

TO: Distribution

FROM: James Spector

SUBJECT: B&H Ultra's Impact on the B&H Franchise

DATE: Sept. 29, 1982

Based on share data in the original three major B&H Deluxe test areas (Jacksonville, Oklahoma City, Tulsa), we can estimate the impact the line extension has had on the parent franchise.

In the combined test markets, after five months in distribution, approximately 34% of B&H Ultra's business has come at the expense of other B&H packings. The majority of the 34% has come from the Lights packings (25%), while 9% came from parent Gold and Green (see Attachment 1).

Relative to other line extension introductions, B&H Ultra has performed quite well. The table below ranks the major line extensions on the three basic criteria for measuring success--share of market, % contribution to total brand (which is the % increase in the total brand's business since the introduction), and % cannibalization. The figures for all the introductions except Deluxe are based on six months of data. While we only have 5 months of information available for Deluxe at the moment, we will update this table when August M.S.A. shares are received.

FIRST 6 MONTH
INTRODUCTORY PERIOD

| Share of Market | | Net Contribution To Total Brand | | Shr. Pt. | % Cannibalization | |
|-----------------------|------|------------------------------------|-----|-------------|-----------------------|-----|
| | | | % | | | |
| B&H Deluxe U.L.* | 1.11 | Now 100's | 57% | .30 | Marlboro Lts Box 85's | 17% |
| Salem Lights 85's | .86 | Va. Slims Lts. | 35% | .56 | Now 100's | 21% |
| K.G.L. 85's | .82 | Merit 100's | 27% | .50 | Salem U.L. 85/100's | 21% |
| B&H Lights S.P. | .76 | B&H Deluxe U.L.* | 15% | .74 | Vantage U.L. 85/100's | 23% |
| Va. Slims Lights | .75 | Vantage U.L. 85/100's | 15% | .50 | Va. Slims Lights | 25% |
| Salem Ultra Lights | .70 | Salem U.L. 85/100's | 14% | .55 | Vantage 100's | 26% |
| Merit 100's | .69 | Vantage 100's | 14% | .35 | Merit 100's | 28% |
| Kent III 85's | .67 | B&H Lights | 12% | .48 | Camel Lights 85's | 30% |
| Kool Sup Lts 85/100's | .66 | Marlboro Lts Box 85's | 12% | .44 | Kool Sup Lts 85/100's | 33% |
| Vantage U.L. 85/100's | .65 | Camel Lights 85's | 11% | .43 | B&H Deluxe U.L.* | 34% |
| Camel Lights 85's | .61 | K.G.L. 85's | 7% | .29 | B&H Lights | 37% |
| Marlboro Lts Box 85's | .53 | Kent III 85's | 6% | .28 | Camel Lights 85's | 42% |
| Vantage 100's | .47 | Salem Lights 85's | 5% | .44 | Salem Lights 85's | 49% |
| Kent III 100's | .40 | Kool Sup Lts 85/100's | 5% | .44 | Kent III 85's | 58% |
| Now 100's | .38 | Camel Lights 100's | 3% | .14 | K.G.L. 85's | 65% |
| Camel Lights 100's | .24 | Kent III 100's | 1% | .05 | Kent III 100's | 88% |

*Based on 5 months of test market data.

Keep in mind that the Deluxe figures are based on test market results, while the performances of the other brands are shown according to their national introduction. However, as Attachment 2 shows, the results of the Deluxe test in each of the three individual test areas were quite similar, indicating that the overall findings should accurately predict the eventual national performance. Also attached are graphs showing the trends of each B&H packing in the test areas.

In October we will be conducting a major brand switching study which will allow us to further analyze B&H Ultra's impact on the parent. The data from this study should be available in early December.

JS:hg
Attachments

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