

MARKETING RESEARCH DEPARTMENT PRESENTATION

Presentation Title: SAMPLING

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Art Work: _____

Cassettes: _____

Slides: _____

Tapes: _____

Overlays: _____

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SAMPLING

AVERAGE CONVERSION RATE FOR CARTON COUPONING

BIG BRAND	4%
SMALL BRAND	10
SPIN OFF'S	3

EXPECTED VS. REQUIRED CONVERSION FOR SAMPLING PAYBACK

	<u>1 CARTON</u>	
	<u>EXPECTED</u>	<u>REQUIRED</u>
BIG BRAND	3%	19%
SMALL BRAND	7	27
SPIN OFF'S	2	19

SAMPLING

CONCLUSIONS

- OUT-OF-POCKET COSTS HIGH
- KEY VARIABLE DETERMINING PAYOUT IS SWITCHING
- PAYBACK DIFFICULT TO OBTAIN BECAUSE ONLY "PLUS" DOLLARS COME FROM SWITCHING
- SAMPLING QUANTITIES OVER 2 PACKS DOESN'T MAKE SENSE
- HIGH REACH

MAJOR CONCLUSIONS:

- OVERALL, RESULTS INDICATE THAT THERE IS SIGNIFICANTLY GREATER LIKELIHOOD THAT THE "NATURAL/LOW TAR" POSITIONING WILL DRAW MORE CONCEPT/PRODUCT ACCEPTANCE.
 - THIS POSITIONING'S APPEAL AND PRODUCT ACCEPTANCE IS PARTICULARLY EVIDENT AMONG HI-FI AND MARLBORO SMOKERS.
 - THE DATA SUGGEST THAT PERCEPTUAL TRADE-OFFS MAY CONTRIBUTE TO THE EQUAL APPEAL OBSERVED AMONG KOOL SMOKERS FOR BOTH POSITIONINGS.
- CAREFUL CONSIDERATION IN THE ADVERTISING SHOULD BE GIVEN TO THE FACT THAT THERE MAY BE A DE-EMPHASIS OF THE 'NATURAL' STORY IN THE "NATURAL/LOW TAR" POSITIONING WHEN CONSUMERS ARE NOT EDUCATED TO THE QUALIFIER IN THIS CONCEPT, I.E., "CURRENTLY ALL LOW TAR BRANDS USE A VARIETY OF ARTIFICIAL ADDITIVES TO ENHANCE THEIR TASTE AND FLAVOR".

SUMMARY

- PLAN TO TEST VARYING QUANTITIES FOR MOST OF OUR BRANDS
- TEST/CONTROL MEASUREMENT OF AWARENESS, TRIAL AND ATTITUDES
- TRACKING MEASUREMENT OF SWITCHING AND PURCHASE
- TIMING

PILOT STUDY - THIS YEAR

FULL SCALE STUDY - JANUARY/FEBRUARY, 1977

RESULTS AVAILABLE - JUNE, 1977

SUMMARY TO POINT:

- OVERALL, THE INCLUSION OF THE 'LOW TAR' PROPOSITION HAD NO NEGATIVE AFFECTS ON CONCEPT ACCEPTANCE AMONG TARGET GROUP SMOKERS.
 - MOREOVER, THE DATA INDICATE THAT THE INCLUSION OF 'LOW TAR' CONTRIBUTES TO CONVEYING A MORE IMPORTANT IDEA TO SMOKERS.
- CAUTION IN THE ADVERTISING SHOULD BE EXERCISED TO KEEP THE 'LOW TAR' STORY FROM OVERSHADOWING THE "UNIQUELY NATURAL/NO ARTIFICIAL" CLAIM.

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SAMPLING

WHY SAMPLING?

- IS IT BETTER THAN COUPONING?
- HOW WELL DOES IT GET COMPETITIVE TRIAL?
- DOES IT GENERATE SWITCHING AT REASONABLE COSTS?
- IS IT JUST A SHORT TERM VEHICLE?
- DOES IT SUSTAIN AWARENESS?
- CAN IT CHANGE ATTITUDES?
- CAN IT REJUVENATE AN OLD BRAND?
- IS THERE AN OPTIMUM SAMPLING QUANTITY?

SAMPLING

BENEFITS

AWARENESS

TRIAL

ATTITUDES

PAYOUT CONSIDERATIONS

COSTS

UNITS DELIVERED

SIZE OF UNITS

HOW DELIVERED

DUPLICATION

STATE TAXES

INCOME

COMPETITIVE PURCHASE

SWITCHING

PAYOUT ANALYSIS

(HYPOTHETICAL DATA)

BRAND	VANTAGE FILTER
SIZE OF PACK	20
# PACKS	2
# SAMPLES DELIVERED	10,000,000
% VANTAGE FILTER SMOKERS	1.9
% BALANCE RJR SMOKERS	31.1
% NON RJR SMOKERS	67.0
% SWITCHING	5.0
% DUPLICATION	20.0
DELIVERY COST/SMOKER	7¢
PRODUCT COST/PACK	17.72¢
STATE TAX/PACK	13¢

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PAYOUT ANALYSIS
(HYPOTHETICAL DATA)

VANTAGE

INTERIM CALCULATIONS

DUPLICATION	2,000,000
TOTAL SMOKERS SAMPLED	8,000,000
VANTAGE FILTER SMOKERS SAMPLED	152,000
BALANCE RJR SMOKERS SAMPLED	2,488,000
NON RJR SMOKERS SAMPLED	5,360,000
SWITCHERS	392,400

OUT OF POCKET COSTS

	<u>DOLLARS</u>	<u>PERCENT</u>
DELIVERY	\$ 700,000	10.2%
PRODUCT	3,544,000	51.8
STATE TAX	<u>2,600,000</u>	<u>38.0</u>
	\$ 6,844,000	100%

SAMPLING VS. COUPONING

EFFECT ON CONSUMERS

	<u>VANTAGE</u>	
	<u>\$1 COUPON</u>	<u>2 PACK SAMPLE (20's)</u>
COUPONS/SAMPLES DIST.	18,000,000	10,000,000
TOTAL COST	\$ 1,716,000	\$ 6,844,000
TOTAL CONSUMERS	1,146,150	8,000,000
COMPETITIVE CONSUMERS	673,231	5,360,000
ESTIMATED SWITCHERS	95,566	392,400
<u>COST PER:</u>		
CONSUMER	\$ 1.50	\$.86
COMPETITIVE CONSUMER	2.55	1.28
SWITCHER	17.96	17.44
ESTIMATED PAYOUT	10 MONTHS	15 MONTHS

SAMPLING VS. COUPONING

EFFECT ON CONSUMERS

	<u>MORE</u>	
	<u>\$1 COUPON</u>	<u>2 PACK SAMPLE (20's)</u>
COUPONS/SAMPLES DIST.	18,000,000	10,000,000
TOTAL COST	\$ 1,407,600	\$ 6,908,000
TOTAL CONSUMERS	916,506	8,000,000
COMPETITIVE CONSUMERS	613,620	5,360,000
ESTIMATED SWITCHERS	137,458	634,240
<u>COST PER:</u>		
CONSUMER	\$ 1.54	\$.86
COMPETITIVE CONSUMER	2.29	1.29
SWITCHER	10.24	10.89
ESTIMATED PAYOUT	5 MONTHS	4 MONTHS

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RESPONSE SURFACE ANALYSIS

SWITCHING ACCOUNTS FOR 85% OF VARIABILITY IN PAYOUT.

	<u>% VARIABILITY EXPLAINED</u>
SWITCHING	85%
COMPETITIVE	11
DUPLICATION	1
STATE TAX	1

INDUSTRY STATES SAMPLING YIELDS APPROXIMATELY
30% LOWER SWITCHING THAN COUPONING (FOR EQUAL
QUANTITIES OF PRODUCT).

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SAMPLING

AVERAGE CONVERSION RATE FOR CARTON COUPONING

BIG BRAND 4%

SMALL BRAND 10

SPIN OFFS 3

REQUIRED CONVERSION RATE FOR CARTON SAMPLING

BIG BRAND 19%

SMALL BRAND 27

SPIN OFFS 19

SAMPLING

% CONVERSION REQUIRED TO BREAK EVEN

	<u>4's</u>	<u>10's</u>	<u>1 PACK</u>	<u>2 PACKS</u>	<u>5 PACKS</u>	<u>1 CARTON</u>
	%	%	%	%	%	%
CAMEL FILTER		1.9	2.3	4.2	9.9	19.5
WINSTON KING	.7	1.8	2.2	4.0	9.4	18.5
WINSTON S. KING	.7	1.8	2.2	4.0	9.4	18.5
SALEM LIGHTS		2.0	2.4	4.4	10.3	20.0
VANTAGE	1.5	2.8	3.4	6.2	14.6	28.8
MORE		2.9	3.6	6.5	15.3	30.0
DORAL		2.5	3.1	5.7	13.4	26.4
AVERAGE OUT-OF-POCKET COSTS (10MM DIST.)	\$1.5MM	\$2.3MM	\$3.6MM	\$6.6MM	\$15.4MM	\$30.1MM

SAMPLING

CONCLUSIONS

- KEY VARIABLE DETERMINING PAYOUT IS SWITCHING
- SAMPLING PAYOUT COULD BE AS GOOD AS COUPONING
- DIFFERENCE IN PAYOUT FOR 10'S VERSUS 1 PACK (20'S) IS MINIMAL
- SAMPLING QUANTITIES OVER 2 PACKS DOESN'T MAKE SENSE
- HIGH OUT-OF-POCKET COSTS
- HIGH REACH

SAMPLING -- TEST DESIGN

	<u>4's</u>	<u>10's</u>	<u>20's</u>	
			<u>1 PACK</u>	<u>2 PACKS</u>
WINSTON K				
WINSTON BOX				
WINSTON SK				
WINSTON MENTHOL				
SALEM K				
SALEM BOX				
SALEM SK				
SALEM LIGHTS				
VANTAGE FILTER				
VANTAGE SK				
NOW FILTER				
NOW MENTHOL				
CAMEL FILTER				

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KEY MEASUREMENTS

- AWARENESS
- ATTITUDES
- MAKEUP OF SMOKERS
- DUPLICATION
- PURCHASE
- * ● SWITCHING

SUMMARY

- PLAN TO TEST VARYING QUANTITIES FOR MOST OF OUR BRANDS
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