

INTERNAL CORRESPONDENCE

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FROM	B. R. PELLETT/fmr		DATE March 15, 1985
SUBJECT	KOOL LIGHTS DE-LISTING IMPACT MEASUREMENT		

BACKGROUND

KOOL Lights (KS and 100's) have been de-listed in Arkansas (TA45) to test a potential approach of enabling B&W to bring new products into the brand portfolio without the heavy cost of buying additional retail space.

TEST HYPOTHESIS

- There will be no negative sales impact on the KOOL family when KOOL Lights (KS and 100's) are de-listed.

MANAGEMENT DECISION

- Does this approach offer management a viable method of attaining distribution for new products without hurting existing B&W brands?

METHODOLOGY

The KOOL family sales trend in TA45 has been plotted using MSA shipment data. Monthly share for the KOOL family has been placed in a linear regression model, resulting in a "line of best fit" for the historical data from August 1982 to October 1984. This period was chosen to reflect the trend since the price increases in preparation for the FET increase in January 1983. Also the Music Campaign had become established by the beginning of that historical period, and the Biker Campaign has been in the test area (TA45: Arkansas) for 4 months by the end of that period. (Graph I)

This "best fit" trend line has been extended to indicate the expected performance of the KOOL family without de-listing KOOL Lights. (Graph II) After KOOL Lights has been sold through in Arkansas, the actual share for KOOL family will be compared with the trend line established by the historical data. If a trend develops for KOOL family (after KOOL Lights is no longer available) which is beyond the 95% confidence interval plotted around the historical trend line, then a significant impact has occurred. (Graph III)

A secondary measurement will be to compare the KOOL family sales trend for TA45 after de-listing KOOL Lights with another (control) TA which has a similar trend of KOOL family sales, but which is not de-listing KOOL Lights. Charleston, WV (TA12) has been selected for this control market, because it has an extremely similar KOOL family share history to Arkansas. For this

L. R. Lewis
March 15, 1985
Page Two

comparison, both the test and control markets will be fitted to the regression model described above as each month of data is received. Significant impact of de-listing will be measured (at 95% confidence level) as the difference between the slopes of the test and control market share trend.

CONCLUSION

Only three observations have been reported, which is too early to spot trends. However, at this time there appears to be no negative impact on KOOL family share due to the de-listing of KOOL Lights.

RESULTS

Since the de-listing of KOOL Lights in November, 1984, the share of KOOL family in Arkansas is well within the confidence levels established by the trend before de-listing. (Graph IV) Also, the test area share reflects the same pattern as national share (Graph V) even though the January national share recovered more than the test area. Also the share in Arkansas and West Virginia are almost identical. (Graph VI)

NEXT STEPS

This report will be updated monthly. A post de-listing trend will not be reported until at least twelve (12) observations are available.

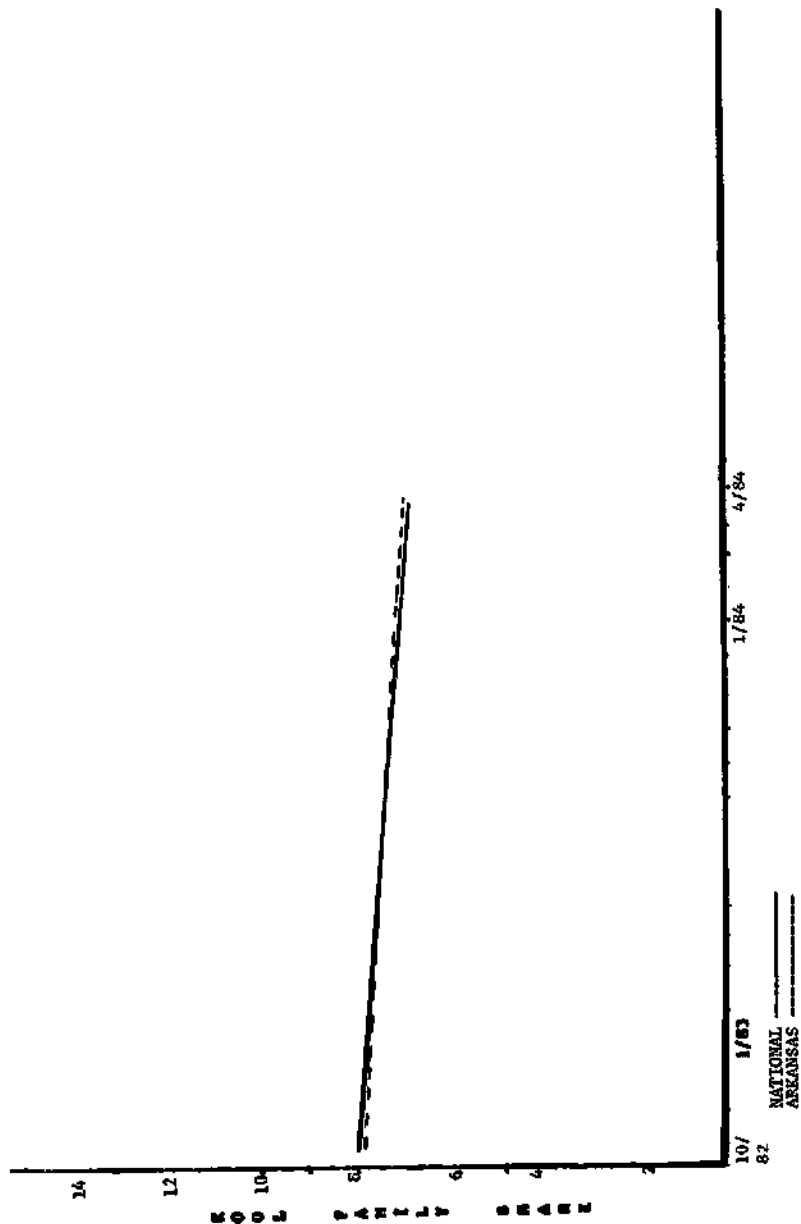
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/Attachments

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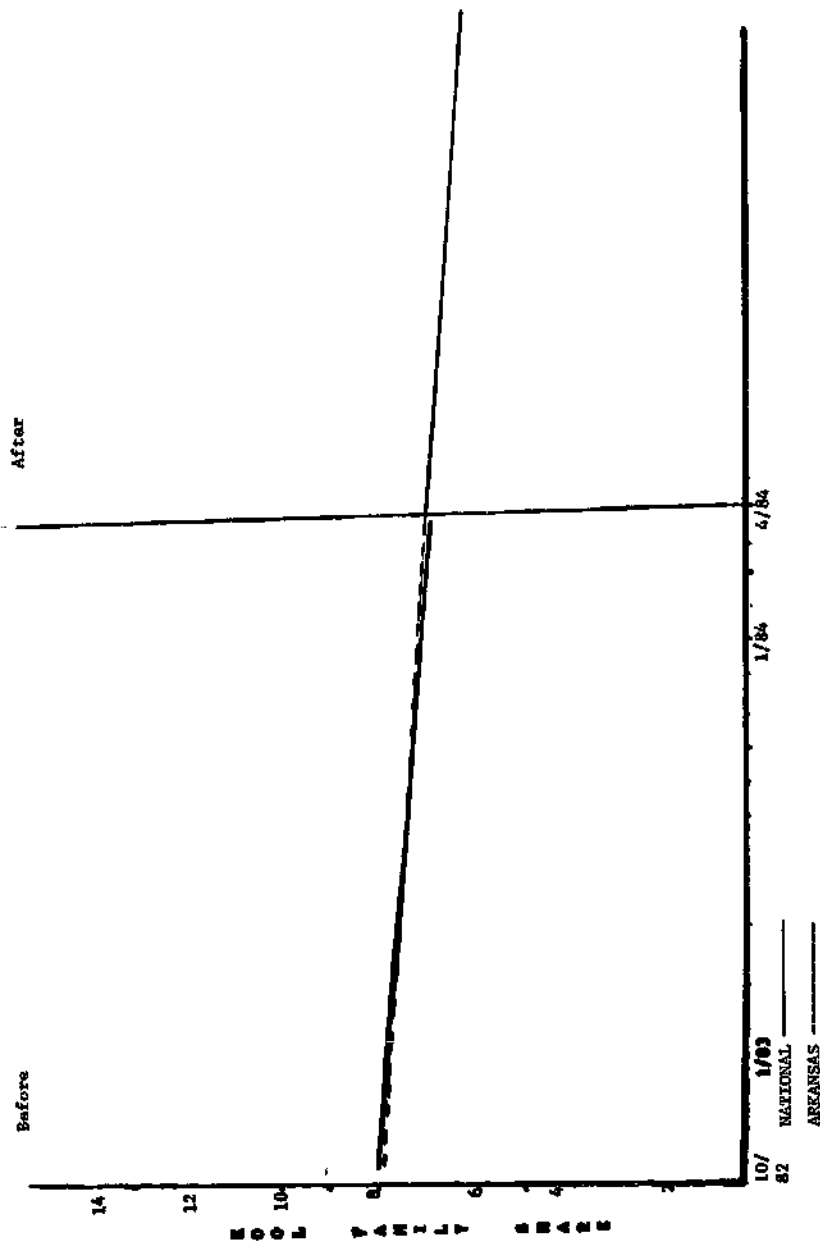
GRAPH 1
KOOL FAMILY SHARE PROJECTION
TAA5 (Arkansas) vs National



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GRAPH 11
K00L FAMILY SHARE PROJECTION
TA45 (Arkansas) vs National

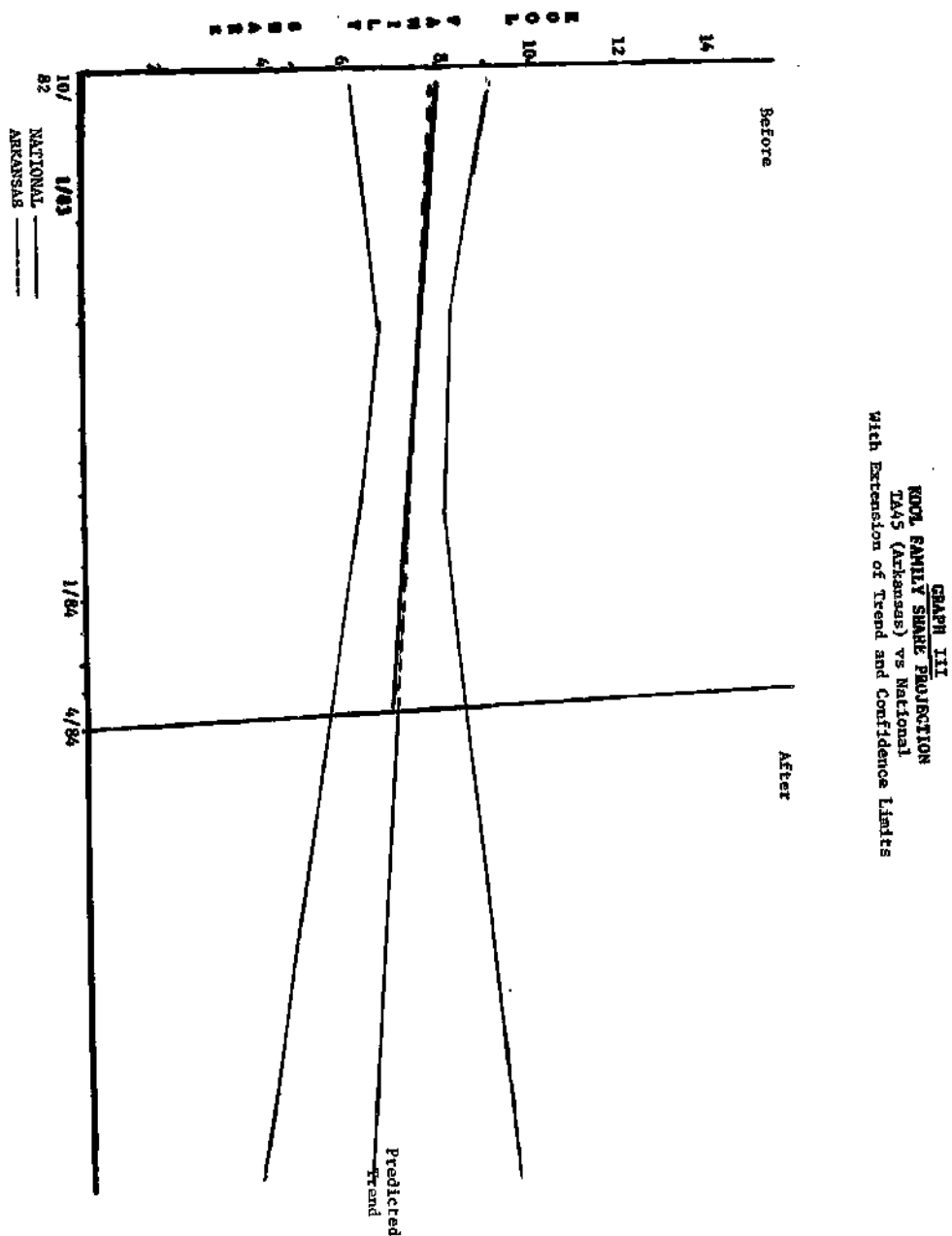


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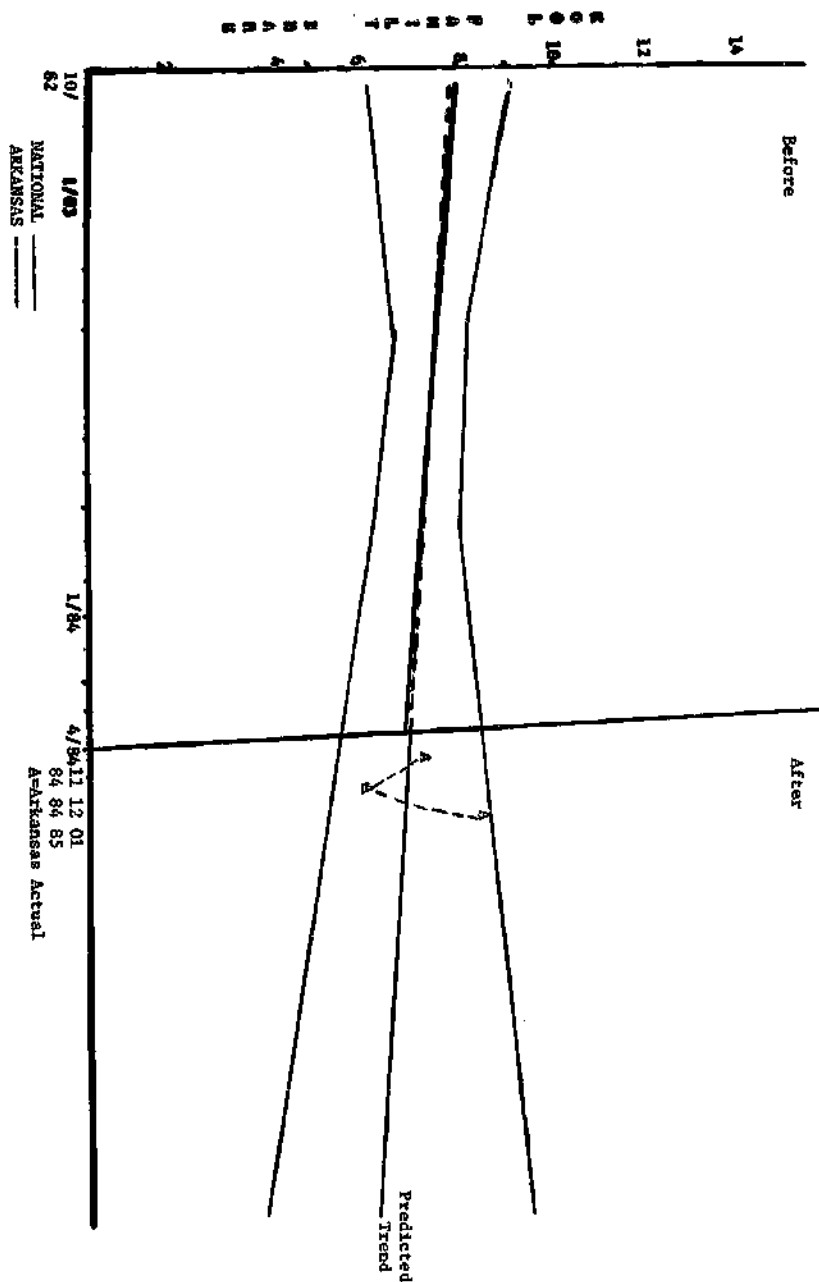
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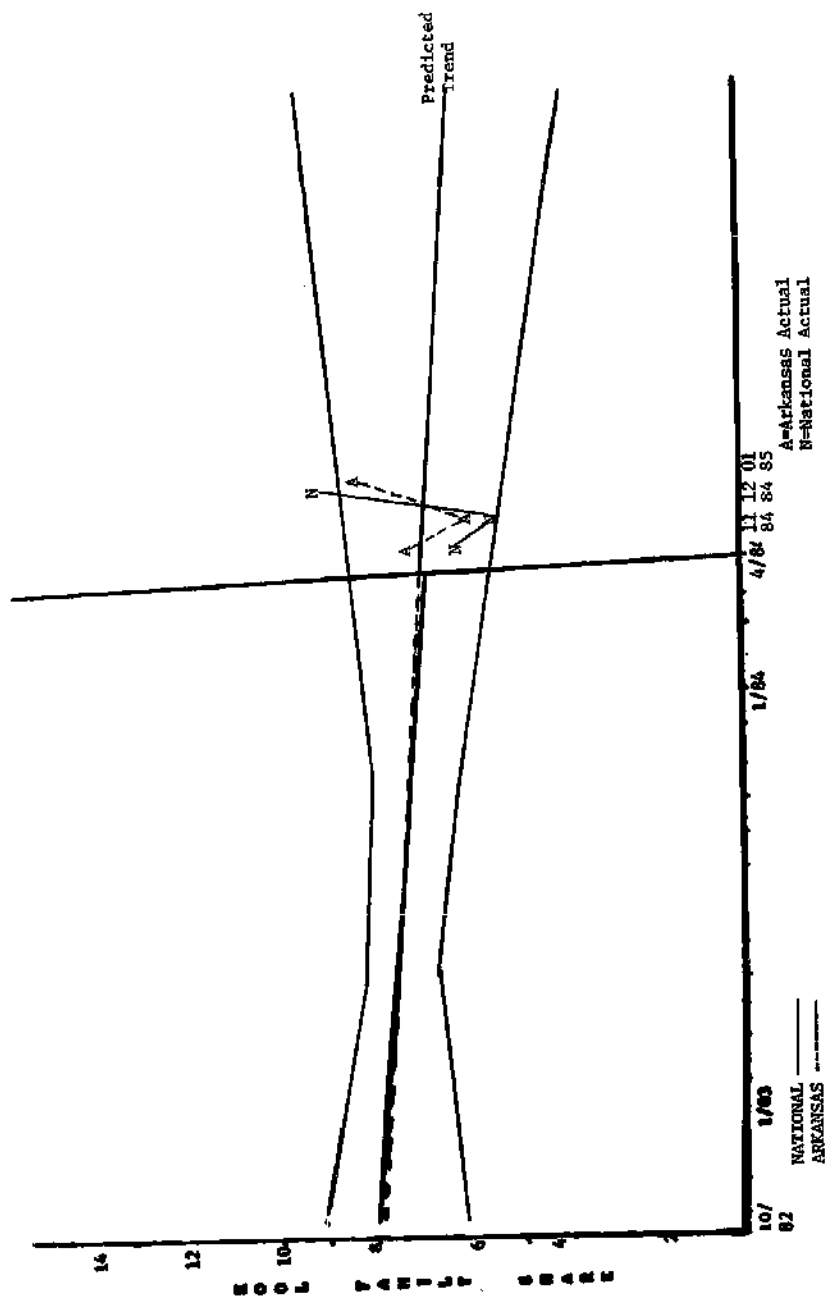
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GRAPH IV
 KOOL FAMILY SHARE PROJECTION
 Arkansas Actual Share After



GRAPH V
KOOL FAMILY SHARE PROJECTION
TA65 (Arkansas) vs National
Actual Share After



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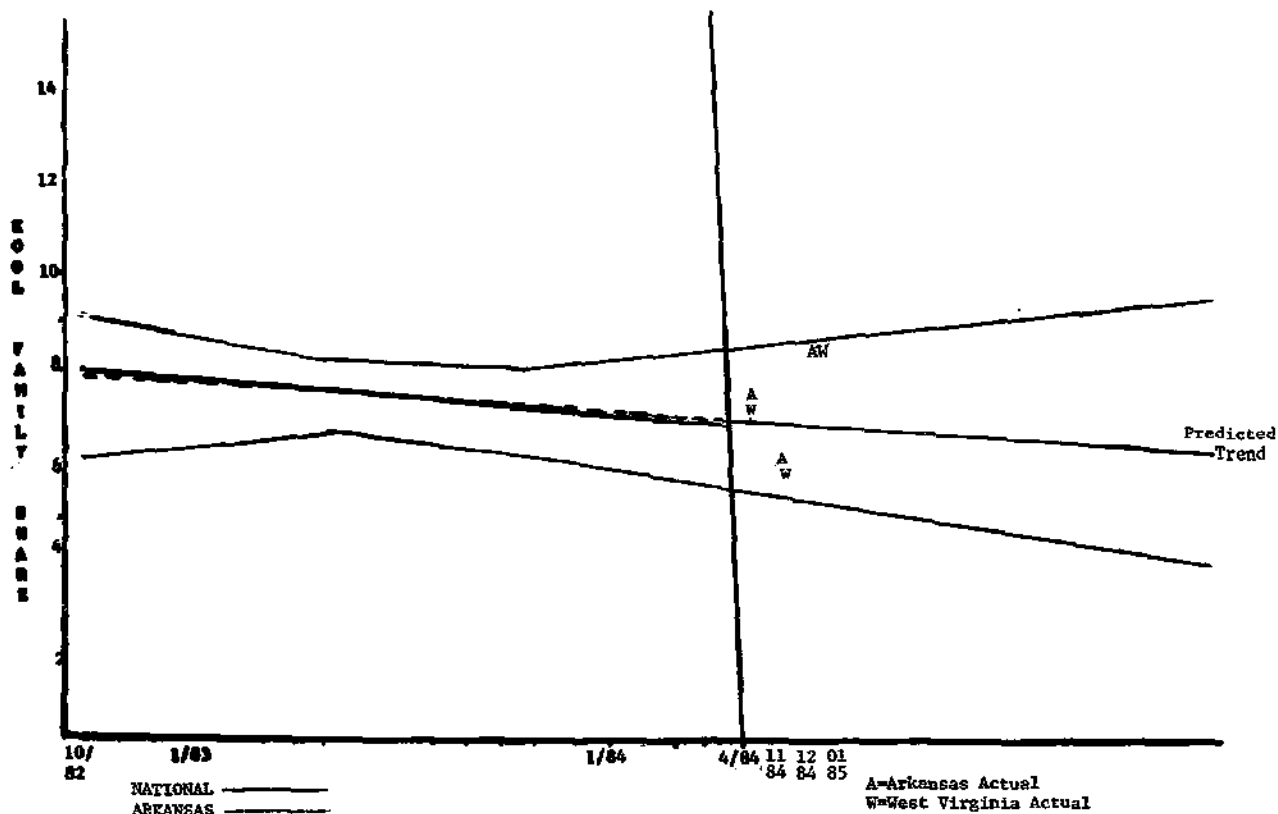
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GRAPH VI
KOOL FAMILY SHARE PROJECTION
Arkansas vs West Virginia



Appendix

SUMMARY OF KOOL SHARE BY STYLE
Arkansas/National/Neet Virginia

	November 1984			December 1984			January 1985		
	TA45 Arkansas	National	TA12 N. Virginia	TA45 Arkansas	National	TA12 N. Virginia	TA45 Arkansas	National	TA12 N. Virginia
KOOL Filter	5.85	5.42	4.79	4.92	4.50	3.97	7.15	7.17	5.96
KOOL Lights	0.21	0.34	0.25	0.03	0.28	0.25	0.10	0.46	0.41
KOOL Mild	0.84	1.01	0.93	0.69	0.81	0.69	1.04	1.31	1.11
KOOL Ultra	0.19	0.21	0.22	0.22	0.20	0.18	0.33	0.30	0.28
<u>Total</u>	7.09	6.98	6.19	5.86	5.79	5.09	8.62	9.24	7.76

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