



PHILIP MORRIS U.S.A.

Inter Office Correspondence

DATE: August 6, 1999
TO: Roy Anise, Tom Saloun, Shari Teitelbaum, Roy Whalen
FROM: Jeffrey Slagle
SUBJECT: Indianapolis Market Visit

I visited 12 stores in downtown Indianapolis and its suburbs (district 4372) on July 22, 1999. Marlboro, GPC, Doral, Camel, and Winston, in that order, are the top selling brands in the district. Stores visited include the following trade classes: convenience-gas (4), convenience-food (4), supermarkets (3), tobacco (1). The sample of stores visited intentionally was skewed toward those with grey market product and all other manufacturer presence.

Observations include:

Price

- The price of Marlboro varied widely across the 12 stores visited.
 - ◊ In supermarkets and non-contracted c-stores without Marlboro export product, Marlboro was priced between \$23.25 and \$23.99 in a non-buy-down period.
 - ◊ In contracted c-stores, Marlboro's price ranged from \$18.98 to \$21.99, well below the state minimum of \$23.25 for premium brand cigarettes. These stores may be spreading buy-down funds in an effort to maintain an EDLP proposition for Marlboro. This is related to the presence of export product in this market, which creates downward price pressure.
 - ◊ In non-contracted c-stores carrying export product, Marlboro's price was either 14.99 or 17.99.
- Basic faced a price disadvantage versus Doral and GPC except in CPL3 supermarkets, which were running a \$3-off carton promotion in July.
- In contracted stores, the most commonly observed price of Merit, which was also running a \$3-off carton promotion, was \$20.99.
- All other manufacturer brands were priced between \$10.99 and \$14.29 per carton. Maverick and Tourney were priced similarly in the \$1.50 to \$1.60 per pack range.

Promotion

- The Merit buy down did not appear to be faring well in district 4372. Several issues could be contributing to Merit's performance, including factors related to the POS signage. In addition, supermarkets were the only trade class visited in which Merit enjoyed a clear-cut price advantage versus Marlboro.
- Several instances of Newport product bearing 50-cents-off stickers were noted.
- Among brands running free product promotions, including Newport, Kool, Lucky Strike, several had opted for a B1G1.

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Export Product

- Only PM export product was observed, and that in two stores. However, a variety of Marlboro packings were seen, including Full-Flavor Menthol, Mediums, 100's, Kings, Lights, etc. Several stores had recently stopped carrying export product in response to a failed state-level initiative to ban export product and to anticipated federal legislation.
- There was some speculation as to whether RJR might be using private label to combat export product.

All Other Manufacturer

- At least 10 All Other Manufacturer brands were observed in these 12 stores, including USA (Medallion), Sebring (Forsyth), Yours (Super America), Montclair and Malibu (Commonwealth), New York (Marketing Group), etc.

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