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June 12, 1998

TO: Stan Driskell

RE: "New" Contract Issues

Dear Stan,

Listed below are some of the issues that we have been faced with here in the Lafayette Division. Attached are some worksheets that I have supplied to help illustrate my examples.

1. In CN/GS stores that have low RJR share of market (PM and RJR on contract), it makes it very easy to place them on contract and BONUS! In fact the calculation for RJR facings is so low (less than our needed 40) that we are having to hand write 40 and not use the MPBL worksheet. EXAMPLE 1
2. This scenario is just the opposite. In accounts where PM is nonexistent, and we have a very high share, we are having to add a fourth display to get these customers to the BONUS level. These type accounts are and have been full partners with RJR, in fact that is why are share is so high. EXAMPLE 2
3. IN CTS stores where PM is not on contract, RJR tends to have a very high SOM. Again these type outlets chose not to participate in PM programs and RJR chose not to fixture competitive brands, but to remain exclusive on our own fixtures. Now we are at the crossroads of getting these stores on the BONUS level (deservingly so). To do that we are going to have to incur the cost of supplying fixtures to the store to achieve our 60% (average for CTS stores w/ no PM) of the visible space. This particular scenario pertains to about 90% of the CTS stores in our division. EXAMPLE 3
4. We have quite a few accounts that have allowed BAT to place a waterfall/springload display behind the selling counter, so our dilemma is how do we best combat that unit? We need immediate access to the "waterfall baskets", when will they be available to order? Also, in many cases the baskets are not going to suffice, and we will end up placing a unit to match up against the linear feet, which will cost money! Based on the contract dollars that BAT is paying, many retailers are not open to removing their unit.

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5. When signing an account on just a Partners Resource Plan Full 9, it is very confusing, because the bonus part is on the same agreement. It is possible that an account signs this contract reads it later and thinks he will be getting the additional 2 weeks and the \$.50 advantage. What we are doing to try to eliminate this from happening is: There are categories I., II., and III. on the form. We are circling the appropriate categories. EXAMPLE: Full partner would have I. and II circled AND a Bonus partner would have all 3 circled. I think we should really have a separate form.

As we continue to present more of our contracts, I will keep you apprised of any other issues that may arise.

Sincerely,

*Christy*

## Merchandising Presence Bonus Plan Worksheet

Companies on Contract		Share of Market	
RJR	(A)	24.00%	
PM		51.00%	
BAT			
Lorillard			
Other			
Total Contracted SOM	(B)	75.00%	

RJR % of total contracted share (A) 24.00% divided by (B) 75.00% = (C) 32.00%

RJR required % of merchandising/presence to achieve bonus 35.00%  
 - Not less than 35.00%.

N E W W O R L D  S E T S	O L D W O R L D / C U R R E N T	APPLICATIONS	COMPONENTS	TOTAL # INDUSTRY	RJR REQUIRED
		<u>OUTSIDE LINEAR SET</u>	- Featured Pack Facings	120	42
		- Traditional Pack Contracts	- Front Faced Cartons	34	12
			- Promotional Displays	8	3
			- Supplemental Advertising	14	5
		- Maximized Presence Contracts			
		<u>WITHIN LINEAR FEET</u>			
		- Maximized Presence Contracts	- Highly Visible Linear Feet	16	6

\_\_\_\_\_  
DATE AGREEMENT SIGNED

\_\_\_\_\_  
AGREEMENT EFFECTIVE DATE

ACCOUNT NAME \_\_\_\_\_

SIS / CID # \_\_\_\_\_

AUTHORIZED BY: \_\_\_\_\_

TITLE \_\_\_\_\_

R. J REYNOLDS TOBACCO COMPANY

BY: \_\_\_\_\_

DIVISION # \_\_\_\_\_

# Merchandising Presence Bonus Plan Worksheet

Companies on Contract		Share of Market	
RJR	(A)	26.00%	
PM		58.00%	
BAT			
Lorillard			
Other			
Total Contracted SOM	(B)	84.00%	

RJR % of total contracted share (A) 26.00% divided by (B) 84.00% = (C) 30.95%

RJR required % of merchandising/presence to achieve bonus **35.00%**  
 - Not less than 35.00%.

N O L D W O R L D / C U R R E N T  S E T S	O L D W O R L D / C U R R E N T	APPLICATIONS	COMPONENTS	TOTAL # INDUSTRY	RJR REQUIRED
		<u>OUTSIDE LINEAR SET</u>	- Featured Pack Facings	94	33
		- Traditional Pack Contracts	- Front Faced Cartons		0
			- Promotional Displays		0
		- Maximized Presence Contracts	- Supplemental Advertising		0
		<u>WITHIN LINEAR FEET</u>			
		- Maximized Presence Contracts	- Highly Visible Linear Feet		0

DATE AGREEMENT SIGNED

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ACCOUNT NAME **EXAMPLE 1**

SIS / CID #

AUTHORIZED BY:

TITLE

R. J REYNOLDS TOBACCO COMPANY

BY:

DIVISION #

## Merchandising Presence Bonus Plan Worksheet

Companies on Contract		Share of Market	
RJR	(A)	24.00%	
PM		51.00%	
BAT			
Lorillard			
Other			
Total Contracted SOM	(B)	75.00%	

RJR % of total contracted share (A) 24.00% divided by (B) 75.00% = (C) 32.00%

RJR required % of merchandising/presence to achieve bonus **35.00%**

- Not less than 35.00%.

N E W W O R L D  S E T S	O L D W O R L D / C U R R E N T	APPLICATIONS	COMPONENTS	TOTAL # INDUSTRY	RJR REQUIRED
		<u>OUTSIDE LINEAR SET</u>	- Featured Pack Facings	120	42
		- Traditional Pack Contracts	- Front Faced Cartons	34	12
			- Promotional Displays	8	3
			- Supplemental Advertising	14	5
		- Maximized Presence Contracts			
		<u>WITHIN LINEAR FEET</u>			
		- Maximized Presence Contracts	- Highly Visible Linear Feet	16	6

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ACCOUNT NAME \_\_\_\_\_

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AUTHORIZED BY: \_\_\_\_\_

TITLE \_\_\_\_\_

R. J REYNOLDS TOBACCO COMPANY

BY: \_\_\_\_\_

DIVISION # \_\_\_\_\_

# Merchandising Presence Bonus Plan Worksheet

Companies on Contract		Share of Market	FACINGS
RJR	(A)	28.30%	54
PM		42.30%	56
BAT		18.90%	24
Lorillard			
Other			
Total Contracted SOM	(B)	89.50%	

RJR % of total contracted share (A) 28.30% divided by (B) 89.50% = (C) 31.62%

RJR required % of merchandising/presence to achieve bonus **35.00%**  
 - Not less than 35.00%.

N E W W O R L D / C U R R E N T / S E T S	O L D W O R L D / C U R R E N T	APPLICATIONS	COMPONENTS	TOTAL # INDUSTRY	RJR REQUIRED
		<u>OUTSIDE LINEAR SET</u>	- Featured Pack Facings	134	47
		- Traditional Pack Contracts	- Front Faced Cartons		0
			- Promotional Displays		0
		- Maximized Presence Contracts	- Supplemental Advertising		0
		<u>WITHIN LINEAR FEET</u>			
		- Maximized Presence Contracts	- Highly Visible Linear Feet		0

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AGREEMENT EFFECTIVE DATE

ACCOUNT NAME Calsasieu Exxon

SIS / CID # 558426

AUTHORIZED BY: \_\_\_\_\_

TITLE \_\_\_\_\_

R. J REYNOLDS TOBACCO COMPANY

BY: \_\_\_\_\_

DIVISION # \_\_\_\_\_

## Merchandising Presence Bonus Plan Worksheet

Companies on Contract		Share of Market	
RJR	(A)	24.00%	
PM		51.00%	
BAT			
Lorillard			
Other			
Total Contracted SOM	(B)	75.00%	

RJR % of total contracted share (A) 24.00% divided by (B) 75.00% = (C) 32.00%

RJR required % of merchandising/presence to achieve bonus **35.00%**

- Not less than 35.00%.

N E W W O R L D / C U R R E N T  S E T S	O L D W O R L D / C U R R E N T	APPLICATIONS	COMPONENTS	TOTAL # INDUSTRY	RJR REQUIRED
		<u>OUTSIDE LINEAR SET</u>	- Featured Pack Facings	120	42
		- Traditional Pack Contracts	- Front Faced Cartons	34	12
			- Promotional Displays	8	3
			- Supplemental Advertising	14	5
		- Maximized Presence Contracts			
		<u>WITHIN LINEAR FEET</u>			
		- Maximized Presence Contracts	- Highly Visible Linear Feet	16	6

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AUTHORIZED BY: \_\_\_\_\_

TITLE \_\_\_\_\_

R. J REYNOLDS TOBACCO COMPANY

BY: \_\_\_\_\_

DIVISION # \_\_\_\_\_

## Merchandising Presence Bonus Plan Worksheet

Companies on Contract		Share of Market	FACINGS
RJR	(A)	36.30%	40
PM			
BAT		21.70%	24
Lorillard		5.00%	24
Other			
Total Contracted SOM	(B)	63.00%	88

RJR % of total contracted share (A) 36.30% divided by (B) 63.00% = (C) 57.62%

RJR required % of merchandising/presence to achieve bonus **57.60%**  
 - Not less than 35.00%.

N E W W O R L D / C U R R E N T  S E T S	O L D W O R L D / C U R R E N T	APPLICATIONS	COMPONENTS	TOTAL # INDUSTRY	RJR REQUIRED
		<u>OUTSIDE LINEAR SET</u>	- Featured Pack Facings	88	51
		- Traditional Pack Contracts	- Front Faced Cartons		0
			- Promotional Displays		0
		- Maximized Presence Contracts	- Supplemental Advertising		0
		<u>WITHIN LINEAR FEET</u>			
		- Maximized Presence Contracts	- Highly Visible Linear Feet		0

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DATE AGREEMENT SIGNED

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AGREEMENT EFFECTIVE DATE

ACCOUNT NAME ACADIA F/M

SIS / CID # 334475

AUTHORIZED BY: \_\_\_\_\_

TITLE \_\_\_\_\_

R. J REYNOLDS TOBACCO COMPANY

BY: \_\_\_\_\_

DIVISION # \_\_\_\_\_



## Merchandising Presence Bonus Plan Worksheet

Companies on Contract		Share of Market	
RJR	(A)	24.00%	
PM		51.00%	
BAT			
Lorillard			
Other			
Total Contracted SOM	(B)	75.00%	

RJR % of total contracted share (A) 24.00% divided by (B) 75.00% = (C) 32.00%

RJR required % of merchandising/presence to achieve bonus **35.00%**  
 - Not less than 35.00%.

N E W W O R L D / C U R R E N T  S E T S	O L D W O R L D / C U R R E N T	APPLICATIONS	COMPONENTS	TOTAL # INDUSTRY	RJR REQUIRED
		<u>OUTSIDE LINEAR SET</u>	- Featured Pack Facings	120	42
		- Traditional Pack Contracts	- Front Faced Cartons	34	12
			- Promotional Displays	8	3
		- Maximized Presence Contracts	- Supplemental Advertising	14	5
		<u>WITHIN LINEAR FEET</u>			
		- Maximized Presence Contracts	- Highly Visible Linear Feet	16	6

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ACCOUNT NAME \_\_\_\_\_

SIS / CID # \_\_\_\_\_

AUTHORIZED BY: \_\_\_\_\_

TITLE \_\_\_\_\_

R. J REYNOLDS TOBACCO COMPANY

BY: \_\_\_\_\_

DIVISION # \_\_\_\_\_

# Merchandising Presence Bonus Plan Worksheet

Companies on Contract		Share of Market	
RJR	(A)	35.60%	
PM			
BAT		17.00%	
Lorillard		8.60%	
Other			
Total Contracted SOM	(B)	61.20%	

RJR % of total contracted share (A) 35.60% divided by (B) 61.20% = (C) 58.17%

RJR required % of merchandising/presence to achieve bonus **58.20%**

- Not less than 35.00%.

N E W W O R L D / C U R R E N T  S E T S	O L D W O R L D / C U R R E N T	APPLICATIONS	COMPONENTS	TOTAL # INDUSTRY	RJR REQUIRED
		<u>OUTSIDE LINEAR SET</u>	- Featured Pack Facings	162	94
		- Traditional Pack Contracts	- Front Faced Cartons	1211	705
			- Promotional Displays		0
		- Maximized Presence Contracts	- Supplemental Advertising		0
		<u>WITHIN LINEAR FEET</u>			
		- Maximized Presence Contracts	- Highly Visible Linear Feet		0

DATE AGREEMENT SIGNED

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ACCOUNT NAME

SIS / CID #

AUTHORIZED BY:

TITLE

R. J REYNOLDS TOBACCO COMPANY

BY:

DIVISION #

## Merchandising Presence Bonus Plan Worksheet

Companies on Contract		Share of Market	
RJR	(A)	24.00%	
PM		51.00%	
BAT			
Lorillard			
Other			
Total Contracted SOM	(B)	75.00%	

RJR % of total contracted share (A) 24.00% divided by (B) 75.00% = (C) 32.00%

RJR required % of merchandising/presence to achieve bonus **35.00%**

- Not less than 35.00%.

N E W W O R L D / C U R R E N T  S E T S	O L D W O R L D / C U R R E N T	APPLICATIONS	COMPONENTS	TOTAL # INDUSTRY	RJR REQUIRED
		<u>OUTSIDE LINEAR SET</u>	- Featured Pack Facings	120	42
		- Traditional Pack Contracts	- Front Faced Cartons	34	12
			- Promotional Displays	8	3
		- Maximized Presence Contracts	- Supplemental Advertising	14	5
		<u>WITHIN LINEAR FEET</u>			
		- Maximized Presence Contracts	- Highly Visible Linear Feet	16	6

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TITLE \_\_\_\_\_

R. J REYNOLDS TOBACCO COMPANY

BY: \_\_\_\_\_

DIVISION # \_\_\_\_\_

# Merchandising Presence Bonus Plan Worksheet

Companies on Contract		Share of Market	
RJR	(A)	48.60%	
PM			
BAT		21.00%	
Lorillard		3.00%	
Other			
Total Contracted SOM	(B)	72.60%	

RJR % of total contracted share (A) 48.60% divided by (B) 72.60% = (C) 66.94%

RJR required % of merchandising/presence to achieve bonus **60.00%**  
 - Not less than 35.00%.

N E W W O R L D / C U R R E N T  S E T S	O L D W O R L D / C U R R E N T	APPLICATIONS	COMPONENTS	TOTAL # INDUSTRY	RJR REQUIRED
		<u>OUTSIDE LINEAR SET</u>	- Featured Pack Facings	132	79
		- Traditional Pack Contracts	- Front Faced Cartons	2640	1584
			- Promotional Displays		0
		- Maximized Presence Contracts	- Supplemental Advertising		0
		<u>WITHIN LINEAR FEET</u>			
		- Maximized Presence Contracts	- Highly Visible Linear Feet	49	29

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DATE AGREEMENT SIGNED

\_\_\_\_\_  
AGREEMENT EFFECTIVE DATE

ACCOUNT NAME **CHEAPO DEPOT**

SIS / CID # **564511**

AUTHORIZED BY: \_\_\_\_\_

TITLE \_\_\_\_\_

R. J REYNOLDS TOBACCO COMPANY

BY: \_\_\_\_\_

DIVISION # \_\_\_\_\_