATIO OF OUR PRIMARY TARGETED ACCOUNTS AND AVAILABILITY OF RESOURCES.

**NEW FULL PRICE DISPLAY  
FIELD SALES ROLLOUT FOR PACK OUTLETS**

**WHY DOES RJR NEED TO UPGRADE FROM CURRENT SYSTEM III UNITS?**

- **PACK OUTLETS PROVIDE RJR THE BEST OPPORTUNITY TO INDUCE COMPETITIVE SMOKER TRIAL AND CONVERSION.**
- **RJR IS INTRODUCING MULTIPLE BRAND INITIATIVES IN 1997 THAT WILL REQUIRE MAXIMUM DISPLAY FLEXIBILITY.**
  - **CAMEL MENTHOL**
  - **RED KAMEL / KAMEL MENTHE**
  - **ECLIPSE**
  - **WINSTON RE-POSITIONING (PENDING)**
  - **MOONLIGHT**
- **IN ORDER FOR BRAND INITIATIVES TO SUCCEED, BRAND COMMUNICATION MUST BE MAXIMIZED AT RETAIL.**

**FIRST PRIORITY:            MAINTAIN SUPPLEMENTAL TEMPORARY DISPLAYS FOR NEW INITIATIVES IN TANDEM WITH PERMANENT DISPLAYS.**

**SECOND PRIORITY:        MERGE INITIATIVE BRANDS INTO EXISTING PERMANENT PLATFORMS (MOONLIGHT IS THE EXCEPTION -- ALWAYS MAINTAIN TEMP).**

**NEW FULL PRICE DISPLAY  
FIELD SALES ROLLOUT FOR PACK OUTLETS**

**WHY DOES RJR NEED TO UPGRADE FROM CURRENT SYSTEM III UNITS? (CONT.)**

- **COMPETITORS RECOGNIZE PACK OUTLETS AS THEIR STRONGEST OPPORTUNITY AS WELL.**
  - **B&W = LOW DEMANDS + COMPETITIVE PAYMENTS**
  - **PM = HIGH DEMANDS + HIGHEST PAYMENTS**
    - **PM'S SHARE OF FACINGS & PRESENCE REQUIREMENTS LIMITS COMPETITIVE ACTIVITY**
- **SYSTEM III IS AGING FAST.**
  - **STATIC APPEARANCE**
  - **LIMITED FLEXIBILITY**
  - **EXISTING TRAY CONFIGURATIONS (6 & 8 WIDE) FORCE RJR BRAND CONFIGURATIONS**
  - **DIFFICULTY IN WORKING TEMP DISPLAYS IN TANDEM DUE TO FACINGS LIMITATIONS**

**NEW FULL PRICE DISPLAY  
FIELD SALES ROLLOUT FOR PACK OUTLETS**

**IN ORDER TO MAXIMIZE BRAND COMMUNICATION AT RETAIL, THE PURPOSE OF THE FULL PRICE COUNTER DISPLAY MUST BE REDEFINED TO:**

- **BREAK TRADITIONAL INVENTORY / FACINGS MINDSET ASSOCIATED WITH PRIOR DISPLAY SYSTEMS. CREATE STRONGER "BRAND IMPRESSIONS" THAN PRODUCT FACINGS ALONE CAN CONVEY.**
- **MAXIMIZE EMPHASIS OF COUNTER DISPLAY AS A "BRAND COMMUNICATION" VEHICLE THAT INTERACTS WITH THE CONSUMER (I.E., BRAND MESSAGE IS MORE IMPORTANT THAN INCREMENTAL FACINGS / INVENTORY).**
- **ACCOMMODATE CONFIGURATION NEEDS OF CURRENT AND PLANNED INITIATIVES.**
- **MINIMIZE USAGE AS A PROMOTIONAL VEHICLE TO REFLECT HIGH VALUE / QUALITY IMAGE.**
- **UTILIZE VALUABLE RETAIL COUNTER SPACE AS A PRIMARY MEANS OF INTERRUPTING COMPETITIVE SMOKER PURCHASE PATTERNS.**
- **MAXIMIZE RJR'S POINT-OF-DIFFERENCE ON THE COUNTER.**
- **MEET SPECIAL MARKET AND LEGISLATED SITUATION DEMANDS (INNER CITY / NSS) FOR THE LONGER TERM.**

**NEW FULL PRICE DISPLAY  
FIELD SALES ROLLOUT FOR PACK OUTLETS**

**FIELD ROLLOUT PLAN OBJECTIVE:**

**TO MAXIMIZE NEW DISPLAY PENETRATION IN PACK OUTLETS TO SUPPORT BRAND INITIATIVE MARKETS WITH A DEEP SENSE OF URGENCY. MAINTAIN SENSITIVITY TO FIELD SALES IMPLEMENTATION AND SALES MATERIALS LOGISTICS ISSUES.**

**SALES AREA**

**ANTICIPATED INTRODUCTION DATE**

**WESTERN**

**LATE 1ST QUARTER**

**MID-WEST**

**EARLY - MID 2ND QUARTER**

**NORTHEAST**

**MID - LATE 2ND QUARTER**

**SOUTHERN**

**EARLY 3RD QUARTER**

- **RJR HAS PLEDGED RESOURCES FOR THE CONVERSION TO THE NEW DISPLAY IN APPROXIMATELY 60% OF OUR CONTRACTED PACK OUTLETS.**
- **FIRST AVAILABLE PRODUCTION TO INCLUDE FIELD SALES TRAINING KIT FOR EACH RJR DIVISION AND SELLING PROCEDURES WITH DELIVERY BY MID-MARCH 1997.**

**NEW FULL PRICE DISPLAY  
FIELD SALES ROLLOUT FOR PACK OUTLETS**

**FIELD EXECUTION PLAN:**

- **NEW DISPLAY WILL ONLY BE AVAILABLE FOR PACK OUTLETS. CIGARETTE / TOBACCO STORES WILL UTILIZE SYSTEM III SINCE MAJORITY OF BUSINESS IS SOLD BY THE CARTON.**
- **NEW DISPLAY WILL BE AVAILABLE IN FINITE # OF CONFIGURATIONS.**
  - **TO SIMPLIFY IMPLEMENTATION PROCESS**
  - **IN ORDER TO SHIP "PRE-ASSEMBLED" WITH DESIGNATED AD COPY**
  - **EXCEPTIONS INCLUDE CHAIN SPECIALS FOR MAJOR PLAYERS AND OTHER CONFIGURATIONS THAT WILL BE FILLED VIA "SPARE PARTS" INVENTORY**
- **RJR WILL NOT WAREHOUSE THE NEW DISPLAY.**
  - **ALL DISPLAYS WILL BE PRE-ORDERED BY FIELD SALES VIA DESIGNATED ORDER FORM.**
  - **ORDERS WILL BE FAXED OR MAILED TO DISPLAY SUPPLIER.**
  - **ALL ORDERS WILL BE FILLED ON "MAKE & SHIP" BASIS.**



**NEW FULL PRICE DISPLAY  
FIELD SALES ROLLOUT FOR PACK OUTLETS**

- **ALL SIGNAGE FOR THE DISPLAY WILL BE SHIPPED WITH PRE-ASSEMBLED UNIT.**
  - **CARD OR TRANSPARENCY DECK (NON-LIT VS. LIT) FOR EACH SIGN WILL BE SHIPPED WITH DISPLAY.**
  - **SPARE TRANSPARENCIES OR CARDS WILL BE AVAILABLE FOR ORDER IN SMS.**
- **FIELD SALES WILL BE NOTIFIED OF DISPLAY SHIPMENT IN MANNER SIMILAR TO CURRENT SMS PROCESS.**

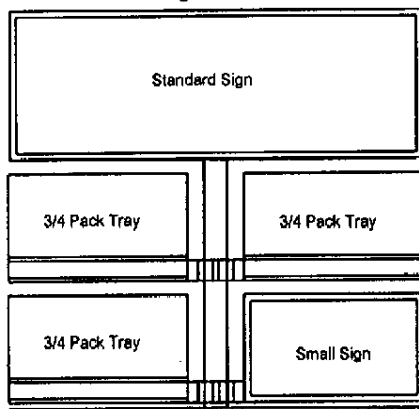
**NEW FULL PRICE DISPLAY  
FIELD SALES ROLLOUT FOR PACK OUTLETS**

**LIT VERSUS NON-LIT DISPLAYS**

- CAREFUL CONSIDERATION SHOULD BE UTILIZED WHEN ORDERING LIT DISPLAYS DUE TO COST/EFFECTIVENESS OF THE DECISION. DUE TO ELECTRICAL COMPONENTS, THE COST OF A LIT DISPLAY IS APPROXIMATELY DOUBLE THAT OF A NON-LIT UNIT.
- IN RETAIL SITUATIONS WHERE THE RETAILER DOES NOT KEEP OUR CURRENT LIT SYSTEM III DISPLAYS PLUGGED IN, WE SHOULD NOT BEAR THE EXPENSE OF REPLACING THE CURRENT DISPLAYS WITH LIT NEW DISPLAYS.
- DISPLAY LIGHTING IS VERY EFFECTIVE IN CUTTING THROUGH COUNTER CLUTTER. THIS SITUATION EXISTS, IN MOST CASES, WHERE THE RETAILER HAS CHOSEN AN INDUSTRY APPROACH SUPPORTED BY MULTIPLE (3 OR MORE) MANUFACTURERS. COMPETITIVE AND RJR CONTRACTS DRIVE AS MANY AS 7 OR 8 PERMANENT CIGARETTE DISPLAYS ON THE PRIMARY SELLING COUNTER AND THE BACKBAR. DISPLAY LIGHTING PROVIDES A VALUABLE POINT-OF-DIFFERENCE TO RJR COUNTER DISPLAYS UNDER THESE CONDITIONS.
- RETAILERS THAT HAVE UNDERGONE COUNTER CONSOLIDATION OF CONTRACTED DISPLAYS HAVE MADE A CONSCIOUS DECISION TO CLEAN UP THE CLUTTER ON THEIR COUNTERS. LIT DISPLAYS, ALTHOUGH ATTRACTIVE, DO LITTLE TO ADD TO RJR'S EFFECTIVENESS IN THIS SITUATION.
- IN SUMMARY, UTILIZE YOUR GOOD BUSINESS JUDGMENT IN DETERMINING WHERE LIT DISPLAYS CAN ADD VALUE FOR RJR.

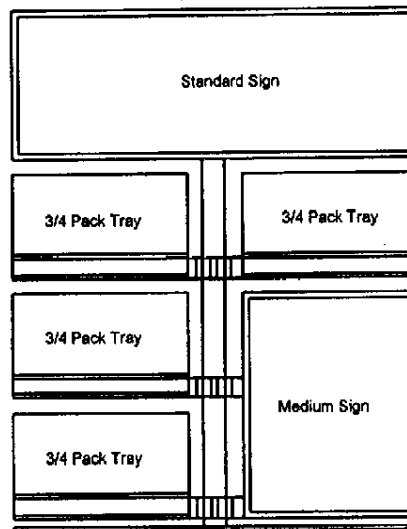
# ADJUSTABLE POLE DISPLAY (APD) COUNTER CONFIGURATIONS

Configuration A



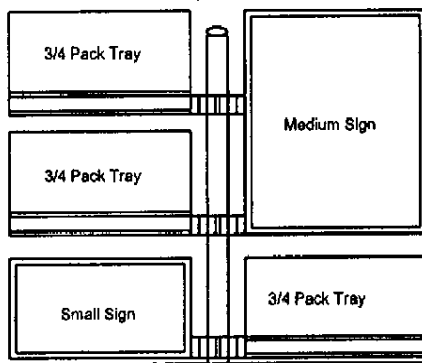
Height..... 16"  
Min. Width..... 19 1/4"  
Max. Width..... 21 5/8"  
Depth..... 6"

Configuration D



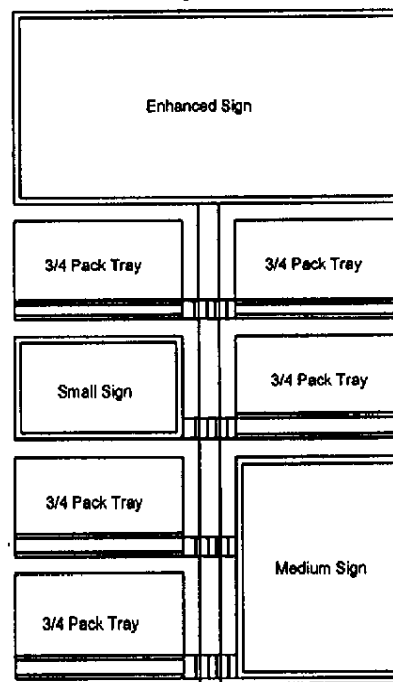
Height..... 23"  
Min. Width..... 19 1/4"  
Max. Width..... 21 5/8"  
Depth..... 6"

Configuration B



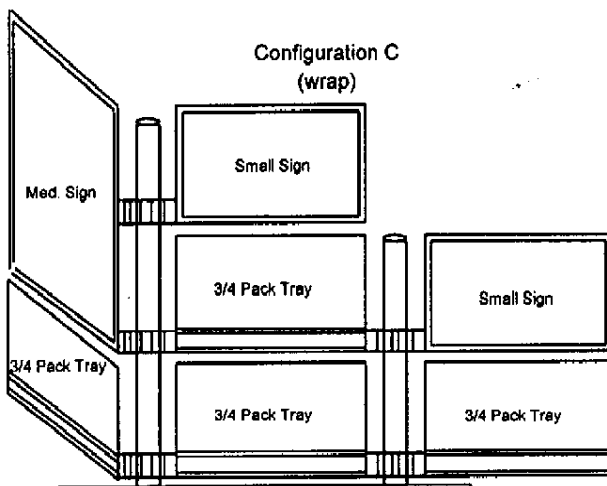
Height..... 16 3/8"  
Min. Width..... 19 1/4"  
Max. Width..... 21 5/8"  
Depth..... 6"

Configuration E



Height..... 31 3/8"  
Min. Width..... 19 1/4"  
Max. Width..... 21 5/8"  
Depth..... 6"

Configuration C  
(wrap)



Height..... 16 3/4"  
Min. Width..... 22 1/2"  
Max. Width..... 27 1/2"  
Depth..... 6"

51988 7311

**NEW FULL PRICE DISPLAY  
FIELD SALES ROLLOUT FOR PACK OUTLETS**

- IN ORDER THAT WE MAY PROPERLY FORECAST FOR ADEQUATE PRODUCTION OF THE NEW UNITS AND DECREASE ORDER / SHIPMENT LAG TIME TO FIELD SALES, THE FOLLOWING DISPLAY PROJECTION ESTIMATE SPREADSHEET MUST BE COMPLETED BY EACH REGION AND ACCOUNT EXECUTIVE AND REMITTED TO EACH SALES AREA MANAGER OF OPERATIONS BY JANUARY 10, 1997.
- SINCE WE ARE BUDGETED FOR A 60% ROLLOUT OF THE NEW UNIT, PLEASE ADHERE TO THE FOLLOWING CRITERIA IN YOUR INITIAL PROJECTIONS:
  - FIRST PRIORITY: MAJOR NATIONAL PACK OUTLET CHAINS WITH ACCT. EXECUTIVE ACCOUNTABILITY.
  - SECOND PRIORITY: MAJOR REGION PACK OUTLET CHAINS WITH KAM / AM ACCOUNTABILITY WITH WEEKLY SALES > 150 INDUSTRY CPW PER STORE.
  - THIRD PRIORITY: HIGH VOLUME PACK OUTLET INDEPENDENTS THAT SELL > 150 INDUSTRY CPW.
- AS WE WILL CONTINUE THE ROLLOUT OF THE NEW DISPLAY IN 1998, SPECIAL CONSIDERATION SHOULD BE GIVEN IN 1997 TO PACK OUTLETS THAT:
  - ARE PRIMARILY CONVENIENCE / GAS
  - WILL PROVIDE RJR THE MAXIMUM OPPORTUNITY FOR OUR 1997 BRAND INITIATIVES
  - PROVIDE THE GREATEST % OF CIV COVERAGE IN A GIVEN MARKETPLACE
  - ARE RESETTING COUNTER CONFIGURATIONS DUE TO THE INSTALLATION OF SCANNING EQUIPMENT
- ACCOUNTS THAT DO NOT MEET THE ABOVE CRITERIA MUST BE HELD FOR 1998 IMPLEMENTATION DUE TO WORKLOAD AND BUDGETARY CONSIDERATIONS OF OUR 1997 PLAN.

**NEW FULL PRICE COUNTER DISPLAY 1997 ROLLOUT**

**(SALES PROJECTION ESTIMATES)**

REGION	RJR ACCT. PERSONNEL	STORE NAME	# OF STORES	# OF LIT DISPLAYS PER STORE	TOTAL # OF LIT DISPLAYS	# OF NON-LIT DISPLAYS PER STORE	TOTAL # OF NON-LIT DISPLAYS
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
					0		0
	N/A	INDEPENDENTS			0		0
TOTAL	N/A	N/A	0	N/A	0	N/A	0

**DISPLAY GRAND TOTAL (LIT & NON-LIT) = 0**

51988 7313

RETAIL ACCRUAL PROGRAM

51988 7314

# RETAIL ACCRUAL PROGRAM

51988 7315

## **1997 RETAIL ACCRUAL PROGRAM**

### **BROAD OBJECTIVE**

**MAINTAIN THE RETAIL ACCRUAL PROGRAM AS A PRIMARY COMPONENT OF RJR'S BUNDLED MARKETING PLAN TO ENSURE DISPLAY AND PRESENCE NEEDS ARE ACHIEVED AT RETAIL**

### **STRATEGIES**

- **INCREASE PERCEIVED VALUE OF RJR'S TOTAL INVESTMENT AT RETAIL**
- **LEVERAGE AS A SIGNIFICANT POINT OF DIFFERENCE FROM B&W'S CURRENT RETAIL PROGRAM**
- **INCREASE RATES IN TRADE CLASS WHERE NECESSARY TO BE COMPETITIVE**
- **REVERSE CURRENT RETAILER MATCH TREND BY LEVERAGING RJR / RETAILER MATCH FOR OPTIONAL PROGRAMS AVAILABLE ONLY TO MATCH PARTNERS**
- **HIGHLY ENCOURAGE MAXIMUM LEVEL OF MERCHANDISING/PRESENCE PARTICIPATION**
- **ENSURE A STRAIGHT LINK TO RETAIL PRESENCE / EDLP**



## **1997 RETAIL ACCRUAL PROGRAM**

### **PROGRAM ELEMENTS**

- **BASE ACCRUAL DOLLARS WILL BE UTILIZED TO SATISFY OUR FULL PRICE DISCOUNT STRATEGIES FIRST (GAP/MATCHING) ON WINSTON, CAMEL, SALEM AND VANTAGE**
- **DISCOUNTING DOLLARS NEEDED TO IMPLEMENT THE STRATEGY ABOVE BASE DOLLARS WILL BE FUNDED THROUGH THE GENERAL GAP BUDGET**
- **THE CURRENT MATCH OPTION WILL CONTINUE (REVITALIZE INTEREST)**
- **BASE DOLLARS WILL BE USED PRIMARILY FOR DEFENSIVE PURPOSES. ONLY MATCHING DOLLARS SHOULD BE USED FOR AGGRESSIVE, OFFENSIVE SPENDING PROGRAMS**
- **RJR/RETAILER MATCH DOLLARS CAN BE UTILIZED FOR DIRECT MARKETING, EXTRA SME SKU'S, MULTI-PACK AND OTHER P.O.D. PROGRAMS PRIMARILY ON WINSTON AND CAMEL**
  - **USE OF CUSTOMIZED DIRECT MARKETING FOR MATCH PARTNERS WHERE IT MAKE STRATEGIC SENSE**
  - **IN SELECTED SITUATIONS, THE BASE ACCRUAL DOLLARS (THOSE LEFT AFTER GAP/MATCHING STRATEGY NEEDS ARE SATISFIED) CAN BE UTILIZED ON THESE PROGRAMS ON AN EXCEPTION BASIS**
- **SIMPLICITY OF EXECUTION IN IMPLEMENTING STRATEGY AND REPORTING**

1997 RETAIL ACCRUAL PROGRAM

TRADE CHANNEL DETAIL

CIGARETTE / TOBACCO STORES		TRADITIONAL CARTON		PACK	
• MATCH:  RATES 10¢, 20¢, 25¢	- 10¢ PLUS 5¢ / 5¢	- 10¢ PLUS 5¢ / 5¢	- 10¢ PLUS 5¢ / 5¢	- 10¢ PLUS 5¢ / 5¢	• RATES 10¢, 25¢, 35¢  • MATCH:
	- 20¢ PLUS 10¢ / 10¢	- 20¢ PLUS 10¢ / 10¢	- 20¢ PLUS 10¢ / 10¢	- 20¢ PLUS 10¢ / 10¢	* 25¢ PLUS 10¢ / 10¢
	- 25¢ PLUS 12.5¢ / 12.5¢	- 25¢ PLUS 12.5¢ / 12.5¢	- 25¢ PLUS 12.5¢ / 12.5¢	- 25¢ PLUS 12.5¢ / 12.5¢	* 35¢ PLUS 12.5¢ / 12.5¢

\* INCREMENTAL 5¢ AND 10¢ ADDED TO PACK ACCRUAL LEVEL 2/3 TO MEET COMPETITIVE RATES IN PACK OUTLET CLASS OF TRADE

## 1997 RETAIL ACCRUAL PROGRAM

### PROGRAM COMPARISON

#### 1996 RETAIL ACCRUAL

- 3 LEVELS
- RATES SAME FOR ALL CLASSES OF TRADE
- PARTNER PROMOTIONS ACCRUED IN PACK OUTLETS
- DORAL PARTICIPATED IN ACCRUED PARTNER PROMOTIONS
- ACCRUAL FUND UTILIZED FOR PARTNER PROMOTIONS AND FLEXIBLE SPENDING
- LEVEL 1 MERCHANDISING PARTNERS COULD PARTICIPATE IN LEVEL 1 ACCRUAL ONLY REGARDLESS OF EDLP POSITION (CIGARETTE OUTLET LEVEL 1 THE EXCEPTION)

#### 1997 RETAIL ACCRUAL

- 3 LEVELS
- HIGHER MEETING COMPETITION RATE FOR PACK OUTLET ACCOUNTS; CONSISTENT WITH BUSINESS BUILDING OPPORTUNITIES
- PARTNER PROMOTIONS ELIMINATED; NATIONAL WORKPLAN FOR PACK OUTLET PARTNERS
- DORAL DISCOUNTING NEEDS SUPPORTED BY CEILING STRATEGY FUNDING
- BASE ACCRUAL FUND UTILIZED PRIMARILY FOR GAP / MATCHING STRATEGIES WITH MATCH ACCRUAL DOLLARS UTILIZED FOR OPPORTUNISTIC / FLEXIBLE NEEDS
- ALL CARTON OUTLET AND CIGARETTE / TOBACCO STORE MERCHANDISING PARTNERS CAN PARTICIPATE AT LEVEL 1, 2, OR 3 ACCRUAL BASED ON EDLP POSITION (EXCLUDING RA CONTRACTED PARTNERS)

# 1997 RETAIL ACCRUAL PROGRAM

MERCHANDISING/PRESENCE		RETAILER ACCRUAL LEVEL PARTICIPATION			
PACK OUTLETS					
<b>LEVEL 1</b> <ul style="list-style-type: none"><li>ONE FPD/ONE SD SHARE OF PRESENCE = SOM</li></ul>		<b>LEVEL 1</b> <ul style="list-style-type: none"><li>DISADVANTAGED EDLP POSITION<ul style="list-style-type: none"><li>— \$.10 RETAIL ACCRUAL</li></ul></li></ul>		<b>LEVEL 2</b> NOT AVAILABLE	
<b>LEVEL 2</b> <ul style="list-style-type: none"><li>TWO FPD'S/ONE SD WITH SPACE &amp; SIGNAGE EQUAL TO SOM (OR PARITY TO COMPETITION)</li></ul>		<b>LEVEL 1</b> <ul style="list-style-type: none"><li>DISADVANTAGED EDLP POSITION<ul style="list-style-type: none"><li>— \$.10 RETAIL ACCRUAL</li></ul></li></ul>		<b>LEVEL 2</b> <ul style="list-style-type: none"><li>PARITY EDLP POSITION<ul style="list-style-type: none"><li>— \$.25 RETAIL ACCRUAL</li></ul></li></ul>	
<b>LEVEL 3</b> <ul style="list-style-type: none"><li>TWO FPD'S/ONE SD WITH SPACE &amp; SIGNAGE SIGNIFICANTLY GREATER THAN SOM</li><li>ONLY (2) COMPANIES REPRESENTED</li></ul>		<b>LEVEL 1</b> <ul style="list-style-type: none"><li>DISADVANTAGED EDLP POSITION<ul style="list-style-type: none"><li>— \$.10 RETAIL ACCRUAL</li></ul></li></ul>		<b>LEVEL 2</b> <ul style="list-style-type: none"><li>PARITY EDLP POSITION<ul style="list-style-type: none"><li>— \$.25 RETAIL ACCRUAL</li></ul></li></ul>	
CARTON OUTLETS					
<b>MEETING COMPETITION</b> SHARE OF SPACE = SOM FOR PACKS AND CARTONS IN SECONDARY POSITION RJR SIGNAGE EXC. FIGURES NOT DISADVANTAGED		<b>LEVEL 1</b> <ul style="list-style-type: none"><li>DISADVANTAGED EDLP POSITION<ul style="list-style-type: none"><li>— \$.10 RETAIL ACCRUAL</li></ul></li></ul>		<b>LEVEL 2</b> <ul style="list-style-type: none"><li>PARITY EDLP POSITION<ul style="list-style-type: none"><li>— .20 RETAIL ACCRUAL</li></ul></li></ul>	
<b>LEVEL 2</b> <ul style="list-style-type: none"><li>SPACE AND SIGNAGE IN PRIMARY POSITION WITH HORIZONTAL OR VERTICAL LOAD. PARITY PACK AND SAVINGS POSITIONING</li></ul>		<b>LEVEL 1</b> <ul style="list-style-type: none"><li>DISADVANTAGED EDLP POSITION<ul style="list-style-type: none"><li>— \$.10 RETAIL ACCRUAL</li></ul></li></ul>		<b>LEVEL 2</b> <ul style="list-style-type: none"><li>PARITY EDLP POSITION<ul style="list-style-type: none"><li>— \$.20 RETAIL ACCRUAL</li></ul></li></ul>	
CIGARETTE / TOBACCO STORES					
<b>SIGNAGE COMPONENT</b> <ul style="list-style-type: none"><li>ENHANCED OUTSIDE PRESENCE &gt; SOM IN PRIMARY POSITION (DRIVE-THRU CONCEPT)</li></ul>		<b>LEVEL 1</b> <ul style="list-style-type: none"><li>DISADVANTAGED EDLP POSITION<ul style="list-style-type: none"><li>— \$.10 RETAIL ACCRUAL</li></ul></li></ul>		<b>LEVEL 2</b> <ul style="list-style-type: none"><li>PARITY EDLP POSITION<ul style="list-style-type: none"><li>— \$.20 RETAIL ACCRUAL</li></ul></li></ul>	
<b>LEVEL 2</b> <ul style="list-style-type: none"><li>PACK &amp; CARTON PRESENCE WITH APPROPRIATE SIGNAGE &gt; SOM</li><li>INSIDE AND OUTSIDE SIGNAGE &gt; SOM</li></ul>		<b>LEVEL 1</b> <ul style="list-style-type: none"><li>DISADVANTAGED EDLP POSITION<ul style="list-style-type: none"><li>— \$.10 RETAIL ACCRUAL</li></ul></li></ul>		<b>LEVEL 2</b> <ul style="list-style-type: none"><li>PARITY EDLP POSITION<ul style="list-style-type: none"><li>— \$.20 RETAIL ACCRUAL</li></ul></li></ul>	
<b>LEVEL 3</b> <ul style="list-style-type: none"><li>PACK &amp; CARTON PRESENCE WITH APPROPRIATE SIGNAGE SIGNIFICANTLY GREATER THAN SOM</li><li>TWO COMPANIES REPRESENTED BY PRESENCE</li></ul>		<b>LEVEL 1</b> <ul style="list-style-type: none"><li>DISADVANTAGED EDLP POSITION<ul style="list-style-type: none"><li>— \$.10 RETAIL ACCRUAL</li></ul></li></ul>		<b>LEVEL 2</b> <ul style="list-style-type: none"><li>PARITY EDLP POSITION<ul style="list-style-type: none"><li>— \$.20 RETAIL ACCRUAL</li></ul></li></ul>	

# RETAIL ACCRUAL (CARTON)

Volume Range		70-79	80-100	101-140	141-177	178-221	222-279	280-345
<b>TYPE: CTN ACCRUAL</b> (Retail Accrual Base Contract)								
<b>Level 1 Plan</b>		L1A	L1B	L1C	L1D	L1E	L1F	L1G
<b>Payment</b>		32	40	52	70	86	108	136
<b>Level 2 Plan</b>		L2A	L2B	L2C	L2D	L2E	L2F	L2G
<b>Payment</b>		66	78	104	138	174	218	272
<b>Level 3 Plan</b>		L3A	L3B	L3C	L3D	L3E	L3F	L3G
<b>Payment</b>		82	98	130	172	216	272	338
<b>TYPE: CTN AC MAT</b> (Retail Accrual RJR/Retailer Match Contract)								
<b>Level 1 Plan</b>		L1A	L1B	L1C	L1D	L1E	L1F	L1G
<b>Payment</b>		48	60	78	105	129	162	204
<b>Retail Match</b>		16	20	26	35	43	54	68
<b>Level 2 Plan</b>		L2A	L2B	L2C	L2D	L2E	L2F	L2G
<b>Payment</b>		99	117	156	207	261	327	408
<b>Retail Match</b>		33	39	52	69	87	109	136
<b>Level 3 Plan</b>		L3A	L3B	L3C	L3D	L3E	L3F	L3G
<b>Payment</b>		123	147	195	258	324	408	507
<b>Retail Match</b>		41	49	65	86	108	136	169
<b>TYPE: RATD</b> (RDA to Retail Accrual Trade-Off)								
<b>Plan: MC</b>								
<b>Payment: Variable (+\$)</b>								

**RETAIL ACCRUAL (CIGARETTE OUTLET)**

Volume Range		80-100	101-140	141-177	178-221	222-279	280-345	346-432	433-540	541-678	679-845	846-1056	1057-1300	1301-1500	1501-1700	1701-1900	1901-2100	2101-2350	2351-2600	2601-3000
<b>TYPE: CO ACCRUAL</b> (Retail Accrual Base Contract)																				
A	Level 1 Plan	L1A	L1B	L1C	L1D	L1E	L1F	L1G	L1H	L1I	L1J	L1K	L1L	L1M	L1N	L1O	L1P	L1Q	L1R	L1S
	Payment	40	52	70	86	108	136	168	212	264	330	412	510	606	694	780	866	964	1072	1214
C	Level 2 Plan	L2A	L2B	L2C	L2D	L2E	L2F	L2G	L2H	L2I	L2J	L2K	L2L	L2M	L2N	L2P	L2P	L2Q	L2R	L2S
	Payment	78	104	138	174	218	272	338	422	528	660	824	1022	1214	1386	1560	1732	1928	2144	2426
C	Level 3 Plan	L3A	L3B	L3C	L3D	L3E	L3F	L3G	L3H	L3I	L3J	L3K	L3L	L3M	L3N	L3O	L3P	L3Q	L3R	L3S
	Payment	98	130	172	216	272	338	422	528	660	826	1030	1276	1516	1734	1950	2166	2410	2680	3032
<b>TYPE: CO AC MATCH</b> (Retail Accrual RJR/Retailer Match Contract)																				
Volume Range		80-100	101-140	141-177	178-221	222-279	280-345	346-432	433-540	541-678	679-845	846-1056	1057-1300	1301-1500	1501-1700	1701-1900	1901-2100	2101-2350	2351-2600	2601-3000
U	Level 1 Plan	L1A	L1B	L1C	L1D	L1E	L1F	L1G	L1H	L1I	L1J	L1K	L1L	L1M	L1N	L1O	L1P	L1Q	L1R	L1S
	Payment	60	78	105	129	162	204	252	318	396	495	618	765	909	1041	1170	1299	1446	1608	1821
L	Retail Match	20	26	35	43	54	68	84	106	132	165	206	255	255	347	390	432	482	536	607
	Level 2 Plan	L2A	L2B	L2C	L2D	L2E	L2F	L2G	L2H	L2I	L2J	L2K	L2L	L2M	L2N	L2P	L2P	L2Q	L2R	L2S
	Payment	117	156	207	261	327	408	507	633	792	990	1236	1533	1824	2079	2340	2598	2892	3216	3639
	Retail Match	39	52	69	87	109	136	169	211	264	330	412	511	607	693	780	866	964	1072	1213
	Level 3 Plan	L3A	L3B	L3C	L3D	L3E	L3F	L3G	L3H	L3I	L3J	L3K	L3L	L3M	L3N	L3O	L3P	L3Q	L3R	L3S
	Payment	147	195	258	324	408	507	633	792	990	1239	1545	1914	2274	2601	2925	3249	3615	4020	4543
Retail Match		49	65	86	108	136	169	211	264	330	413	515	638	758	867	975	1083	1205	1340	1516
<b>TYPE: RATIO</b> (RDA to Retail Accrual Trade-Off)																				
Plan: MC																				
Payment: Variable (+\$)																				

## **1997 RETAIL ACCRUAL PROGRAM**

### **PLANNING**

**PROPER PLANNING CAN OPTIMIZE THE VALUE OF THE ACCRUAL PROGRAM TO OUR OVERALL WORKPLAN AND BUSINESS BUILDING EFFORTS.**

- **GIVE YOURSELF PLENTY OF LEAD-TIME TO IMPLEMENT YOUR STRATEGIES.**
- **MEET WITH THE RETAIL ACCOUNT TO DISCUSS:**
  - 1) CHANGES TO THE ACCRUAL PROGRAM**
    - **NEW MEETING COMPETITION RATES IN PACK OUTLETS**
    - **IF APPLICABLE, NEW RATES FOR LEVEL 1 PARTNERS (MEETING COMPETITION) WHO HISTORICALLY ONLY PARTICIPATED IN LEVEL 1 ACCRUAL AND NOW QUALIFY FOR LEVEL 2 OR 3**
    - **BASE DOLLARS SPENT AS DEFENSIVE DISCOUNTING**
    - **MATCH DOLLARS AS OFFENSIVE PROGRAMS, ETC.**
  - 2) HOW YOU PLAN TO IMPLEMENT THE SPENDING**
    - **FULL PRICE BRAND OPPORTUNITIES**
    - **HISTORICAL FULL PRICE DISCOUNTING NEEDS**
    - **PROPER "BALANCE" OF INDUSTRY PROMOTIONAL OFFERS AND SUBSEQUENT RJR NEEDS**
    - **MATCHING DOLLAR OFFENSIVE PROGRAMS**
    - **PACK VS. CARTON OFFERS**
  - 3) HOW THIS INTEGRATED PROMOTIONAL PLAN WILL BENEFIT BOTH RJR AND THE ACCOUNT**
    - **INCREASED SALES**
    - **INCREASED STORE CUSTOMER COUNT/SALES**
    - **POINT-OF-DIFFERENCE VS. NON-RJR PARTNERS**

## 1997 RETAIL ACCRUAL PROGRAM

### FULL PRICE DISCOUNTING

AS STATED IN THE "PROGRAM ELEMENTS" ON PAGE 2, BASE ACCRUAL DOLLARS WILL BE THE FIRST PRIORITY OF USAGE TO SATISFY OUR FULL PRICE DISCOUNTING STRATEGIES.

FULL PRICE DISCOUNTING SHOULD BE IMPLEMENTED ONLY ON THE FOLLOWING BRAND FAMILIES, CONSISTENT WITH OUR GAP AND MATCHING STRATEGIES:

- CAMEL
- WINSTON
- SALEM
- VANTAGE

AS A RULE, OUR RETAIL REPRESENTATIVES WILL IMPLEMENT DISCOUNTING DECISIONS THROUGH THE "EXPERT SYSTEM" IN THEIR RETAIL ACCOUNTS FOLLOWING OUR "GAP" AND/OR "MATCHING" STRATEGIES. DOLLARS NEEDED TO IMPLEMENT THE STRATEGY BEYOND AVAILABLE BASE DOLLARS WILL AUTOMATICALLY BE FUNDED FROM OUR GAP BUDGET. EXCEPTIONS TO THE RULE MUST BE APPROVED THROUGH RSM, AVP, SVP PROCESS.



## 1997 RETAIL ACCRUAL PROGRAM

### SYSTEMS SUPPORT

#### THE ACCRUAL SUPPORT SYSTEM WILL:

- RECORD GAP SPENDING UP TO THE AVAILABLE ACCRUAL TOTAL THEN AUTOMATICALLY DEBIT DOLLARS SPENT ABOVE THAT TO GAP BUDGET
- ALLOW FIELD TO RECORD RJR AND RETAILER MATCH SPENDING
  - ENTRY FIELD AVAILABLE IN POQUET AND PC TO ACCURATELY CAPTURE SPENDING
- ALLOW KAM'S, AM'S, SR'S TO "PROTECT" DOLLARS FOR PRE-PLANNED PROGRAMS WITHIN STRATEGIC PARAMETERS ON AN EXCEPTION BASIS
  - MATCH DOLLARS ARE AUTOMATICALLY PROTECTED
  - BY EXCEPTION, BASE DOLLARS MAY BE PROTECTED
- DISTRIBUTE UNPROTECTED DOLLARS BACK TO STORE LEVEL ON EQUAL BASIS TO SUPPORT GAP / MATCHING NEEDS
  - IF MATCH DOLLARS WILL NOT BE UTILIZED FOR OFFENSIVE PROGRAMS, DOLLARS WILL SPREAD BACK TO RETAIL ACCOUNTS BY % CIV IN CHAIN, EVENLY TO ALL STORES, ETC.
- ALLOW FORWARD SPENDING WHEN STRATEGICALLY NECESSARY
  - MAKES DOLLARS AVAILABLE PRIOR TO ACTUALLY ACCRUING

match \$  
- automatically protected  
reps cannot access  
unless released

## 1997 RETAIL ACCRUAL PROGRAM

### **SYSTEMS SUPPORT** (CONT.)

- **SUPPORT DEBITING OF DIRECT MARKETING COSTS, SME SKU'S, ETC.**
  - **MANUAL DEBIT TO ACCURATELY CAPTURE SPENDING**
- **SUPPORT REDUCED INVOICE OR WINSTON-SALEM PACKED / STICKERED PV**
  - **IF PRODUCT IS PREPARED FOR PROMOTION IN WINSTON-SALEM SYSTEM WILL ALLOW FOR CAPTURING OF SPENDING AND PROGRAM COSTS**
- **ALLOW UNSPENT BASE DOLLARS TO CARRY FORWARD / BACKWARD TO BE UTILIZED FOR GAP NEEDS PRIOR TO DEBITING GAP BUDGET**
  - **BASE DOLLARS ALWAYS FUND GAP / MATCHING STRATEGY NEEDS FIRST**
- **RECAP GAP SPENDING DEBITED TO ACCOUNTS ON THE ACCRUAL STATEMENT**
  - **SHOWS UP AS "ADDITIONAL SPENDING" ON ACCRUAL STATEMENT**

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## 1997 RETAIL ACCRUAL PROGRAM

### SYSTEMS SUPPORT (CONT.)

#### 1997 RETAIL ACCRUAL CONTRACT ENTRY

THE FOLLOWING RULES WILL APPLY FOR 1997 RETAIL ACCRUAL CONTRACTS WHEN ENTERED IN SIS:

- ONLY THE NEW CONTRACT TYPES CAN BE ENTERED. (NO CMF TYPES).
- RETAIL ACCRUAL CONTRACTS CAN ONLY BE ENTERED INTO RETAIL ACCOUNTS (NOT DIRECT OR INDIRECT).
- ACCOUNT MUST HAVE A PROPER MERCHANDISING CONTRACT EFFECTIVE IN 1997. (EG. PK ACCRUAL WITH PACK MERCHANDISING PLAN, ETC.).
- CONTRACT BEGIN DATES MUST BE ANY MONTH IN CURRENT QUARTER OR FUTURE QUARTER.
- CONTRACT ENDING DATES MUST BE ANY MONTH IN CURRENT QUARTER, ANY MONTH IN FUTURE QUARTER OR LAST MONTH OF PRIOR QUARTER ONLY. NO BACK DATING OF CONTRACTS WILL BE ALLOWED.
- MULTIPLE RETAIL ACCRUAL CONTRACTS CANNOT BE EFFECTIVE AT THE SAME TIME. (EXCEPTION RATD ROLLOVER)
- RETAIL ACCRUAL CONTRACTS CANNOT BE DELETED IF CONTRACT HAS ALREADY BEEN ACCRUED.

## 1997 RETAIL ACCRUAL PROGRAM

TO ASSIST IN UNDERSTANDING THE ACCRUAL SPENDING PROCESS THE FOLLOWING PAGES LAY OUT EXAMPLES OF HOW THE DISCOUNTING DEBITS WILL WORK.

### EXAMPLE #1

- ① SINCE BASE DOLLARS WILL BE PRIMARILY UTILIZED FOR OUR DISCOUNT SPENDING, THE "AVAILABLE FOR GAP" LINE REFLECTS THE BASE DOLLAR ACCRUALS THAT WILL DEBIT FIRST WHEN DISCOUNT SPENDING TAKES PLACE IN A RETAIL ACCOUNT. DOLLARS NEEDED FOR GAP OR MATCH SPENDING ABOVE THE AVAILABLE BASE DOLLARS WILL DRAW FROM OUR GAP FUND.
- ② THE LINE "FP DISCOUNT SPENDING" INDICATES HOW MUCH WAS SPENT MONTH TO MONTH IN THIS ACCOUNT ON FULL PRICE DISCOUNTING BY THE REP "FOLLOWING THE STRATEGY".
- ③ "DISCOUNT SPENDING VS. ACCRUAL" GIVES A + OR - TOTAL DEPENDING ON AVAILABLE BASE \$ VS. STRATEGY NEEDS. IN JANUARY, THE BASE DOLLARS AVAILABLE IS \$100. THE REP ONLY NEEDED \$70 TO IMPLEMENT THE STRATEGY, THEREFORE, \$30 IS CARRIED OVER UNTIL NEEDED. IN FEBRUARY \$120 WAS NEEDED TO IMPLEMENT THE STRATEGY SO \$100 WAS DEBITED FROM FEBRUARY BASE AND \$20 OF THE \$30 JANUARY CARRYOVER WAS UTILIZED AS WELL.
- ④ BASED ON OUR MONTHLY DISCOUNT SPENDING STRATEGY IN THIS ACCOUNT WE DO NOT UTILIZE GAP FUNDING UNTIL MAY (\$20) AND END THE YEAR UTILIZING \$90 OF GAP FUNDING IN ADDITION TO THE \$1200 BASE DOLLARS.

### EXAMPLE #2

- ① IN THIS EXAMPLE, THE SAME ACCOUNT HAS HIGHER DISCOUNTING NEEDS THAN EXAMPLE #1. IN JANUARY, THE FULL PRICE DISCOUNT SPENDING NEEDS ARE \$120 TO IMPLEMENT THE STRATEGY. THE FUNDING IN THIS CASE IS \$100 BASE AND \$20 GAP FUNDING FOR THE MONTH OF JANUARY.
- ② AS YOU CAN SEE, IN BOTH JANUARY AND FEBRUARY FP SPENDING NEEDS REQUIRED GAP FUNDING. HOWEVER, DUE TO LACK OF COMPETITIVE PRESSURE IN MARCH THE REP ONLY NEEDED \$60 BASE SPENDING TO IMPLEMENT THE STRATEGY, LEAVING \$40 UNSPENT FOR THE MONTH.
- ③ SINCE BASE DOLLARS ALWAYS FUND FULL PRICE DISCOUNTING FIRST THE \$40 UNSPENT DOLLARS FROM THE MARCH BASE IS UTILIZED TO FUND JANUARY'S AND FEBRUARY'S DISCOUNTING NEEDS. IN EITHER CASE YOU HAVE SPENT THE \$300 NEEDED FOR FULL DISCOUNT SPENDING.
- ④ AT YEAR-END FULL PRICE DISCOUNTING NEEDS UTILIZED THE \$1200 BASE ACCRUAL AND DUE TO NEEDS \$120 ADDITIONAL DOLLARS WERE FUNDED FROM THE GAP BUDGET AS WELL.

# 1997 RETAIL ACCRUAL PROGRAM

## BASE ACCRUAL \$ CARRYOVER EXAMPLE #1

	Jan-97	Feb-97	Mar-97	Apr-97	May-97	Jun-97	Jul-97	Aug-97	Sep-97	Oct-97	Nov-97	Dec-97	1997 Total
Base \$	100	100	100	100	100	100	100	100	100	100	100	100	1200
Match \$													600
RJR Match	50	50	50	50	50	50	50	50	50	50	50	50	
Retailer Match	50	50	50	50	50	50	50	50	50	50	50	50	600
Total Available	200	200	200	200	200	200	200	200	200	200	200	200	2400
Available for GAP (BASE \$)	100	100	100	100	100	100	100	100	100	100	100	100	1200
Example #1													
FP Discount Spending ①	70	120	100	80	150	200	150	60	100	100	120	40	1290
Disc. Spending vs. Accrual +/- (Mo.) ②	30	-20	0	20	-50	-100	-50	40	0	0	-20	60	-90
Disc. Spending vs. Accrual +/- (YTD) ③	30	10	10	30	-20	-120	-170	-130	-130	-130	-150	-90	
\$ Funded by GAP Budget ④	-0-	-0-	-0-	-0-	GAP	GAP	GAP	GAP	GAP	GAP	GAP	GAP	

	Base \$	GAP \$	Total \$
Retail Accrual Base \$ spent for GAP/ +/- GAP Spending	1200	90	1290

# 1997 RETAIL ACCRUAL PROGRAM

## BASE ACCRUAL \$ CARRYOVER EXAMPLE #2

	Jan-97	Feb-97	Mar-97	Apr-97	May-97	Jun-97	Jul-97	Aug-97	Sep-97	Oct-97	Nov-97	Dec-97	1997 Total
Base \$	100	100	100	100	100	100	100	100	100	100	100	100	1200
Match \$													
RJR Match	50	50	50	50	50	50	50	50	50	50	50	50	600
Retailer Match	50	50	50	50	50	50	50	50	50	50	50	50	600
Total Available	200	200	200	200	200	200	200	200	200	200	200	200	2400
Available for GAP (BASE \$)	100	100	100	100	100	100	100	100	100	100	100	100	1200
<b>Example #2</b>													
FP Discount Spending ①	120	120	60	140	80	80	80	80	100	120	140	200	1320
Disc. Spending vs. Accrual +/- (Mo.) ②	-20	-20	40	-40	20	20	20	20	0	-20	-40	-100	-120
Disc. Spending vs. Accrual +/- (Mo.) ③	-20	-40	0	-40	-20	0	20	40	40	20	-20	-120	
\$ Funded by GAP Budget	GAP	GAP	-0-	GAP	GAP	-0-	-0-	-0-	-0-	-0-	GAP	GAP	

	Base \$	GAP \$	Total \$
Retail Accrual Base \$ spent for GAP/ +/- GAP Spending ④	1200	120	1320

67329 88615

## RJR RETAIL ACCRUAL STATEMENT

TPSK52B2  
ACCOUN :  
SIS # :  
SALES LEVEL :XXXXXX  
PAY DIVISION :

10/31/97  
# STORES: 1  
CHAIN ID: 1234-56-78  
SEGMENT: CN  
CONTRACT TYPE : PK AC MAT L3B

MONTHLY 1997 TOTALS

[illegible]

YEAR 1997 TOTALS

	BASE	RJR MATCH	RETAIL MATCH	ADDITIONAL SPENDING	TOTAL
PROJECTED ACCRUALS	1200	600	600	0	2400
(LESS PROTECTED \$ )	0	-450	0		-450
SPENDING	1150	150	150	150	-1600
AVAILABLE FUNDS	50	0	450		500
AVAILABLE FUNDS PLUS PROTECTED	50	450	450		950

51988 7330

## 1997 RETAIL ACCRUAL PROGRAM

### RETAIL ACCRUAL STATEMENT EXPLANATION

#### MONTHLY 1997 TOTALS

- |                          |   |
|--------------------------|---|
| <u>ACCRUAL BASE</u>      | - MONTHLY BASE ACCRUAL DOLLARS. DOLLARS ARE NOT POSTED TO THE STATEMENT UNTIL ACCRUED (I.E., \$100 PER MONTH THRU OCTOBER EQUALS \$1000). PRIMARY USAGE OF BASE DOLLARS FULL PRICE DISCOUNTING STRATEGY.  |
| <u>RJR MATCH</u>         | - MONTHLY RJR MATCH DOLLAR CONTRIBUTION. RJR MATCH DOLLARS ARE AUTOMATICALLY "PROTECTED" FROM DISCOUNT SPENDING. PRIMARY USAGE IS FOR OFFENSIVE / AGGRESSIVE PROGRAMS.  |
| <u>RETAILER MATCH</u>    | - MONTHLY RETAILER LIABILITY FOR MATCH DOLLAR AGREEMENT. AN EQUAL "DOLLAR VALUE" SHOULD BE IMPLEMENTED AT RETAIL AND REPORTED IN THE ACCRUAL SYSTEM.  |
| <u>TOTAL AVAILABLE</u>   | - RECAPS THE MONTHLY CONTRACTED ACCRUALS BASED ON STORE OR STORES ACTIVE DURING A GIVEN MONTH. THESE FIRST FOUR LINES WILL NOT CHANGE OTHER THAN BY CONTRACT RATE CHANGE OR # OF STORES CONTRACTED MONTH-TO-MONTH.  |
| <u>PROTECTED DOLLARS</u> | - RJR "AUTOMATICALLY PROTECTED" MATCH DOLLARS. ONCE SPENT (BY SPENDING ENTRY) OR RELEASED COLUMN WILL ZERO OUT.   |
| <u>MATCH TO BASE \$</u>  | - AN ENTRY WILL SHOW UP HERE WHEN A CONSCIOUS DECISION IS MADE TO RELEASE "PROTECTED" MATCH DOLLARS BACK TO BASE DOLLARS. THIS WOULD BE TO ALLOW THE MATCH DOLLARS TO BE UTILIZED FOR DISCOUNTING PRIOR TO THE GAP BUDGET IN SITUATIONS WHERE THE CHAIN AND RETAIL ACCOUNT CANNOT IMPLEMENT AGGRESSIVE OFFENSIVE TYPE PROMOTIONS. |



## 1997 RETAIL ACCRUAL PROGRAM

### RETAIL ACCRUAL STATEMENT EXPLANATION (CONT.)

#### MONTHLY 1997 TOTALS

- PROTECTED BASE \$ - BY EXCEPTION ONLY, ENTRY WILL SHOW UP HERE WHEN BASE DOLLARS ARE NEEDED AND APPROVED FOR USE OTHER THAN "IMPLEMENTING THE DISCOUNTING STRATEGIES." MATCH TO BASE AND PROTECTED BASE WILL ONLY SHOW UP ON THE STATEMENT IF AN ENTRY HAS BEEN MADE.
- FP DISC SPENDING - INDICATES ACTUAL FULL PRICE DISCOUNT SPENDING AT RETAIL FOLLOWING OUR DISCOUNTING STRATEGIES.
- DISC. SPENDING VS. ACCR - SPENDING ABOVE THE MONTHLY BASE DOLLARS AVAILABLE FOR DISCOUNT SPENDING.  
A GOOD INDICATOR MONTH-TO-MONTH ON HOW MANY GAP BUDGET DOLLARS HAVE BEEN UTILIZED IN ADDITION TO BASE DOLLARS ON "IMPLEMENTING THE FULL PRICE DISCOUNTING" STRATEGIES.
- RJR MATCH SPENDING - CAPTURES POQUET / PC ENTRIES FOR MATCH DOLLAR SPENDING. NORMALLY WILL BE COUPLED WITH AN IDENTICAL ENTRY FOR RETAILER MATCH SPENDING, BUT CAN STAND ALONE. USAGE SHOULD BE PRIMARILY FOR OFFENSIVE BUSINESS BUILDING PROGRAMS.
- RETAIL MATCH SPENDING - FINALLY GIVES THE ABILITY TO CAPTURE RETAILER MATCH "VALUE" GIVEN TO RJR. POQUET / PC ENTRY WILL ALLOW ACCURATE REPORTING OF "VALUES" SUCH AS DISCOUNTS TAKEN BY RETAILER, BILLBOARD, ROP ADS, DIRECT MARKETING COSTS, ETC.

## 1997 RETAIL ACCRUAL PROGRAM

### RETAIL ACCRUAL STATEMENT EXPLANATION (CONT.)

#### YEAR 1997 TOTALS

- PROJECTED ACCRUALS - TOTAL YEAR ESTIMATES OF ACCRUAL DOLLAR AVAILABILITY.
- (LESS PROTECTED \$) - INDICATES ALL PROTECTED \$ (BASE OR RJR MATCH) AVAILABLE FOR YEAR. ONCE DOLLARS ARE "UNPROTECTED" OR SPENT, AMOUNT PROTECTED IS REDUCED.
- SPENDING - BASE -- BASE DOLLARS Y-T-D SPENT AT RETAIL DEBITED AGAINST BASE ACCRUALS
- RJR MATCH -- DOLLARS SPENT DEBITED TO RJR MATCH
- RETAIL MATCH -- DOLLARS SPENT DEBITED TO RETAIL MATCH
- ADDITIONAL SPENDING -- PRIMARILY GAP BUDGET DOLLARS SPENT IN THE ACCOUNT ABOVE THE AVAILABLE BASE DOLLARS
- AVAILABLE FUNDS - DOLLARS AVAILABLE TO "SPEND TODAY" LESS ANY PROTECTED DOLLARS
- AVAILABLE FUNDS PLUS PROTECTED - TOTAL AMOUNT AVAILABLE TO SPEND IN THE ACCOUNT

51988 88619

## 1997 RETAIL ACCRUAL PROGRAM

### EDLP DEFINITIONS

- **DISADVANTAGED** - RJR DOES NOT HAVE THE EVERYDAY LOW PRICED BRAND IN THE ACCOUNT. EXAMPLES COULD BE A COMPETITIVE PRIVATE LABEL OR A COMPETITIVE BRANDED SAVINGS ENTRY THAT HAS A NON-PROMOTED EVERYDAY LOW PRICE LOWER THAN A COMPARABLE RJR BRAND.
- **PARITY** - RJR HAS PARITY EVERYDAY LOW PRICE AT THE NON-PROMOTED PRICE.
- **ADVANTAGED** - RJR HAS THE EXCLUSIVE EVERYDAY LOW PRICED BRAND IN THE ACCOUNT. EXAMPLES INCLUDE FORSYTH CONTRACTED, RJR DISTRIBUTOR BRANDS, PRIVATE LABEL OR CONTRACTED MONARCH/BEST VALUE IN WHICH THE ACCOUNT PROTECTS THE RJR PRICE POINT.

## FAIR TRADE

### FAIR TRADE STATES

As a large number of RJR Field Operating Units conduct business in "Fair Trade" states, it is critical that Field Sales stay current with Fair Trade state laws and business practices. Fair Trade laws vary by state in their composition and patterns of practice. State laws must always be considered during the planning stages of any Retail Accrual promotion (excluding Partner Promotions), as penalties are generally very stiff for non-compliance. Fair Trade Minimum Selling Prices are published by the states in many circumstances. With Retail Accrual contracts that include the retailer's own funds (Retailer Match), it is paramount that Field Sales personnel fully understand the laws applying to their marketplace so as not to compromise RJR or the participating retailer from the perspective of legality.

If questions should arise involving Fair Trade state law, contact your Regional Business Manager prior to implementation at retail. The Tax department and/or Law department in Winston-Salem are equipped to handle questions from the RBM group that may pertain to legal issues.

51988 7335

## **RETAIL SWEEPSTAKES**

Retail Accrual provides flexibility to both RJR and participating retailers in developing successful Full Price promotions. In that many people have expressed interest in promotions involving Retail Sweepstakes, the following information is supplied describing the "Official Rules" that must be carefully adhered to when executing this type of promotion:

### **I. Legal Restrictions**

It is vital that official rules are carefully followed (some are mandated by state statute). Official rules are:

1. No purchase necessary for entry into sweepstakes drawing.
2. To be eligible to win, entry form must show contestant's name, address and phone number. All questions on the front of entry form must be answered and entry form must be signed.
3. All entries become the property of sponsor.
4. No copies or facsimiles of entry form accepted.
5. Void where prohibited by law.
6. Participant must be a smoker 21 years of age or older and a resident of the United States.
7. Taxes are the responsibility of the prize winner.
8. Entries will be accepted from (OPENING DATE) through (CLOSING DATE).
9. Drawing for prize of ( ) will be held (DATE). Winning entrant will be notified by mail and may be required to sign an affidavit of eligibility. If the winning entrant does not claim the prize within 14 days of notification, another drawing will be held to determine a new winner.
10. The winning entrant need not be present to win.
11. Odds of winning depend on the number of entries received.
12. Do not use name generation cards as entry forms.
13. The following prizes will be awarded. First Prize of \_\_\_\_\_ valued at \_\_\_\_\_, etc. Total value of all prizes is \_\_\_\_\_.
14. For a list of prize winners, send a self-addressed, stamped envelope to (address).

#### **In addition:**

- Federal, state and/or local restrictions which prohibit the use of any part of the product and/or packaging (including promotional packaging that the product is packed in or that is adhered to the pack) for use as entry into a sweepstakes.
- No purchase necessary requirement.
- Bonding and registration requirement for prizes with value in excess of \$500 (value/requirement varies by state).
- Use of games of chance to promote cigarettes is prohibited in MA, MI and VA (at retail). Restrictive legislation in Kansas prohibits certain types of sweepstakes (our legal department will need to give such promotions in that state special scrutiny).
- Posting of sweepstakes rules.

## II. Learning/Best Practices

In response to the interest in sweepstakes, we felt it appropriate to share learning to date.

1. It is very difficult to tie actual volume to retail sweepstakes.

The one possible exception is the option of utilizing the cash register receipt as form of entry.

2. Retail sweepstakes can be an effective way of obtaining retail presence and excitement at a relatively low cost (i.e., supply retailer with a \$25 - \$100 value item from our Continuity Programs) for them to use as door prize and/or sweepstakes which they implement per terms of their state/local guidelines, if retailer agrees to:

- Prominently display the prize.
- Maintain on display for several weeks.
- Allows RJR to achieve dominant POS exposure during same period.
- Runs store special price in association with, etc.

## II. Assistance

In order to provide the assistance and legal concurrence needed to ensure a successful sweepstakes promotion, all sweepstakes promotions must be forwarded through proper Field levels of management for approval by your Sales Area Manager of Operations. Your Manager of Operations will serve as your contact with Winston-Salem regarding any assistance that may be needed with legal, business, resource or other issues. It is necessary to follow this process in order to help ensure that all legal requirements are met.

TRADE DIRECT MARKETING

51988 7339



# TRADE DIRECT MARKETING

51988 7340

**1997 TRADE DIRECT MARKETING PROGRAM****--- CONFIDENTIAL --- FOR RJR USE ONLY****TRADE PARTNER GUIDELINES**  
**FULL PRICE BRANDS****QUALIFICATIONS**

- CHAIN MUST BE A PARTICIPANT IN THE 1997 RETAILER ACCRUAL PROGRAM AT MATCH LEVEL.
- C-STORE CHAIN MUST BE AT A LEVEL II OR III MERCHANDISING PLAN.
- SUPERMARKET CHAIN MUST BE AT A LEVEL II MERCHANDISING PLAN.
- CIGARETTE OUTLET CHAIN MUST BE AT A LEVEL II OR III MERCHANDISING PLAN.

**FUNDING**

- RJR AND RETAILER MATCH DOLLARS FUND FULL PRICE TRADE DIRECT MARKETING PROGRAMS.
- IN SELECTED SITUATIONS, THE BASE ACCRUAL DOLLARS (THOSE LEFT AFTER GAP PRICING NEEDS HAVE BEEN TAKEN CARE OF) CAN BE USED.
- RJR MATCH DOLLARS MUST FUND THE COUPON REDEMPTION IN A FAIR TRADE STATE IF THE COUPON TAKES THE PACK OR CARTON PRICE BELOW THE STATE MINIMUM.

**RECOMMENDATIONS FOR SELECTION CRITERIA**

- CHAIN SHOULD BE AN RJR PARTNER AND A STRATEGICALLY IMPORTANT PLAYER.
- C-STORE CHAIN SHOULD HAVE A 100+ TOTAL INDUSTRY WEEKLY CARTON VOLUME.
- SUPERMARKET CHAIN SHOULD HAVE AN RJR WEEKLY CARTON VOLUME OF 80+.
- CIGARETTE OUTLET CHAIN SHOULD HAVE A 500+ TOTAL INDUSTRY WEEKLY CARTON VOLUME.
- CHAIN SHOULD BE A MAJOR PLAYER IN THE MARKET (MAILINGS TO LESS THAN 40,000 HOUSEHOLDS ARE NOT RECOMMENDED).
- NO PRESENTATIONS ON TRADE DIRECT MARKETING PROGRAMS TO CHAINS UNTIL INFORMATION SHEET (ATTACHMENT B) HAS BEEN REVIEWED BY K WADIA OR JACQUIE MCLAURIN.

**1997 TRADE DIRECT MARKETING PROGRAM****FIELD SALES MANAGEMENT RESPONSIBILITY**

- IF CLARIFICATION IS NEEDED ON ANY OF THE INFORMATION CONTAINED IN THIS DOCUMENT, PLEASE CALL K WADIA (EXT. 7004) OR JACQUIE MCLAURIN (EXT. 4382).
- ENSURE THE TIMELY DELIVERY OF THE INFORMATION SHEET (ATTACHMENT B) AND THE REQUESTED ADDRESS/ZIP CODE INFORMATION (SEE ATTACHMENT C FOR INSTRUCTIONS). THE ADDRESS/ZIP CODE INFORMATION SHOULD BE COMPILED VIA DATA GRAB AND E-MAILED TO NIKKI D. LAIL. NIKKI'S EXTENSION IS 0460 SHOULD YOU HAVE ANY QUESTIONS. WE PREFER THAT THE INFORMATION SHEET (ATTACHMENT B) ALSO BE E-MAILED.
- WHERE APPROPRIATE, EVERY EFFORT SHOULD BE MADE TO HAVE A REPRESENTATIVE FROM THE CHAIN'S DIRECT ACCOUNT ACCOMPANY YOU ON THE CHAIN PRESENTATION. THIS WILL SOLIDIFY THE RELATIONSHIP YOU HAVE WITH THE DIRECT ACCOUNT AND THE RELATIONSHIP THE DIRECT ACCOUNT HAS WITH THE CHAIN. THIS IS BUILDING A "THREE WAY ALLIANCE".
- ENSURE THE CHAIN'S ADVERTISING AGENCY SENDS THE CHAIN'S LOGO AND THE ART FOR THEIR TOP PANEL BY THE DEADLINE LISTED ON ATTACHMENT E TO THE RJR ADVERTISING AGENCY: COYNE BEAHM, ATTENTION: REBECCA BARKER, 8515 TRIAD DRIVE; COLFAX, NC 27235; PHONE: (910) 996-1255.
- OBTAIN THE CHAIN'S APPROVAL OF THE COMPOSITE (PROOF) SENT TO YOU AND ADVISE THE TRADE DIRECT MARKETING GROUP (TDMG) BY THE DEADLINE LISTED ON ATTACHMENT E.
- RECOMMEND A PLUS-OUT TO THE PARTICIPATING STORES IN SUPPORT OF THE ANTICIPATED INCREMENTAL VOLUME.
- ENSURE THE CHAIN'S STORES THAT ARE PARTICIPATING AND THE APPLICABLE RJR FIELD SALES PEOPLE ARE NOTIFIED OF THE PROGRAM SPECIFICS AT LEAST ONE WEEK PRIOR TO THE MAIL OUT DATE, I.E., THE OFFER, COUPON VERBIAGE ("COUPONS ONLY GOOD AT 'ZIP MART' STORES"), BRANDS, LOCATIONS, REDEMPTION LOGISTICS, BEGINNING/EXPIRATION DATES, AND THAT THE COUPONS ARE STORE/RETAILER COUPONS, AND NOT MANUFACTURER. A SAMPLE LETTER WILL BE FORWARDED TO YOU SEVERAL WEEKS PRIOR TO THE MAIL OUT DATE.
- MAKE THE BUDGET ADJUSTMENT FOR YOUR RECORDS ONCE YOU RECEIVE THE INFORMATION FROM THE TDMG; THE ACTUAL BUDGET TRANSFER WILL BE MADE IN WINSTON-SALEM.
- RETURN THE COMPLETED PROGRAM RESULTS SHEET (ATTACHMENT D) TO THE TDMG WITHIN FOUR WEEKS OF THE PROGRAM'S EXPIRATION DATE.

**1997 TRADE DIRECT MARKETING PROGRAM****SPECIFICS OF PROGRAM****• MAILER INFORMATION:**

- CHAIN IS GIVEN AN INSIDE PANEL FOR THEIR LOGO AND CREATIVE TO PROMOTE OTHER INSTORE SPECIALS OR ITEMS SUCH AS GAS, FOUNTAIN DRINKS, DELI SPECIALS, TELEPHONE CARDS, ETC., WITH OR WITHOUT COUPONS.
  - CHAIN LOGO ALSO GOES ON THE OUTSIDE PANEL.
  - COUPON EXPIRATION DATE SHOULD BE 60 DAYS FROM THE DAY THE MAILERS ARE EXPECTED TO HIT THE HOUSEHOLDS.
  - COUPONS ARE STORE/RETAILER COUPONS (NOT MANUFACTURER) & SHOULD NOT BE SUBMITTED TO THE COUPON REDEMPTION CENTER; HOWEVER, IF THE CHAIN'S STORES SCAN, A UPC NUMBER OR LOOK-UP NUMBER (PLU) CAN BE PRINTED ON THE COUPONS FOR EASE IN TALLYING, I.E., PAYMENT FOR THE COUPONS COULD BE MADE OFF THE SCAN DATA OR PLU DATA AT THE END OF THE PROGRAM.
  - ART CAN BE REPRODUCED USING 4-COLOR PROCESS, PLUS 1 COLOR, IF DESIRED.
- THE CHAIN'S LOGO AND THE ART FOR THE TOP PANEL SHOULD BE SUBMITTED TO COYNE BEAHM BY THE DATE LISTED ON ATTACHMENT E AS FOLLOWS:
    - DIGITAL ART SHOULD BE PROVIDED IN A MACINTOSH FORMAT WITH EPS ART FILES CREATED IN EITHER FREEHAND OR QUARK SOFTWARE. INCLUDE THE ORIGINAL ART FILES & ALL SCREEN & PRINTER FONTS USED (ADOBE ONLY).
    - IF THE CHAIN'S LOGO CANNOT BE OBTAINED ON A DISC, SUBMIT A FIRST GENERATION BLACK & WHITE AD SLICK REFLECTING THE COLOR BREAKS & ALL PMS COLORS.

## ATTACHMENT B

# 1997 TRADE DIRECT MARKETING PROGRAM

## INFORMATION SHEET

(DATE) \_\_\_\_\_

Chain name:	Avg. industry wkly. store vol.:	
Chain address (include mailing & shipping):	Avg. RJR weekly store vol.:	
	RJR Total SOM:	
Chain ID#:	Cigarette Outlet?: <input type="checkbox"/>	
Chain Contact/Title:	Convenience Store?: <input type="checkbox"/>	
Phone #:	Supermarket?: <input type="checkbox"/>	
	Fax #:	
Total # chain stores:	# Chain owned stores :	# Dealer strrs:
Are cigarette packs and cartons priced competitively in this chain:		
RJR mgr./title:	Voice mail:	
Division #:	Division name:	Phone #:
Office address (include mailing & shipping):	Fax #:	
Chain merchandising plan:	Is chain Retailer Accrual participant?	
Is chain accrual match participant?	Accrual plan?	
Total <b>quarterly</b> RAP <b>base accrual</b> dollars? \$		
Total <b>quarterly match</b> dollars: RJR's ? \$ Chain's? \$		
Total <b>quarterly base accrual</b> dollars left after GAP needs are met? \$		
Which budget are you using (Retailer Accrual, Heavy-Up, etc.)?		
List # of participating stores by state, with total at end (ex.:80-SC,100-GA=275):		
Which are fair trade states (minimum pricing)?		
Which of these non-fair trade states?		
Program description,i.e., (6) \$.40/pack coupons:		
Applicable brands:		
Effective beginning date:	Expiration date:	
Mail out date:	Roll Fold or Postcard?	
*Chain's ad agency:	Contact person:	
Agency Address:	Phone #:	
	Fax #:	
<b>IMPORTANT!</b> E-Mail this form to Nikki D. Lail in home office. Zip code/address information should be e-mailed at the same time (see <b>Attachment C</b> ).		
<b>COMMENTS:</b>		

## ATTACHMENT C

# 1997 TRADE DIRECT MARKETING PROGRAM

## SIS ACCOUNT NUMBER/ ADDRESS/ ZIP CODE REQUEST INSTRUCTIONS

- The field is responsible for **e-mailing** a store list with SIS account numbers, addresses and zip codes to the home office with **Attachment B** (information sheet). These two items are needed before counts (a.k.a. number of households) can be pulled from the RJR data base.
- Create in Excel Version 5.0 via data grab, and **only** include the six elements listed at the head of each column in the example given below.
- Each address should include a **street number** and **street name**. It may be necessary for you to contact the chain to obtain complete addresses, and to update these addresses in SIS prior to pulling the data grab.
- Please follow example given below when formatting your chain's information:

### **EXAMPLE**

SHEETZ STORE LIST FOR JANUARY FULL PRICE ROLL FOLD					
CID#: 0568-XX-XX					
5 Total Retail Accounts Participating/ 2 States					
13-October-96					
ACCT	FULL NAME	ADDR1	CITY	STATE	ZIP
312489	SHEETZ #91	400 THIRD ST	BEAVER	PA	15009
880923	SHEETZ #128	480 ADAMS ST	ROCHESTER	PA	15074
550580	SHEETZ #55	5090 BIGLER AVE	BARNESBORO	PA	15714
142064	SHEETZ #62	314 E MAIN ST	FROSTBURG	MD	21532
861275	SHEETZ #200	428 N CHURCH ST	THURMONT	MD	21788

- Use **font 8** and **portrait** page orientation.
- Zip codes should be in **ascending** order.
- **E-Mail** to Nikki D. Lail in home office - **do not fax!**
- Home Office Contacts: K Wadia - ext. 7004  
Jacquie McLaurin - ext. 4382  
Nikki Lail - ext. 0460

## ATTACHMENT D

# 1997 TRADE DIRECT MARKETING PROGRAM

## PROGRAM RESULTS

(DATE) \_\_\_\_\_

Please return completed form within four weeks of program expiration date to: Nikki Lail, R. J. Reynolds Tobacco Co., P.O. Box 2959, 401 N. Main St., Winston-Salem, NC 27102-2959.

- Chain:
- RJR Field Sales Manager:
- Program Description & Effective Dates:
  - Mail Out Date:*
  - Expiration Date:*
  - Quantity:*
  - States:*
  - Brands:*
- How many coupons were redeemed in this program?
- What other benefits were you able to gain with this chain by leveraging this program?
- What were the reactions of retailer's surrounding stores in program?
- What was participating chain's overall perspective to this program?
- Additional Comments:
- Attach AIM report #185 reflecting data for entire period of program, and AIM report reflecting data for the same number of weeks prior to the program.

## ATTACHMENT E

# **1997 TRADE DIRECT MARKETING PROGRAM**

## **POSTCARD DEADLINES**

	POSTCARD MAILING #1	POSTCARD MAILING #2	POSTCARD MAILING #3	POSTCARD MAILING #4	POSTCARD MAILING #5
Identify Chain; Contact TDMG	10/22	12/24	2/18	4/22	7/15
Chain Presentation with TDMG	11/19	1/21	3/18	5/20	8/12
Chain Logo to TDMG	12/10	2/11	4/8	6/10	9/2
Color Proof to KAM for Chain Approval	12/31	3/4	4/29	7/1	9/23
Chain Proof Approval to TDMG	1/7	3/11	5/6	7/8	9/30
Field/Chain Program Communication	1/28	4/1	5/27	7/29	10/21
Mail Out Date; Samples Mailed to KAM/Chain	2/25	4/29	6/24	8/26	11/17
\$ Transferred	Upon completion of purchase order				
Results to TDMG	4 weeks after expiration date				

PCSTABLE:8/16/96

51988 7347



## ATTACHMENT E

# **1997 TRADE DIRECT MARKETING PROGRAM**

## ROLLFOLD DEADLINES

	ROLLFOLD MAILING #1	ROLLFOLD MAILING #2	ROLLFOLD MAILING #3	ROLLFOLD MAILING #4	ROLLFOLD MAILING #5
Identify Chain; Contact TDMG	8/13	10/29	12/24	3/4	6/3
Chain Presentation with TDMG	9/10	11/26	1/21	4/1	7/1
Chain's Top Panel Art to Coyne-Beahm Agency	10/8	12/24	2/18	4/29	7/29
Color Proof to KAM for Chain Approval	11/5	1/21	3/18	5/27	8/26
Chain Proof Approval to TDMG	11/12	1/28	3/25	6/3	9/2
Field/Chain Program Communication	12/10	2/25	4/22	7/1	9/30
Mail Out Date; Samples Mailed to KAM/Chain	1/7	3/25	5/20	7/29	10/28
\$ Transferred	Upon completion of purchase order				
Results to TDMG	4 weeks after expiration date				

RFSTABLE:8/16/96

51988 7348

**FIXTURE BUDGET REVIEW/  
GUIDELINES**

---

51988 7349

# **FIXTURE BUDGET REVIEW / GUIDELINES**

51988 7350

## 1997 FIXTURE RESOURCE GUIDELINES

### INTRODUCTION

- MEETING BUDGETARY PARAMETERS FOR PERMANENT FIXTURES CAN BE ACCOMPLISHED IF THE ESTABLISHED GUIDELINES ARE FOLLOWED AS SET FORTH IN THIS SECTION. THESE GUIDELINES ARE INTENDED TO APPLY ACROSS ALL TRADE CHANNELS PROVIDING SIMPLE APPLICATION PARAMETERS FOR THE RETAIL OUTLETS OF THE FUTURE.
- TARGETING OF THESE RESOURCES THAT IS CONGRUENT WITH OUR RETAIL STRATEGY IS ABSOLUTELY CRITICAL TO OUR CURRENT AND FUTURE SUCCESS.
- APPROPRIATE EMPHASIS MUST BE PLACED ON RJR FIXTURE BUDGETS, THIRD PARTY INSTALLATION, AND COST SHARE PARAMETERS TO GAIN EVERY POSSIBLE EFFICIENCY. OTHER RESOURCES, THAT MAY OR MAY NOT HAVE BEEN EMPHASIZED IN THE PAST, INCLUDE RJR MANPOWER, INVENTORY CARRYING COSTS, AND SPECIAL/OPPORTUNISTIC ITEMS AND INVENTORIES.

## 1997 FIXTURE RESOURCE GUIDELINES

### ORDERING/WAREHOUSING

- **CURRENT INVENTORY LEVELS OF PERMANENT FIXTURES WILL NOT BE MAINTAINED BY WINSTON-SALEM FOR IMMEDIATE SHIPMENTS DUE TO THE NEGATIVE FINANCIAL IMPLICATIONS THIS PLACES ON OUR RESOURCES. MANY TIMES THIS PRACTICE HAS BECOME THE DRIVER OF DISPOSALS THAT WE CAN NO LONGER ACCEPT OR TOLERATE.**
- **BEGINNING IN 1997, WINSTON-SALEM WILL TRANSITION TO A "MAKE AND SHIP" FIXTURE METHODOLOGY VERSUS THE CURRENT IN-HOUSE INVENTORY METHOD. THIS WILL REQUIRE A CHANGE IN TRADITIONAL MINDSET FROM BOTH RJR FIELD SALES PERSONNEL AND THE RETAILER.**
- **WE MUST EFFECTIVELY COMMUNICATE TO OUR RETAIL CLIENTS THAT WE MUST BECOME PART OF THEIR PLANNING PROCESS FOR NEW STORE OPENINGS AND MAJOR STORE RE-SETS. IN 1997, FIXTURE LEAD-TIMES WILL RANGE FROM FOUR TO SIX WEEKS. IT IS CRITICAL FOR RETAILERS TO UNDERSTAND THAT RJR CAN CONTINUE TO BE THE FIXTURE SUPPLIER BUT MUST BE AN INTEGRAL PART OF THE RETAILER'S PLANNING PROCESS.**
- **THE FIXTURE AND WAREHOUSING BUDGET WILL ONLY SUPPORT OUR 1997 STRATEGY IF WE BECOME MORE EFFECTIVE IN EDUCATING RETAILERS WITH THIS CHANGE AND START FORECASTING WHAT THEY WILL NEED WITHIN OUR TIME PARAMETERS.**
- **WE MUST START ANALYZING OUR MAIN TRADE CHANNELS, TRADITIONAL CARTON, C-STORE AND CIGARETTE/TOBACCO STORES AND FORECAST OUR FIXTURE NEEDS TO SUPPORT THOSE CHANNELS THAT WILL GROW OUR BUSINESS IN THE FUTURE.**

## FIXTURE RESOURCE GUIDELINES

### THIRD PARTY INSTALLATIONS (TPI)

- ALL THIRD PARTY INSTALLATIONS REQUIRE AVP APPROVAL. NO EXCEPTIONS. ONLY CHAINS OF 50 STORES OR MORE AND/OR MAJOR CIV IMPLICATIONS QUALIFY FOR TPI.
- UTILIZE DISCOVERY PROCESS WITH CHAINS PRIOR TO RJR COMMITMENTS FOR FIXTURE / PDI INSTALLATIONS.
- FIXTURE / PDI INSTALLATION PRIORITIES

PRIORITY #1 - UTILIZE CHAIN'S IN-HOUSE MAINTENANCE PERSONNEL FOR INSTALLATIONS. HAVE CHAIN QUOTE LABOR COSTS AND COMPARE WITH HISTORICAL BILLING RATES VIA COMMUNICATION WITH AMO PRIOR TO COMMITMENT.

**RATIONALE:** CHAIN'S MAINTENANCE PERSONNEL ARE A FIXED COST TO THE CHAIN. RJR \$ ARE AN OFFSET TO CHAIN'S BUDGETED COSTS. RJR AVOIDS PAYMENT OF T, M, & E FOR INSTALLERS (HUGE BUDGET UPSIDE).

PRIORITY #2 - UTILIZE OUTSIDE LABOR THAT CHAIN HAS PREVIOUSLY USED FOR MAINTENANCE NEEDS (I.E., CHAIN HAS NO DEDICATED MAINTENANCE PERSONNEL).

**RATIONALE:** CHAIN MAY ASSIST IN NEGOTIATING RATES BASED ON LEVERAGE OF CURRENT BUSINESS. RJR AVOIDS T, M, & E PORTION OF HISTORICAL TPI BILLING. RJR TO COMPARE WITH HISTORICAL BILLING RATES PRIOR TO COMMITMENT.

LAST RESORT - UTILIZE THIRD PARTY INSTALLERS HIRED BY RJR.

**RATIONALE:** EFFECTIVE YET EXTREMELY EXPENSIVE MANNER TO CONDUCT BUSINESS SINCE RJR INCURS LABOR AND T, M, & E COSTS ASSOCIATED WITH PROJECT.

**WINSTON-SALEM CONTACT FOR THIRD PARTY INSTALLATIONS:**

- 1 - SALES AREA MANAGER OF OPERATIONS
- 2 - ANDI BELLIS, EXT. 3628

## 1997 FIXTURE RESOURCE GUIDELINES

### COST SHARE PARAMETERS

- **COST SHARE PARAMETERS MUST BE IMPLEMENTED ON A CONSISTENT BASIS ACROSS ALL TRADE SEGMENTS.**
- **MERCHANDISING CHANGES OR REPLACEMENT EQUIPMENT THAT PROVIDES NO DIRECT BENEFIT TO RJR IS SUBJECT TO COST SHARE AGREEMENT. EXAMPLES, THOUGH NON-INCLUSIVE, INCLUDE:**
  - **FIXTURE RELOCATION**
  - **SECURITY EQUIPMENT (ONE CARTON ACCESS & SOLID DOORS, SDLS, ETC.)**
  - **PROFILE AND/OR CONFIGURATION CHANGES**
  - **VERTICAL LOADING WITH COMPETITORS ON RJR FIXTURES**
  - **SHARED ADVERTISING WITH COMPETITORS ON RJR PRESENCE VEHICLES (I.E., ENHANCED LIT MARQUEE SIGNS)**
- **UPFRONT PAYMENT FROM THE AFFECTED RETAILER IS THE PREFERRED METHOD OF REIMBURSEMENT, BUT IS OFTEN THE MOST DIFFICULT TO OBTAIN. COST SHARE AGREEMENTS SHOULD REIMBURSE RJR WITHIN A 12-MONTH TIME FRAME. REIMBURSEMENT VIA RDA NEGATIVE ADJUSTMENT SHOULD REMAIN THE SECOND PRIORITY (WITHIN 12 MOS.). SPECIFIC ATTENTION IS REQUIRED ON S.I.S. BEGIN AND END DATES FOR COST SHARE AGREEMENTS.**
- **RJR BREAK-EVEN ANALYSIS SHOULD BE PERFORMED AND ANALYZED PRIOR TO COMMITMENT WITH THE RETAILER. RJR PERSONNEL MUST CONTINUE TO RECOGNIZE THE ADDITIONAL RJR VOLUME NECESSARY TO OFFSET FIXTURE EXPENDITURES AND ALIGN THEIR ACCOUNT BUSINESS PLAN ACCORDINGLY. A SIMPLIFIED VERSION OF THE BREAK-EVEN ANALYSIS IS AVAILABLE IN THE CURRENT SPECIAL FIXTURE REQUEST WHICH RESIDES IN (C:\DATA\EXCEL\BUSRPTS\FIXCOST.XLT).**

## 1997 FIXTURE RESOURCE GUIDELINES

### FIXTURE RESOURCE GUIDELINES

- FIXTURE CAPABILITIES WILL CONTINUE TO PLAY A MAJOR ROLE IN RJR'S OBJECTIVE TO BUILD STRONG RETAIL PARTNERSHIPS.
- GUIDELINES THAT APPLY TO ALL TRADE SEGMENTS ARE AS FOLLOWS IN PRIORITY ORDER:

#### 1ST PRIORITY

RJR WILL SUPPLY PACKAGE AND/OR CARTON FIXTURES FOR RJR BRANDS ONLY. NO COST SHARE AGREEMENT IS REQUIRED FOR FIXTURES THAT HOUSE ONLY RJR BRANDS.

#### 2ND PRIORITY

RJR WILL SUPPLY PACKAGE AND/OR CARTON FIXTURES WITH RJR BRANDS OCCUPYING PRIMARY SPACE ON THE FIXTURES. IF COMPETITIVE BRANDS WILL OCCUPY NON-PRIMARY SPACE, NO COST SHARE AGREEMENT IS REQUIRED IF COMPETITORS ALLOW COMPETITIVE BRANDS IN NON-PRIMARY SPACE ON THEIR FIXTURES.

#### 3RD PRIORITY

RJR WILL SUPPLY PACKAGE AND/OR CARTON FIXTURES WITH RJR BRANDS OCCUPYING PRIMARY SPACE ON THE FIXTURES AND COMPETITIVE BRANDS OCCUPYING NON-PRIMARY SPACE. IF COMPETITORS DO NOT ALLOW COMPETITIVE BRANDS IN NON-PRIMARY SPACE OF THEIR FIXTURES, RJR HAS TWO OPTIONS:

- 1) EXCLUSIVE RJR FIXTURES FOR RJR BRANDS - NO COST SHARE REQUIRED.

OR

- 2) RJR ALLOWS COMPETITIVE BRANDS IN NON-PRIMARY SPACE OF RJR FIXTURES - COST SHARE IS REQUIRED FOR COMPETITIVE SPACE.

- BOTTOMLINE, RJR WILL ACCEPT NO LESS THAN A PARITY SITUATION AS IT RELATES TO SUPPLYING FIXTURES TO THE TRADE



## 1997 FIXTURE RESOURCE GUIDELINES

### 1997 COST SENSITIVITIES

#### PACK OUTLETS

- SYSTEM III DISPLAYS WILL BE AVAILABLE ON AN ALLOCATION BASIS, BY SALES AREA, DURING THE ROLLOUT OF THE ADJUSTABLE POLE DISPLAY. HOWEVER ALL SYSTEM III ORDERS MUST BE SCRUTINIZED TO AVOID PLACEMENTS THAT WILL BE BETTER SERVED BY THE NEW ADJUSTABLE POLE DISPLAY. EVERY EFFORT MUST BE PLACED IN MINIMIZING USAGE OF NET NEW SYSTEM III DISPLAYS AS WE PROJECT TO CONVERT APPROXIMATELY 60% OF PACK OUTLETS TO THE NEW DISPLAY IN 1997. SPECIAL ORDER PCD'S SHOULD ALSO BE MINIMIZED DUE TO THE FLEXIBILITY OF OUR 1997 DISPLAY.
- WE ALSO ANTICIPATE A LARGE NUMBER OF PACK OUTLETS THAT WILL WANT TO IMPLEMENT A SALES STRATEGY FOR CARTONS. IN MANY CASES, THIS CAN BE ACCOMPLISHED ON RETAILER SHELVING WITH RJR PRESENCE ITEMS. NON-SELF-SERVICE RJR CARTON FIXTURES DO NOT MEET OUR LONG-TERM OBJECTIVES, NOR DO SELF-SERVICE RJR CARTON FIXTURES UNLESS PLACED IN A RESTRICTED ACCESS AREA. WE MUST BE JUDICIOUS IN OUR PLACEMENTS OF CARTON FIXTURES IN PACK OUTLETS TO INSURE OUR RESOURCES ARE TARGETED TO THE RIGHT MARKET AND THE RIGHT OUTLETS WITHIN THE MARKET. RJR CARTON FIXTURES FOR PACK OUTLETS WILL REQUIRE RSM APPROVAL DUE TO THE BUDGET SENSITIVITY OF THIS ISSUE.

## 1997 FIXTURE RESOURCE GUIDELINES

### 1997 COST SENSITIVITIES

#### TRADITIONAL CARTON OUTLETS

- RJR WILL CONTINUE TO CONDUCT BUSINESS IN THIS SEGMENT BASED ON THE RETAILER'S COMMITMENT TO THE CIGARETTE CATEGORY AND THEIR WILLINGNESS TO GROW THEIR VOLUME. FIXTURE RESOURCES MUST BE SCRUTINIZED BASED ON THE LEVEL OF THE RETAILER'S CATEGORY COMMITMENT WITH COST SHARE GUIDELINES IMPLEMENTED AS APPROPRIATE FOR EACH SITUATION.
- 1997 WILL BE A TRANSITIONAL YEAR FOR CARTON OUTLETS IN THAT RAPID EXPANSION OF THE CIGARETTE / TOBACCO STORE CONCEPT MAY RESULT IN MAJOR VOLUME SHIFTS FROM THIS CLASS OF TRADE. UNTIL VOLUME SHIFTS DO OCCUR THAT LOWER THE FINANCIAL RISK OF RJR'S FIXTURE INVESTMENT, CARTON AND PACKAGE FIXTURE PLACEMENTS SHOULD BE MINIMIZED. RJR WILL PROVIDE FIXTURES TO CARTON OUTLETS BASED ON A PRE-APPROVED ACCOUNT LIST DETERMINED BY THE RSM AND THE AVP. THIS LIST MUST BE SUBMITTED TO THE SALES AREA MANAGER OPERATIONS BY 1/06/97.
- IN LIGHT OF PENDING FEDERAL AND STATE REGULATIONS, RJR MUST EDUCATE ALL CLASSES OF TRADE AS TO HOW CIGARETTES WILL BE SOLD IN THE FUTURE. RJR WILL CONTINUE TO PROVIDE PACK AND CARTON FIXTURES TO THE RIGHT OUTLETS, HOWEVER, UPM'S WILL BE AVAILABLE ONLY ON A SPECIAL FIXTURE ORDER BASIS. RJR WILL NO LONGER WAREHOUSE UPM'S AS A STOCK ORDER ITEM, BUT WILL PROVIDE UPM'S ON A "MAKE AND SHIP" BASIS. AS A REMINDER, SPECIAL FIXTURE ORDERS REQUIRE AVP APPROVAL AND WILL REQUIRE 6-8 WEEKS LEAD-TIME AFTER SUBMISSION OF THE APPROVED SPECIAL FIXTURE REQUEST.

## 1997 FIXTURE RESOURCE GUIDELINES

**TO BE POSTED AT MATERIALS COORDINATOR WORK STATION**

## 1997 CARTON OUTLET FIXTURES

### RSM / AVP APPROVED LIST

[illegible]

**\*SPECIAL FIXTURE AGREEMENT REQUIRED FOR UPM'S.**

**\*\*COST SHARE AGREEMENT REQUIRED WITH CORRESPONDING CONTRACT ENTRIES.**

**NOTE: MUST BE SUBMITTED TO THE SALES AREA MANAGER OPERATIONS BY 1/6/97.**

## 1997 FIXTURE RESOURCE GUIDELINES

### 1997 COST SENSITIVITIES (CONT.)

#### CIGARETTE/TOBACCO STORES

- RJR WILL SUPPLY PACK AND CARTON FIXTURES FOR RJR BRANDS ONLY AT NO COST TO THE RETAILER AS OUR FIRST PRIORITY. RJR WILL CONTINUE THIS STRATEGY IN 1997 BASED ON OUR ANALYZATION OF EACH INDIVIDUAL MARKETPLACE.
- RJR IS NOT INTERESTED IN SUPPLYING RJR FIXTURES FOR THE INDUSTRY. IF EXCEPTIONS SHOULD DEVELOP THAT REQUIRE RJR TO SUPPLY INDUSTRY FIXTURES, COST SHARE GUIDELINES MUST BE APPLIED TO AVOID DISPROPORTIONATE FIXTURE LIABILITIES BY RJR.

## 1997 FIXTURE RESOURCE GUIDELINES

### 1997 COST SENSITIVITIES (CONT.)

#### RJR FIXTURES IN NON-RJR CONTRACTED CALLS

- DUE TO THE CHANGES IN RJR VOLUME CONTRACT CRITERIA IN 1997, MANY RETAILERS THAT CURRENTLY ARE ON 1996 CONTRACTS WILL NO LONGER QUALIFY IN 1997. THIS SITUATION MAY BECOME MOST EVIDENT IN TRADITIONAL CARTON OUTLETS IN 1997 DEPENDING ON THE MARKETPLACE.
- RJR WILL CONTINUE TO MAINTAIN FIXTURES THAT ARE CURRENTLY ON LOCATION IN 1996 PROVIDED THE RETAILER AGREES TO THE FOLLOWING:
  - 1) RJR MAINTAINS ALL PRIMARY SPACE ON THE RJR FIXTURE.
  - 2) RJR MAINTAINS ALL PRIMARY ADVERTISING ON THE RJR FIXTURE.
  - 3) RETAILER AGREES TO BEAR THE COST OF ANY FUTURE MAINTENANCE OR REQUESTED FIXTURE SECURITY.
  - 4) RJR RESERVES THE RIGHT TO REMOVE THE FIXTURE IF THE ABOVE REQUIREMENTS ARE NOT MET.
  - 5) NEW RJR FIXTURING (NOT CURRENTLY ON LOCATION) WILL NOT BE PROVIDED.

RDA BUDGET REVIEW/REGIONAL  
& AE ALLOCATIONS

51988 7361

1997 PDI PLAN

51988 7362

# **1997 PDI PLAN**

51988 7363



## **1997 NATIONAL RETAIL PRESENCE GUIDELINES**

### **STRATEGIES:**

#### **INTRODUCTION**

**IN 1997 RJR AND THE INDUSTRY WILL FACE MANY CHALLENGES AND UNCERTAINTIES CONCERNING RETAIL PRESENCE.**

- FDA REGULATIONS, AS WRITTEN, WILL DRASTICALLY CHANGE THE WAY WE ADVERTISE OUR BRANDS AT RETAIL. WE WILL NOT KNOW THE LEGAL STATUS OF THESE REGULATIONS UNTIL FEBRUARY OF 1997 OR LATER. RJR WILL NOT STOP DOING BUSINESS GOING INTO 1997, HOWEVER, WE NEED TO USE GOOD BUSINESS JUDGMENT CONCERNING THE PURCHASING AND PLACEMENT OF PRESENCE ITEMS THAT COULD BE ELIMINATED UNDER THE FDA RULING.**
- WINSTON IS CURRENTLY TEST MARKETING A REPOSITIONING OF THE BRAND IN FLORIDA. THE TEST MARKET WILL BE EVALUATED IN LATE JANUARY 1997 TO DETERMINE IF WE LAUNCH ON A NATIONAL BASIS. WINSTON PRESENCE ITEMS WILL BE LIMITED IN THE FIRST PART OF 1997 DUE TO THIS PENDING DECISION. IF A NATIONAL INTRODUCTION IS APPROVED, WINSTON WILL HAVE A FULL MENU OF PRESENCE ITEMS WITH NEW CAMPAIGN IMAGERY TO SUPPORT THE LAUNCH.**
- CIGARETTE/TOBACCO STORES ARE BECOMING A LARGER CLASS OF TRADE AND WILL REQUIRE MORE OF THE PRESENCE BUDGET DOLLARS AVAILABLE. THE PRESENCE ITEMS IN THIS CLASS OF TRADE GENERALLY ARE LARGER AND MORE EXPENSIVE. BUDGET IMPLICATIONS ARE BEING CONSIDERED IN 1997 AND GUIDELINES WILL BE ISSUED.**

## 1997 NATIONAL RETAIL PRESENCE GUIDELINES

### STRATEGIES:

#### PRESENCE ITEMS FOR 1997

THERE WILL BE FOUR BASIC CATEGORIES FOR RETAIL PRESENCE IN 1997. BUDGETS WILL BE ESTABLISHED BY SALES AREA OR REGION. THE GUIDELINES ISSUED BY CATEGORY MUST BE COMPLETELY UNDERSTOOD BY ALL PERSONNEL TO ENSURE EFFECTIVE USE OF RESOURCES.

1. GENERAL MARKET PDI
2. CIGARETTE/TOBACCO STORE IMPACT ITEMS
3. OPPORTUNISTIC PRESENCE
4. GENERIC TEMPORARY DISPLAYS

WHEN SELECTING BRAND SPECIFIC RESOURCES, THE FOLLOWING PERCENTAGES WILL BE UTILIZED:

- WINSTON 38%
- CAMEL 38%
- DORAL 24%

## 1997 NATIONAL RETAIL PRESENCE GUIDELINES

### STRATEGIES:

#### 1. GENERAL MARKET PDI

- TRADITIONALLY, PDI MENU OPTIONS ARE ORDERED TWICE EACH YEAR. WE WILL AGAIN HAVE TWO WAVES OF PDI OPTIONS IN 1997. HOWEVER, DUE TO PENDING FDA REGULATIONS AND THE POTENTIAL WINSTON LAUNCH THE BUDGET WILL BE DIVIDED DIFFERENTLY.
- WAVE I - FIELD SALES WILL ORDER WAVE I OPTIONS DURING NOVEMBER 1996. APPROXIMATELY 29% OF THE ANNUAL BUDGET FOR 1997 WILL BE AVAILABLE IN THIS WAVE. THE ITEMS SELECTED WILL BE AVAILABLE FOR USE DURING THE FEBRUARY - APRIL TIME FRAME. THE MAJORITY OF THE ITEMS WILL BE A REPEAT OF THE 1996 ITEMS WITH SOME EXCEPTIONS. NEWLY DEVELOPED ITEMS WILL BE USED AS TIME PERMITS.
- WINSTON - THE PDI OPTIONS IN WAVE I WILL BE VERY LIMITED DUE TO POTENTIAL NATIONAL LAUNCH OF THE BRANDS REPOSITIONING. THE BUDGET AVAILABLE FOR WINSTON ITEMS WILL BE LIMITED TO 20% OF THE ANNUAL ALLOCATION. FLORIDA MARKET PDI WILL HAVE SEPARATE ITEM NUMBERS VERSUS NATIONAL TO SUPPORT THE TEST MARKET.
- CAMEL AND DORAL - THE PDI OPTIONS IN WAVE I WILL CONTAIN A FULL MENU OF ITEMS WITH 35% OF THE ANNUAL BUDGET ALLOCATED FOR EACH BRAND.

## 1997 NATIONAL RETAIL PRESENCE GUIDELINES

### STRATEGIES:

#### 1. GENERAL MARKET PDI

- **SELECTION AND PLACEMENT** - FIELD SALES SHOULD USE GOOD BUSINESS JUDGMENT WHEN ORDERING AND PLACING PDI ITEMS. INSIDE USE ITEMS SHOULD BE GIVEN PRIORITY. ALTHOUGH WE SHOULD MAINTAIN PRESENCE OUTSIDE OF RETAIL, THE MAJORITY OF ITEMS SHOULD BE DIRECTED TO THE INSIDE OF ACCOUNTS. EXTERIOR USE ITEMS WITH HIGHER COSTS SHOULD BE ESPECIALLY SENSITIVE TO ORDERING AND PLACEMENT.
- **CLASS OF TRADE (GENERAL MARKET)** - PDI IS AVAILABLE TO ALL CLASSES OF TRADE. DUE TO THE PERMANENT NATURE AND COST OF THE ITEMS, ACCOUNTS SELECTED SHOULD BE STRONG PLAYERS IN THE INDUSTRY THAT CONTINUE TO SUPPORT RJR PROGRAMS.

## 1997 NATIONAL RETAIL PRESENCE GUIDELINES

### STRATEGIES: 1. GENERAL MARKET WAVE I 1997 PDI

DESCRIPTION	INSIDE	OUTSIDE	CAMEL	WINSTON	DORAL
CHANGE MAT	X		X	X	X
SHOPPING BASKET	X		X	-	-
BATTERY CLOCK	X		X	-	X
FLOOR ASHTRAY	X		X	-	X
LARGE WINDOW/WALL PRICER (V)	X	X	X	X	-
LARGE WINDOW/WALL PRICER (H)	X	X	-	-	X
NEON	X	X	X	-	-
36" LIGHT THIEF	X		X	-	-
15 X 49 SIGN	X	X	X	X	-
GROUND MOUNT *		X	X	-	X
POLE MOUNT *		X	X	-	X
CURB MOUNT *		X	X	X	X
96 x 30 BANNER	X	X	X	X	-
96 X 30 BANNER W/ POCKETS	X	X	-	-	X
<b>DECALS</b>					
BUSINESS HOURS		X	X	X	-
PUSH - PULL		X	X	X	-
IN - OUT		X	X	X	-
DOOR/WINDOW DECAL		X	X	X	X
WINDOW VALANCE KIT		X	X	X	X
<b>GENERIC</b>					
1 SHEET FRAME *		X	X	X	X
"LOTTERY TICKETS" DECAL	N/A	N/A	X	X	X

\* HIGHLY SENSITIVE ITEM DUE TO OUTSIDE USE AND COST

## 1997 NATIONAL RETAIL PRESENCE GUIDELINES

### STRATEGIES:

#### 1. GENERAL MARKET PDI

- **WAVE II - FIELD SALES WILL ORDER WAVE II OPTIONS DURING FEBRUARY OF 1997. THE BALANCE OF THE PDI BUDGET (71%) WILL BE AVAILABLE IN THIS WAVE. THE ITEMS SELECTED WILL BE AVAILABLE BY MAY OF 1997. THESE ITEMS WILL INCLUDE REDESIGNED 1996 ITEMS AND NEWLY DEVELOPED ITEMS FOR GENERIC MARKET USE. THE QUANTITIES ORDERED WILL BE STAGED FOR WAREHOUSE DELIVERY OF THE BALANCE OF 1997 BASED ON THE OUTCOME OF THE FDA REGULATIONS AND THE DECISION FOR NATIONAL EXPANSION OF THE WINSTON NO ADDITIVE PROPOSITION. THIS WAVE OF ORDERING MUST BE COMPLETED IN FEBRUARY DUE TO MANUFACTURING LEAD TIMES.**

## 1997 NATIONAL RETAIL PRESENCE GUIDELINES

### STRATEGIES:

#### 2. CIGARETTE/TOBACCO STORES

- IN 1997 WE WILL CONTINUE TO HAVE HIGH IMPACT ITEMS DESIGNED EXCLUSIVELY FOR CIGARETTE/TOBACCO STORES (CTS). ANY ORDERS FOR RETAIL PLACEMENT OTHER THAN IN CTS FOR THESE ITEMS WILL REQUIRE RSM APPROVAL.
- AS WITH GENERAL MARKET PDI, GOOD JUDGMENT SHOULD BE USED BEFORE PLACING OUTSIDE ITEMS IN EARLY 1997. RJR SHOULD BE REPRESENTED ON THE OUTSIDE OF THE CTS HOWEVER, EXCESSIVE USE OF ITEMS SHOULD BE AVOIDED DUE TO THE UNCERTAINTY OF THE FDA RULINGS.
- REGIONS WILL NOT SELECT CTS IMPACT ITEMS VIA A MENU AS IN THE PAST. THESE IMPACT ITEMS WILL BE PART OF THE OVERALL CTS PROGRAM FOR WHICH A NATIONAL BUDGET HAS BEEN ESTABLISHED. IMPACT ITEMS WILL BE ORDERED SIMILAR TO THE CURRENT METHOD OF ORDERING FIXTURES.
- IMPACT ITEMS WILL CONTINUE TO BE DEVELOPED IN 1997 AS THE FUTURE OF FDA REGULATIONS IS DETERMINED AND THE NEEDS OF THE CTS ARE IDENTIFIED.
- CTS IMPACT ITEMS WILL BE FUNDED FROM A SALES AREA BUDGET OR A NATIONAL BUDGET BASED ON WHERE THESE STORES OPEN.

## 1997 NATIONAL RETAIL PRESENCE GUIDELINES

### STRATEGIES:

#### **2. CIGARETTE/TOBACCO STORES**

- **IN 1997 WE WILL CONTINUE TO HAVE HIGH IMPACT ITEMS DESIGNED EXCLUSIVELY FOR CIGARETTE/TOBACCO STORES (CTS). ANY ORDERS FOR RETAIL PLACEMENT OTHER THAN IN CTS FOR THESE ITEMS WILL REQUIRE RSM APPROVAL.**
- **AS WITH GENERAL MARKET PDI, GOOD JUDGMENT SHOULD BE USED BEFORE PLACING OUTSIDE ITEMS IN EARLY 1997. RJR SHOULD BE REPRESENTED ON THE OUTSIDE OF THE CTS HOWEVER, EXCESSIVE USE OF ITEMS SHOULD BE AVOIDED DUE TO THE UNCERTAINTY OF THE FDA RULINGS.**
- **REGIONS WILL NOT SELECT CTS IMPACT ITEMS VIA A MENU AS IN THE PAST. THESE IMPACT ITEMS WILL BE PART OF THE OVERALL CTS PROGRAM FOR WHICH REGION BUDGETS HAVE BEEN ESTABLISHED. IMPACT ITEMS WILL BE ORDERED SIMILAR TO THE CURRENT METHOD OF ORDERING FIXTURES.**
- **IMPACT ITEMS WILL CONTINUE TO BE DEVELOPED IN 1997 AS THE FUTURE OF FDA REGULATIONS IS DETERMINED AND THE NEEDS OF THE CTS ARE IDENTIFIED.**
- **CTS IMPACT ITEMS WILL BE FUNDED FROM A SALES AREA BUDGET OR A NATIONAL BUDGET BASED ON WHERE THESE STORES OPEN.**



## 1997 NATIONAL RETAIL PRESENCE GUIDELINES

### STRATEGIES:

#### 2. CIGARETTE/TOBACCO STORES

#### CIGARETTE/TOBACCO STORES IMPACT MENU 1997 \*

DESCRIPTION	INSIDE	OUTSIDE	CAMEL	WINSTON	DORAL
LIGHTED 3'X5' WALL SIGN	X	X	X	X	X
CHECKOUT COUNTER WATERFALL	X		X	X	
LIGHTED WALL PRICER MENU BOARD	X		X	X	
LIGHTED TRAILER MESSAGE BOARD		X	X	X	X
STORE FRONT MARQUEE		X	X	X	X
STORE FRONT AWNING		X	X	X	X
LIGHTED WALL VALANCE	X		X	X	X
NON-LIGHTED WALL VALANCE	X		X	X	X
<b>ITEMS IN DEVELOPMENT (currently not available)</b>					
"JOE CAMEL" CIGAR STORE INDIAN	X	X	X		
20" BACKLIT SIGN W/ CLOCK	X		X	X	X
CUSTOMER TABLE W/ UMBRELLA	X	X	X	X	X
CUSTOMER BENCH W/ ASHTRAYS	X	X	X	X	X
DRIVE THRU MENU BOARD		X	X	X	X

\* ITEMS SUBJECT TO CHANGE BASED ON BRAND DIRECTION AND NEW DEVELOPMENT

**NOTE:** FIELD SALES SHOULD USE GOOD BUSINESS JUDGMENT ON THE PLACEMENT OF OUTSIDE ITEMS PRIOR TO RULING ON FDA REGULATIONS

## 1997 NATIONAL RETAIL PRESENCE GUIDELINES

### STRATEGIES:

#### 3. OPPORTUNISTIC PRESENCE

- FIELD SALES WILL CONTINUE TO HAVE THE ABILITY IN 1997 TO REQUEST SPECIAL PRESENCE ITEMS THAT ARE CHAIN SPECIFIC OR UNIQUELY DIFFERENT THAN EXISTING PRESENCE ITEMS.
- EACH SALES AREA WILL BE GIVEN A BUDGET TO MANAGE FOR THE YEAR. ALL REQUESTS FOR SPECIAL OPPORTUNISTIC ITEMS SHOULD BE ROUTED THROUGH YOUR AREA MANAGER OF OPERATIONS.
- QUESTIONS REGARDING FEASIBILITY AND TIMING SHOULD BE DIRECTED TO DAVID COOK, EXTENSION 6550, IN WINSTON-SALEM.

#### NOTE:

WINSTON-SALEM AND FIELD SALES SHOULD NOT PROVIDE RETAIL WITH ART OR EXISTING ADVERTISING TO PRODUCE ITEMS ON A LOCAL LEVEL. ALL ITEMS MUST BE PRODUCED BY EXISTING AUTHORIZED MANUFACTURERS DUE TO THE SEVERE PENALTIES FOR IMPROPER ADVERTISING PIECES AT RETAIL.

## 1997 NATIONAL RETAIL PRESENCE GUIDELINES

### STRATEGIES:

#### 4. GENERIC TEMPORARY DISPLAYS

- FIELD SALES WILL CONTINUE TO BE SUPPORTED IN 1997 WITH A WIDE RANGE OF TEMPORARY DISPLAYS. AN ORDERING BROCHURE WILL BE AVAILABLE IN EARLY 1997.
- THESE DISPLAYS WILL BE PACKED IN EACHS (1) FOR ORDERING PURPOSES. THIS WILL ENSURE THAT 1 DISPLAY CAN BE ORDERED TO AN ACCOUNT IF REQUIRED.
- MASTER PACKING WILL BE CONSISTENT FOR ROU ORDERING TO WAREHOUSE LOCATIONS. IF MULTIPLE DISPLAYS ARE REQUIRED, ROUND UP OR DOWN TO THE MASTER PACK QUANTITY. MASTER PACK SHIPPING WILL SAVE DOLLARS AND TIME.

EXAMPLE: TEMPORARY 60/80 PACK SHIPPER DISPLAY, SKU PACK = 1, MASTER PACK = 25.

#### ORDERING TO WAREHOUSE FOR SALES USE

- 20 DISPLAYS REQUESTED
  - ROU ROUNDS UP TO 25 FOR MASTER PACK
  - ORDER = 25 SKUS
- 
- ALL TEMPORARY DISPLAYS WILL CONTINUE TO BE BLUE.
  - DISPLAY DESCRIPTION WILL BE CONSISTENT WITH OTHER DISPLAYS:
    - SHIPPER DISPLAY - UNIT CAN BE PACKED AND SENT TO RETAIL
    - COUNTER DISPLAY - UNIT IS A DISPLAY ONLY AND MUST BE PACKED AT RETAIL.

## 1997 NATIONAL RETAIL PRESENCE GUIDELINES

### STRATEGIES:

#### 4. GENERIC TEMPORARY DISPLAYS

- NEW FOR 1997
  - TEMPORARY 20 PACK SHIPPER DISPLAY - FOR USE IN SUBJOBBER PROGRAMS OR OTHER LOW VOLUME ACCOUNTS.
  - DUAL FLOOR PEDESTAL DISPLAY - FOR USE IN RETAIL ACCOUNTS TO SUPPORT TWO PACK PROMOTIONS AT ONE TIME
- BACK BY POPULAR DEMAND (1995 MENU ITEMS)
  - TEMPORARY 40 PACK SHIPPER DISPLAY
  - TEMPORARY 20/30/40 PACK COUNTER (SMALLER FOOTPRINT - 9" WIDE)

## 1997 NATIONAL RETAIL PRESENCE GUIDELINES

### STRATEGIES:

#### 4. GENERIC TEMPORARY DISPLAYS- *EFFECTIVE JANUARY 1, 1997*

##### 1997 TEMPORARY DISPLAY MENU

ITEM DESCRIPTION	ITEM NUMBER	SKU PACK	MASTER PACK
TEMPORARY 20 PACK SHIPPER DISPLAY	524012	1	25
TEMPORARY 40 PACK SHIPPER DISPLAY	TBD	1	25
TEMPORARY 60/80 PACK SHIPPER DISPLAY	TBD	1	25
TEMPORARY 20/30/40 PACK COUNTER DISPLAY	481832	1	25
TEMPORARY PACK COUNTER DISPLAY (CAP. 160 PKS.)	TBD	1	25
LARGE DUMP BIN FLOOR DISPLAY	TBD	1	5
STAIRSTEP PACK DUMP BIN DISPLAY WITH WINDOW	469562	1	5
30 CARTON SHIPPER FLOOR DISPLAY	465050	1	5
GENERIC 90-CARTON FLOOR DISPLAY	TBD	1	5
DIMENSION - 4 CORRUGATE PROMOTIONAL DISPLAY	458131	1	1
DUAL FLOOR PEDESTAL DISPLAY	524000	1	5

PROMOTIONAL ALLOCATION  
MATRIX/FSC

51988 7377

# PROMOTIONAL ALLOCATION MATRIX / FSC

51988 7378

## PROMOTION GUIDELINES / MATRIX

### RJR RESOURCE ALLOCATION MATRIX 1997 PLAN FOR RJR CONTRACTED ACCOUNTS

	RETAIL ACCRUAL	BASE NATIONAL WORKPLAN	CEILING STRATEGY	GAP STRATEGY	DIRECT MKTG	DPC	SUPERMARKET CARTON PROMO	CIG OUTLET CARTON PROMO	CIG OUTLET PACK PROMO
RJR "LOCK-OUT" CALLS	NO	NO	NO	NO	NO	NO	NO	NO-	NO
NON-CONTRACTED LOW VOLUME PACK OUTLET	NO	NO	NO	NO	NO	YES	NO	NO	NO
RETAIL ASSIST PACK OUTLET	NO	NO	YES	YES	NO	YES	NO	NO	NO
LEVEL 1 PACK OUTLETS	L1 ONLY	YES	YES	YES	NO	NO	NO	NO	NO
LEVEL 2 PACK OUTLETS	L1,L2 OR L3	YES	YES	YES	YES	NO	NO	NO	NO
LEVEL 3 PACK OUTLETS	L1,L2 OR L3	YES	YES	YES	YES	NO	NO	NO	NO
RETAIL ASSIST CARTON OUTLET	NO	NO	YES	*YES	NO	NO	NO	NO	NO
MEETING COMPETITION CARTON OUTLETS	L1,L2 OR L3	NO	YES	*YES	NO	NO	NO	NO	NO
LEVEL 2 CARTON OUTLETS	L1,L2 OR L3	NO	YES	*YES	YES	NO	YES	NO	NO
EXTERIOR SIGNAGE CONTRACT CIGARETTE /TOBACCO STORES	L1,L2 OR L3	NO	YES	*YES	**YES	NO	NO	YES	YES
LEVEL 2 CIGARETTE/TOBACCO STORES	L1,L2 OR L3	NO	YES	*YES	**YES	NO	NO	YES	YES
LEVEL 3 CIGARETTE/TOBACCO STORES	L1,L2 OR L3	NO	YES	*YES	**YES	NO	NO	YES	YES

\*ONLY IF IDENTIFIED ON PROMOTION RESPONSIVENESS MODEL. SEE RBM FOR CLARIFICATION BY MARKET AND BRAND.

\*\*ON A TARGETED BASIS FOR CIGARETTE OUTLET CHAINS. MUST BE APPROVED BY RSM.



FSC-166-B		10/8/96	
SUBJECT: Non-Contracted RJR Retailers - RJR Promotional Resource Clarification			
DISTRIBUTION:			
<u>X</u>	AVP	<u>X</u>	KAM
<u>X</u>	RSM	<u>X</u>	AM
<u>X</u>	RBM	<u>X</u>	Reg.Mil./DF Mgr.
<u>X</u>	ROM	<u>X</u>	AE
		<u>X</u>	DM
		<u>X</u>	RM
			MIL
			DF
			REP

*(Please disseminate as needed to applicable Sales Representatives)*

As you are aware, RJR Retail Marketing Plan contracts and selling approaches fully support the Industry Approach for the obvious Category Management reasons.

In RJR Non-Contracted retail outlets that are signed to competitive agreements, our strategy is quite simple -- RJR does not allocate promotional resources. It is extremely important that we continue to apply this strategy consistently across the marketplace.

If you feel that exceptions to this guideline are necessary, it is important that all exceptions be approved by the Area Vice President prior to implementation at retail. While we expect that exceptions will be few, any exceptions to promote may include DPC, Gap, and/or Ceiling Strategy dollars, but may not include National Workplan, or any promotional programs that are outside of our defensive "Meeting But Not Beating Competition" parameters.

Your continued support in the execution of this promotional strategy is critical to the success of our current and future retail programs.

*Dave*

*Jim*

*Rick*

*Pat*

D. L. Wilmesher  
North East Sales  
Area Vice President

J. W. Best  
Southern Sales  
Area Vice President

R. M. Sanders  
Western Sales  
Area Vice President

P. J. Cundari  
Mid-West Sales  
Area Vice President

R. J. REYNOLDS TOBACCO COMPANY

**SALES APPLICATION -  
RETAIL TOOLS**

51988 7381

NOTE: This must be in "Page View" in order for lines to show.

APPROX.  
AVAILABILITY  
DATE

G:\_SALES

\_97PLANS

	97PDI	(1997 PDI Plan)	Nov 8
	Accrual **	(Retail Accrual)	Nov 12
	Bulletin *		
	Cigstore **	(Cigarette/Tobacco Stores)	TBD
	FDACTS	(FDA Issues/Cig Tob Store Positioning)	Nov 8
	Fixguide	(Fixture Guidelines)	Nov 8
	Itemnum	(New Contract Item #'s & SKU Pack Info)	Nov 12
	Pkoutlet **	(Pack Outlet Strategy & New Display Rollout)	Nov 12
	Pmexcl **	(PM Exclusive Analysis)	Nov 8
	Position	(Trade Mktg. Positioning)	Nov 8
	Promomat	(Resource Allocation Matrix & FSC Ltr)	Nov 12
	Rettool **	(Sales Applications - Retail Tools)	Nov 8
	Tradctn **	(Traditional Carton Outlets)	Nov 8
	Tradedmk	(Trade Direct Mktg)	Nov 8
	Whlpart **	(Wholesale Partners)	Nov 8
	Whltool **	(Sales Applications - Wholesale Tools)	Nov 8
	Workplan	(1997 Work Plan)	Nov 8

\* NOTE: Bulletin will be the reference source for any new or 97 Plan revisions that need to be communicated on any of the below throughout the year.

\*\* Contains multiple files.

November 1, 1996

TO: REGIONAL BUSINESS MANAGERS and REGIONAL SALES MANAGERS

SUBJECT: **UPCOMING 1997 PLAN MEETINGS - FIELD SALES  
MEETING TAB CONTENTS**

The Trade Marketing staff will provide the contents of each of the Meeting Book Tabs to each region based on the attached. The text can be retrieved by the Field via "G" drive for each RBM to assemble into their respective meeting books. Each region office will be responsible for:

- Copying all files from the "G" Drive.
- Preparing Meeting Books for their people.
- Determining order of Meeting Tabs for their respective books.
- Developing a "Next Steps" Tab that is appropriate for their region.
- Developing a "Brand Strategies" Tab (if desired) that provides an Overview of Brand Activity from handouts received at our previous Strategy Meeting.
- The Cigarette Tobacco Store Tab will not be available for 1997 Plan Meetings, but will be announced to the field upon its completion estimated for early January 1997.

To select Meeting Tab contents from the "G" drive, it is important to note that all information is "**Read Only**". Please follow the steps outlined below to access the necessary information:

- 1) Your computer must be connected to our Network LAN server.
- 2) Access Windows *File Manager* from Program Manager.
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Please note the following chart that is provided as a checklist and directory for content provided from Winston-Salem. Thank you for your support and cooperation in assimilating the necessary materials for your upcoming Field meetings.

Program Contacts:

Meeting Content: Rich Pettorini, Bill Duffy, John Boehm, Scott Steen  
"G" Drive Issues: Jack Borgen, Diane Faust, Marc Kruth

51988 7383

# **SALES APPLICATION - RETAIL TOOLS**

## **1997 SALES APPLICATIONS / TOOLS - WHOLESALE**

### **FIELD SALES SUPPORT - 1997 TOOLS & PRESENTATION MATERIALS**

- **WHOLESALE PARTNERS :**

- **1997 WHOLESALE PARTNERS PRESENTATION**

POWERPOINT PRESENTATION FILE - LOCATED IN SHARED LAN DRIVE, AT:

**G: \\_SALES \\_97PLANS**

THIS IS A PRESENTATION FOR MODIFICATION AND USE BY FIELD SALES, WHICH SHOULD BE CUSTOMIZED FOR EACH DIRECT ACCOUNT. PLEASE USE ONLY SELECTED PAGES, AS NEEDED FOR A SPECIFIC ACCOUNT PRESENTATION. REFER TO ENCLOSED INFORMATION / USER GUIDE.

- **WHOLESALE PROFITABILITY ANALYSIS**

- **WPA - RJR TOOLKIT APPLICATION - LOCATED IN THE CATEGORY PROFESSIONAL TOOLKIT (RJR TOOLS)**  
**RUN FROM RJR TOOLKIT / TRADE PROGRAMS / WHOLESALE PARTNERS.**  
**REFER TO ENCLOSED INFORMATION / USER GUIDE.**

- **PARTNERS TRACKING**

- **P-TRACK - RJR TOOLKIT APPLICATION - LOCATED IN THE CATEGORY PROFESSIONAL TOOLKIT (RJR TOOLS)**  
**REQUEST E-MAIL (DOWNLOAD) REPORT FROM AIM TRACKING FUNCTION # T06 . . . .**  
**RUN FROM RJR TOOLKIT / TRADE PROGRAMS / WHOLESALE PARTNERS.**  
**REFER TO ENCLOSED INFORMATION / USER GUIDE.**

## **1997 SALES APPLICATIONS / TOOLS - RETAIL**

### **FIELD SALES SUPPORT - 1997 TOOLS & PRESENTATION MATERIALS**

- **RETAIL PARTNERS :**

- **1997 RETAIL PARTNERS PRESENTATION**

- **POWERPOINT PRESENTATION FILE - LOCATED IN SHARED LAN DRIVE, AT**

**G:\\_SALES\\_97PLANS**

**THIS IS A PRESENTATION FOR MODIFICATION AND USE BY FIELD SALES, WHICH SHOULD BE CUSTOMIZED FOR EACH RETAIL ACCOUNT. PLEASE USE ONLY SELECTED PAGES, AS NEEDED FOR A SPECIFIC ACCOUNT PRESENTATION.**

**REFER TO ENCLOSED INFORMATION / USER GUIDE.**

- **RETAIL 97 - RJR CONTRACT / RETAIL ACCRUAL / PROMOTION SPENDING ANALYSIS**

- **RET\_97 - RJR TOOLKIT APPLICATION - LOCATED IN THE CATEGORY PROFESSIONAL TOOLKIT (RJR TOOLS)**

**RUN FROM RJR TOOLKIT / TRADE PROGRAMS / RETAIL PARTNERS.**

**REFER TO ENCLOSED INFORMATION / USER GUIDE.**

- **RETAIL PROFITABILITY ANALYSIS**

- **RPA - RJR TOOLKIT APPLICATION - LOCATED IN THE CATEGORY PROFESSIONAL TOOLKIT (RJR TOOLS)**

**RUN FROM RJR TOOLKIT / PROFITABILITY / RETAIL.**

**REFER TO ENCLOSED INFORMATION / USER GUIDE.**

RSM LETTER RE: MEETING TABS

51988 7387



**RSM LETTER RE: MEETING TABS**

51988 7388

November 1, 1996

TO: REGIONAL BUSINESS MANAGERS and REGIONAL SALES MANAGERS

FROM: M. L. Buckler - Trade Marketing

SUBJECT: **UPCOMING 1997 PLAN MEETINGS - FIELD SALES  
MEETING TAB CONTENTS**

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		<u>FILE NAME</u>	<u>CONTENT DESCRIPTION</u>	<u>APPROX. AVAILABILITY DATE</u>
G: _SALES				
	_97PLANS			
		97PDI	(1997 PDI Plan)	Nov 8
		Accrual **	(Retail Accrual)	Nov 8
		Bulletin *		
		Cigstore **	(Cigarette/Tobacco Stores)	Nov 12
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\*\* Contains multiple files.

BREAK-OUT SECTION

51988 7391

# ***FDA REGULATIONS: TOPLINE***

(1)FDACTS.ppt

51988 7392

## **FDA Regulations Impact on Trade if Implemented :**

### **Rules Effective February 28, 1997**

- ❑ **Minimum Sales Age**- Retailers may not sell cigarettes or smokeless tobacco to anyone under 18 years of age
- ❑ **Proof of Age** - Retailers must verify by photo ID that any person purchasing cigarettes or smokeless tobacco is at least 18 years of age. Customers over 26 years of age do not need to be asked to verify age. Age does not need to be verified in facilities that are off-limits to persons under 18 years of age.

### **Rules Effective August 28, 1997**

- ❑ **Self-Service Display Ban** - Retailers may not offer cigarettes and smokeless tobacco from self-service displays, except in facilities where persons under 18 years of age (including employees) are not permitted.
- ❑ **Vending Machine Ban** - Retailers may not sell cigarettes or smokeless tobacco from vending machines, except in facilities where persons under 18 years of age (including employees) are not permitted.
- ❑ **No Breaking Packs** - Retailers may sell cigarettes only in unopened packages containing at least 20 cigarettes or in cartons. Retailers may sell smokeless tobacco only as packaged by the manufacturer.
- ❑ **Mail-Order Sales** - Retailers may fill mail-order requests, but may not redeem coupons sent by mail.
- ❑ **Exterior Signage** - Retailers within 1000 feet of a playground or school may not display exterior or outdoor advertising for cigarettes or smokeless tobacco. Permitted advertising must be black text on white background.

(2)FDACTS.ppt

## **FDA Regulations Impact on Trade if Implemented :**

### **Rules Effective August 28, 1997** (cont'd)

- ❑ **Interior Advertising** - All point-of-sale advertising in any form for cigarettes or smokeless tobacco is in a black text on a white background format, except in facilities where persons under 18 years of age (including employees) are not permitted. For "adult only" facilities, interior advertising may be in color and use imagery provided the advertising is attached to an interior wall or fixture and is not visible from the outside.
- ❑ **Established Name/Intended Use Statement** - Each advertisement for cigarettes or smokeless tobacco must carry the product's "established name" and "intended use" -- "Cigarettes -- a Nicotine-Delivery Device for Persons 18 or Older".
- ❑ **No Branded Merchandise** - The retailer or manufacturer may not sell or give away non-tobacco merchandise bearing a cigarette or smokeless tobacco brand name or logo.
- ❑ **No Free Samples** - Coupon redemption is permitted in face-to-face transactions, but retailers and manufacturers may not give cigarettes or smokeless tobacco away as free samples.
- ❑ **Non-Complying Items** - No piece of current advertising complies with the FDA regulation.

# **CIGARETTE / TOBACCO STORE TOPLINE**

## **Convenience Store Options**

- ❑ Continue with business as usual ***but*** develop contingency plans that will maintain / build cigarette business in a restricted access environment.
- ❑ Begin immediately with store-in-a-store concepts that will answer restricted access legislation ***and*** strengthen your business against cigarette / tobacco store proliferation.
- ❑ Enter the free-standing cigarette / tobacco store class-of-trade in selected markets.

**Monitor both FDA *and* Local legislative activity. Let your government officials know how proposed laws will impact your business.**



**ADDITIONAL FDA INFORMATION**

# **FDA Control of Tobacco**

## **Overview**

- **August, 1995: President Clinton uses executive authority to direct FDA to prepare proposed rule making to regulate tobacco to reduce youth access to tobacco products.**
- **August, 1995: Kessler at the FDA issues proposed rules.**
- **August, 1995: RJR and four other cigarette manufacturers file a lawsuit to block the Clinton Administration's attempt to grant the FDA authority to regulate cigarettes.**
- ***During the public comment period, the FDA received over 540,000 individual documents, the largest response ever of any FDA proposal. A majority of the responses opposed the FDA proposal.***
- **August 20, 1996: The Department of Health and Human Services announces that teen-drug use in the U.S. has soared 105% from 1992 to 1995.**
- **August 21, 1996: President Clinton announces he will sign the executive order which accepts the proposed FDA rules to regulate tobacco before the Office of Management and Budget finishes their review and recommendations.**
- **August 23, 1996: President Clinton announces acceptance of final FDA rules.**

# **FDA Control of Tobacco**

## ***Summary of Final Rules***

- **Severe advertising restrictions: No advertising within 1,000 feet of schools or playgrounds. Black & white text only advertising for all outdoor including billboards, signs inside and outside of buses: Advertising in publications is limited to black and white text only, except adult only publications. POS advertising restricted to black and white text except in age-restricted venues.**
- **Bans sampling.**
- **Bans premiums. Prohibits the sale and giveaway of products like caps and gym bags that carry cigarette or smokeless brand names and logos.**
- **Totally bans sports and event sponsorships including teams and entries. Corporate names may be used.**
- **Gives the FDA extraordinary authority to place even more harsh requirements on manufacturers, distributors, and retailers in the future.**

## **RJR Response to FDA Rulemaking**

**Over two years ago the United States Congress spoke out clearly on the issue of underage smoking by putting in place requirements on the state to implement steps to make it illegal to sell tobacco products to minors. That is the law. The Department of Health and Human Services has directed the states to take action now. The states have and continue to respond, establishing a minimum age of 18 years to purchase cigarettes, restricting access to vending machines, and requiring identification to purchase tobacco products.**

**While it is appropriate for the federal government to provide direction on the issue of underage smoking, the states should be responsible to implementation. In addition, the tobacco companies should and will continue voluntary efforts aimed at eliminating youth access to cigarettes.**

**Today there are more than 225 federal government agencies and offices spending over \$100 million to review, oversee or control the tobacco industry. It is questionable whether adding the federal Food and Drug Administration will make the federal government more effective or more efficient.**

## FDA Talking Points

- **RJR doesn't think kids should smoke... PERIOD! That's why we strongly support effective programs like WE CARD and the Department of Health and Human Services new regulations.**
- **President Clinton's decision is pure political diversion. The day before Clinton makes his announcement on FDA, his own administration released a report that teen-drug use is skyrocketing . . . up 105% under the Clinton watch!**
- **The FDA's new ruling clearly is a violation of First Amendment Rights. We could be on our way to prohibition, and now the FDA has the authority to make it happen.**
- **All the Clinton administration's talk about protecting children can be solved by a new federal regulation enacted this year by HHS. HHS's new regulation requires all 50 states to show dramatic improvement in reducing youth smoking or lose millions of dollars in federal funding for other programs.**
- ***The HHS approach was authorized by Congress. FDA was not. President Clinton gives unelected bureaucrats at the FDA extraordinary power to dictate how a legal product is manufactured and marketed . . . this is a dangerous precedent!***

# State Cigarette Excise Tax Rates

Cents Per Pack - As Of October, 1996 (FEDERAL = 24.0¢)

■ Alabama	16.5¢
■ Alaska	29.0¢
■ Arizona	58.0¢
■ Arkansas	31.5¢
■ California	37.0¢
■ Colorado	20.0¢
■ Connecticut	50.0¢
■ Delaware	24.0¢
■ District of Col.	65.0¢
■ Florida	33.9¢
■ Georgia	12.0¢
■ Hawaii	60.0¢
■ Idaho	28.0¢
■ Illinois	44.0¢
■ Indiana	15.5¢
■ Iowa	36.0¢
■ Kansas	24.0¢

■ Kentucky	03.0¢
■ Louisiana	20.0¢
■ Maine	37.0¢
■ Maryland	36.0¢
■ Mass.	76.0¢
■ Michigan	75.0¢
■ Minnesota	48.0¢
■ Mississippi	18.0¢
■ Missouri	17.0¢
■ Montana	18.0¢
■ Nebraska	34.0¢
■ Nevada	35.0¢
■ New Hamp.	25.0¢
■ New Jersey	40.0¢
■ New Mexico	21.0¢
■ New York	56.0¢
■ No. Carolina	05.0¢

■ North Dakota	44.0¢
■ Ohio	24.0¢
■ Oklahoma	23.0¢
■ Oregon	38.0¢
■ Pennsylvania	31.0¢
■ Rhode Island	61.0¢
■ So. Carolina	07.0¢
■ South Dakota	33.0¢
■ Tennessee	13.0¢
■ Texas	41.0¢
■ Utah	26.5¢
■ Vermont	44.0¢
■ Virginia	02.5¢
■ Washington	81.5¢
■ West Virginia	17.0¢
■ Wisconsin	44.0¢
■ Wyoming	12.0¢

*Dec 20<sup>96</sup>*

**CTS RESPONSE**

- ACCOUNT DECIDES TO PLAY 4TH TIER PROPOSITION (NON-RJR).
- DOES RJR DESIRE TO CONTINUE TO DO "BUSINESS AS USUAL"?  
**NO**
- IS RJR WILLING TO WALK AWAY?  
**NO**
- WHAT REVISED PROGRAM DELIVERS TO RJR'S OBJECTIVES WITHOUT GETTING US THROWN OUT OF RETAIL OUTLET?

**PROGRAM OBJECTIVES**

- REDUCE RJR RESOURCE LIABILITY
- PROTECT RJR VOLUME -- FP, BS, P/L
- RECONFIGURE RJR RESOURCES
- RDA VS. PROMO**
- INCENT RETAILER TO CHANGE 4TH TIER DECISION

**PROGRAM OBJECTIVES**

**DOES RJR:**

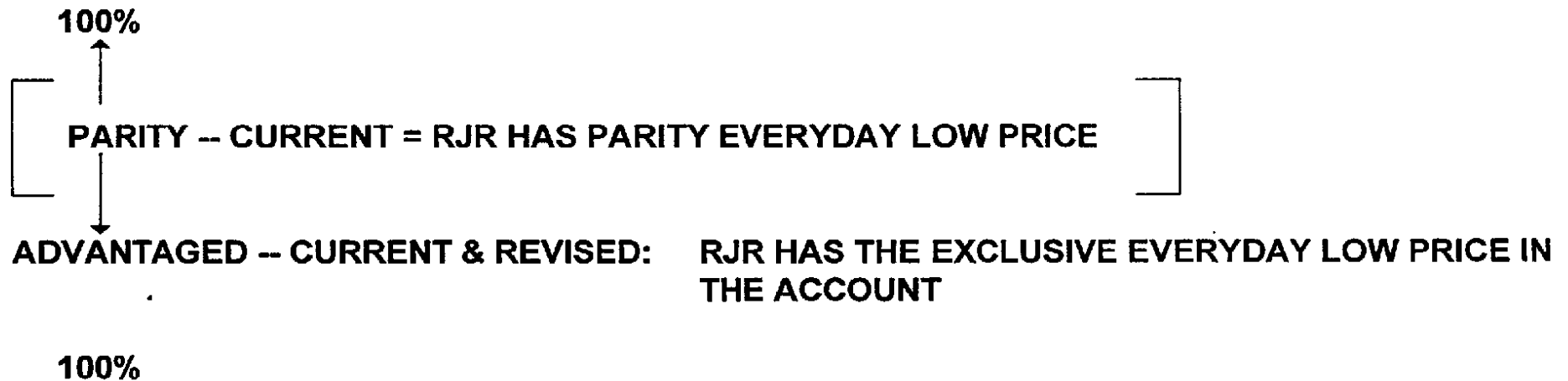
- 1) PUNISH ACCOUNT  
AND/OR**
- 2) RECONFIGURE TO PROTECT VOLUME  
AND/OR**
- 3) RECOMMEND A COMBINATION OF 1) & 2)**



**EDLP DEFINITIONS**

**RETAILER MADE CHOICE**

**DISADVANTAGED = CURRENT -- RJR DOES NOT HAVE THE EVERYDAY LOW PRICE IN THE ACCOUNT**



**EDLP DEFINITIONS**

**HOW WILL COMPETITION REACT TO THE NEW 4TH TIER IN THE CIGARETTE / TOBACCO STORE?**

- |                     |   |
|---------------------|---|
| <b>PM</b>           | - WILL ADDRESS VIA CONTRACTUAL "MIX STANDARD AND POSSIBLY WALK-AWAY WHEN MIX (LOW END) GROWS.   |
| <b>B&amp;W</b>      | - KOOL COUPONS WILL CONTINUE, GPC PROMOTIONAL DENOMINATIONS WILL REACT (MORE AGGRESSIVE OR POSSIBLY MATCH) OR LINE UP AKA IN ESTABLISHED MARKETS. |
| <b>LORILLARD</b>    | - NEWPORT COUPONS WILL CONTINUE, OLD GOLD?  |
| <b>LIGGETT</b>      | - "ME TOO" OFFERS ON PYRAMID OR OTHER   |
| <b>WILD CATTERS</b> | - COPYCAT STRATEGIES  |

**COMMITTED RJR RESOURCES**

- |                         |   |                                |
|-------------------------|---|--------------------------------|
| • RDA                   | ) |                                |
| • ACCRUAL               | ) |                                |
| • GAP                   | } | 4TH TIER PLAYER                |
| • CEILING               | ) | BRINGS <u>NOTHING</u> TO PARTY |
| • FIXTURES              | ) | BUT DEAD NET PRICE             |
| • PROGRAMMED PROMOTIONS | ) |                                |

**IF ACCOUNT TAKES 4TH TIER, RJR RESOURCES CHANGE UNDER "BUSINESS AS USUAL" SCENARIO.**

- GAP    ↑
- CEILING    ↑
- RJR VOLUME IS JEOPARDIZED (& SOM)

**HOW DOES RJR ADDRESS NET NEW AND CURRENT 4TH TIER ENTRIES?**

- **1ST PRIORITY -- PRO ACTIVELY ADDRESS TO PRECLUDE NET NEW ENTRIES. "GET IN FRONT OF THIS ISSUE."**
- **2ND PRIORITY -- ADDRESS CURRENT SITUATIONS**
- **RJR CANNOT LAWFULLY STOP 4TH TIER FROM ENTERING THE MARKET.**
- **RJR CAN LIMIT 4TH TIER EXPOSURE VIA PROGRAM REQUIREMENTS / STANDARDS.**
- **HOW DOES RJR LIMIT EXPOSURE TO 4TH TIER?**
  - **NEW STORES**                      - **ENHANCED LEVEL 2 AND LEVEL 3 "ZONING" KEEPS 4TH TIER AT MANAGEABLE LEVEL.**
  - **CURRENT STORES**            - **RECONFIGURE RJR RESOURCES BASED ON A STANDARDIZED SALES STRATEGY.**

**WHAT ARE THE CONSEQUENCES?**

**SALES STRATEGY**



**REVISED CONTRACT**

- EDUCATE ACCOUNT ON PROFITABILITY
  - EFFECT OF 4TH TIER
  - EFFECTS ON FP / BS
  - EFFECT ON INDUSTRY RDA
- PULL PROMO RESOURCE
  - GAP
  - CEILING
  - NATIONAL PROMO'S
- RJR STANDARDS
  - COMPETITOR HAS MINIMIZED RJR "EFFECTIVENESS" (CONTRACTUAL?)
  - WHAT IS EDLP PARITY?

- CONTRACTUAL "HOOKS" IN ENH. LEVEL 2 AND LEVEL 3 TO MINIMIZE 4TH TIER. RJR "BAILOUT" CLAUSE.
- DEMOGRAPHIC "SELLING STORY" FOR CLEAN FORMAT (STEPFORD WIVES)
- WHAT IS THE CONTRACTUAL TRIGGER?
  - % SOM "ALL OTHER SAVINGS"

## CTS

(TJS TO RESEARCH +3% ABOVE REG C.O. SHARE)

### CTS MEETING COMPETITION CONTRACT

*Now Branded*  
A SHARE OF SAVINGS 3% OR MORE THAN THE REGION C.O. "NB S.O.S."

FOR ACCOUNTS THAT HAVE        % OR MORE OF THEIR BUSINESS AND 10% OR MORE OF  
THEIR DEDICATED INVENTORY SPACE ~~VISIBLE TO THE CONSUMER~~ TO NON-BRANDED SAVINGS:  
*Allocated*

- RETAIL ACCRUAL 10¢
- RDA'S 50%
- NO NATIONAL C.O. PROMO
- FP DISCOUNTING CEASES
- \*DORAL MATCHES MARLBORO OR GPC TACTIC FOR TACTIC AND TIMEFRAME FOR TIMEFRAME
- CANNOT VIOLATE CEILING STRATEGY WITHOUT AVP APPROVAL

**CTS**

**PRO'S**

**RJR BRAND /PROMO COMMUNICATION HAS A CHANCE**

**FORCES RETAILER TO RETHINK NEW 4TH TIER PROPOSITIONS**

**RESOURCES REDIRECTED TO OUTLETS THAT CAN WORK HARDER FOR US**

**CON'S**

**VOLUME RISK!!!  
(THROW OUT FACTOR)**

**VOLUME RISK!!!  
(LOST VOLUME ON REDUCED PROMO)  
% OF OUTLETS THIS WILL REALLY APPLY TO?**

**CURRENT CO-EXISTENCE OUTLETS COULD FLIP TO PM EX.**

**DO WE TEST PRIOR TO NATIONAL ROLLOUT?**