

Jose
FUT
Lund

~~Edna Moore~~
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f-Hispanic

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TO: Steve Piskor/Nancy Lund

DATE: February 6, 1992

FROM: Michelle Salzman

SUBJECT: MARLBORO HISPANIC CONSUMERS

Edna - we passed to
can hear from you
poor event
Marlboro data
J.R.

Based on year-to-date October 1991 consumer tracking data, Marlboro maintains a 35.1% smoker share among Hispanics. This is a (-3.3%) decline as compared to Marlboro's 1990 Hispanic smoker share of 38.4%. In contrast, Marlboro's share among White smokers grew (1.7% in 1991 vs 1990, with White smokers representing 90.3% of Total Marlboro Smokers. Currently, Hispanics represent 6.3% of Marlboro's Total smoker base.

As Hispanics are one of the fastest growing segments in the United States (up 53% in 1990 vs 1980 as reported by the Bureau of the Census), and represent approximately 9% of the United States population, there are clearly opportunities for Marlboro within this group.

To better understand this increasingly important segment, the following profile of Marlboro's Hispanic franchise has been developed. Any significant differences exhibited between Marlboro's Hispanic consumers, Marlboro's White consumers and Total Hispanic smokers are highlighted.

KEY FINDINGS

- o Marlboro's Hispanic smokers tend to skew more male (65% male) vs. Marlboro's White smokers and Total Hispanic smokers (58% and 57% respectively).
- o Marlboro's Hispanic smokers are younger (35% aged 18-24) than both Marlboro's White smokers and Total Hispanic smokers, (29% and 21% respectively).
- o Approximately 46% of Marlboro's White smokers and 48% of Marlboro's Hispanic smokers earned under \$30,000 annually. These figures may vary +/- 10% as only 90% of both White and Hispanic consumers surveyed in the Consumer Tracking study responded to the income question. These figures are also subject to question as the U.S. census reported that in 1990 the median household income for Hispanics was \$21,700 vs \$33,100 for Whites. Thus, it is likely that the tracking study is reaching more assimilated Hispanic smokers who have higher income levels than the general Hispanic population.
- o 38 % of Marlboro's Hispanic consumers reside in Region 5. This is driven by large Hispanic populations in California, Arizona, New Mexico, and Colorado. Region 5 is the least populated geography by Marlboro's White smokers.

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- o Marlboro's Hispanic smokers show a greater preference for purchasing box vs. soft pack (60% purchase box) than both Marlboro's White smokers and Total Hispanic smokers, (53% and 39% exhibit box preference). The large disparity in preference between Marlboro's Hispanic consumers and Total Hispanic consumers suggests the strong influence Marlboro's box packings have had on the box segment.
- o 55% of Marlboro's Hispanic consumers purchase exclusively by the pack vs 39% of Marlboro's White consumers. This stronger preference for pack vs carton purchases may be attributed to lower disposable income levels which makes purchasing cartons prohibitive.
- o Marlboro's White and Hispanic smokers show similar Marlboro packing preferences. (See exhibit 12)
- o In terms of flavor preference, both Marlboro's White and Hispanic consumers show strong preference for Non-Menthol packings (97% for both groups). However, 30% of Total Hispanic consumers purchase Menthol brands. As such, we may want to include some Marlboro Menthol packings in our Hispanic Retail efforts.
- o Over the past three months, Marlboro's Hispanic consumers and Marlboro's White consumer have exhibited similar usage of 2 for 1's, special deals and coupons (see exhibits 15 - 17). However, it should be noted that Marlboro's Hispanic smokers and Total Hispanic smokers have much less exposure to these types of special offers.
- o While there is a greater incidence of interbrand outswitching among Marlboro's White smokers than there is among Marlboro's Hispanic smokers (6.8% vs. 5.5% respectively), over time, outswitching among Marlboro's Hispanic smokers is occurring at a faster rate than it is among Marlboro's White smokers (see exhibit 20). This may be driven by an increase in acceptance; and therefore outswitching to price value brands.
- o Doral, Camel and store brands/generics represent the brands most often switched to by Marlboro White smokers. While Marlboro's Hispanic smokers also exhibit high levels of outswitching to Doral and Camel, they show much less outswitching to store brands/generics. This may suggest that established name brands (which Doral appears to be perceived as), are more important to Marlboro's Hispanic smokers than to Marlboro's White smokers.

- o Marlboro's Hispanic smokers purchase alternate brands at a slightly higher level than Marlboro's White smokers (21.4 vs 20.2). However, since 1988 the percent of Marlboro's White smokers purchasing alternate brands has increased 2.7%, while alternate purchasing among Marlboro's Hispanic smokers has only increased .5% over the same time period (see exhibit 23 and 24).
- o Over time both Marlboro's Hispanic and White smokers are increasing their alternate purchases of Doral and store/generic brands. As the price gap between full margin and price value widens, alternate purchases of discount brand is likely to accelerate.
- o Since 1988 alternate purchases of Winston has declined 10% among Marlboro's Hispanic smokers and 9.5% among Marlboro's White smokers. Over the same time period alternate purchases of Camel by Marlboro's White smokers has remained relatively flat and has fluctuated up to 18% annually among Marlboro's Hispanic consumers. This fluctuation may be driven by varying levels of promotional support behind Camel.

IMPLICATIONS FOR TEXAS HISPANIC PROMOTIONAL PLAN

Following are some issues for consideration in developing the Texas Hispanic promotional plan:

LANGUAGE

A decision must be made as to whether Spanish, English or both languages should be utilized in all promotional/advertising materials produced for the Texas program. Based on a recent Hispanic seminar I attended, Spanish copy was deemed essential in all marketing efforts made to Hispanics. While there was only limited discussions during the seminar on the usage of bilingual copy, there were a few limited tests conducted by Hispanic promotional agencies utilizing bilingual coupons. In all cases the coupons were found to be read twice by consumers. However, this did not have any conclusive coupon redemption implications.

TYPES OF PROMOTIONAL OFFERS

Retail

- What will the mix between price, product and incentive promotions be? With minimal marketing support, Marlboro has achieved more than a third of the Hispanic smoker share. This clearly indicates that Hispanic consumers have bought into the Marlboro Brand image in a "big way". As such, value added incentives and product offers, which support Marlboro's premium positioning should be the core of our Hispanic retail promotional strategy. Price promotions, which tend to denigrate brand imagery may be the wrong approach to take with image conscious Hispanic smokers.

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- Are the offers multipack or carton? As previously mentioned, Marlboro's Hispanic consumers show stronger preference for pack vs carton purchases. Given their lower disposable income levels, the predominant usage of multipack vs carton offers is therefore, recommended.
- Which packings should be featured at retail? As Red maintains the highest share among Hispanic smokers, it should probably be the primary featured packing in all promotional offers. However, as total Hispanic smokers have higher levels of Menthol consumption than Marlboro's Hispanic smokers, we may want to include some Menthol packings in the product mix.
- Usage of continuity offers should also be considered. Past experience with the Marlboro soccer T-shirt, which was offered as a bounceback to the Hispanic soccer socks promotion, suggests that continuity offers do not perform well with Hispanics. However, there are a number of possible reasons as to why the T-shirt did not perform well, such as:
 - o Continuity offer for T-shirt was written in English and therefore, may not have been read by many Hispanic smokers.
 - o Offer was not compelling (i.e. Mexicans in Texas are not particularly interested in soccer and therefore, would not be interested in a soccer T-shirt).
 - o UPC requirements on T-shirt may have been too high.

*Times
Beet Buckle
Wallet*

DIRECT

As Marlboro's Hispanic smokers are as responsive to coupons and 2 for 1's as Marlboro's White smokers, Direct mail may prove to be the most efficient method to deliver these types of offers to large numbers of Hispanic smokers. Furthermore, Direct mail enables us to deliver discounts on product in a more discreet method than retail or media delivered promotions allow. Additionally, the survey questionnaire contained in our direct mailings will provide useful information about Marlboro and competitive Hispanic smokers.

EVENTS SPONSORSHIPS

In addition to providing sampling opportunities and building brand awareness, community events will further enable Marlboro to build relationships within the local Hispanic community. The events sponsored should be relevant to the Hispanic market (i.e. Texano music in Texas). Additionally, we may want to consider tying our events into local charities (i.e. donating a percentage of each tickets sold at the events to a community organization).

*Comp
Agrees
with this
Concept*

We should consider a Marlboro Music TEXAS Concert tour at exciting venues, moreover, we should address the talent reward program as well. Winners would appear for Headliners.

ADVERTISING

Increased advertising support should also be considered as an element of the Hispanic promotional plan. If existing creative is utilized, it is recommended that focus groups be held to help determine which of our ads have the most appeal to Hispanic smokers. If new creative is developed, it is again recommended that the ads be tested to insure clarity of message and relevance to Hispanic smokers. Additionally, as the copy on Hispanic advertising has been a contentious issue (due to many different Spanish dialects), consideration should be given to featuring minimal or no copy at all on Marlboro's Hispanic advertisements. This would enable us to execute national ads thereby gaining cost and production efficiencies.

TEST MARKET PERFORMANCE EVALUATION

As many Hispanic outlets sell less than 100+ CPW and, therefore, may not be purchasing their cigarettes directly from wholesalers, it may be more difficult to track performance using our traditional methods (i.e. shipment and Nielsen data). Therefore, a system to evaluate the performance of our Hispanic promotional plan must be developed. Retail audits may prove to be the only performance evaluation tool available to us.

TEST MARKET SITE(S)

While the current Hispanic promotional plan is being developed for Texas, we may want to consider expanding the test program to markets in California such as Los Angeles and San Francisco. In addition to being strong Marlboro markets with large Hispanic populations, California maintains the highest Hispanic population growth rate in the nation (+69% from 1980 to 1990).

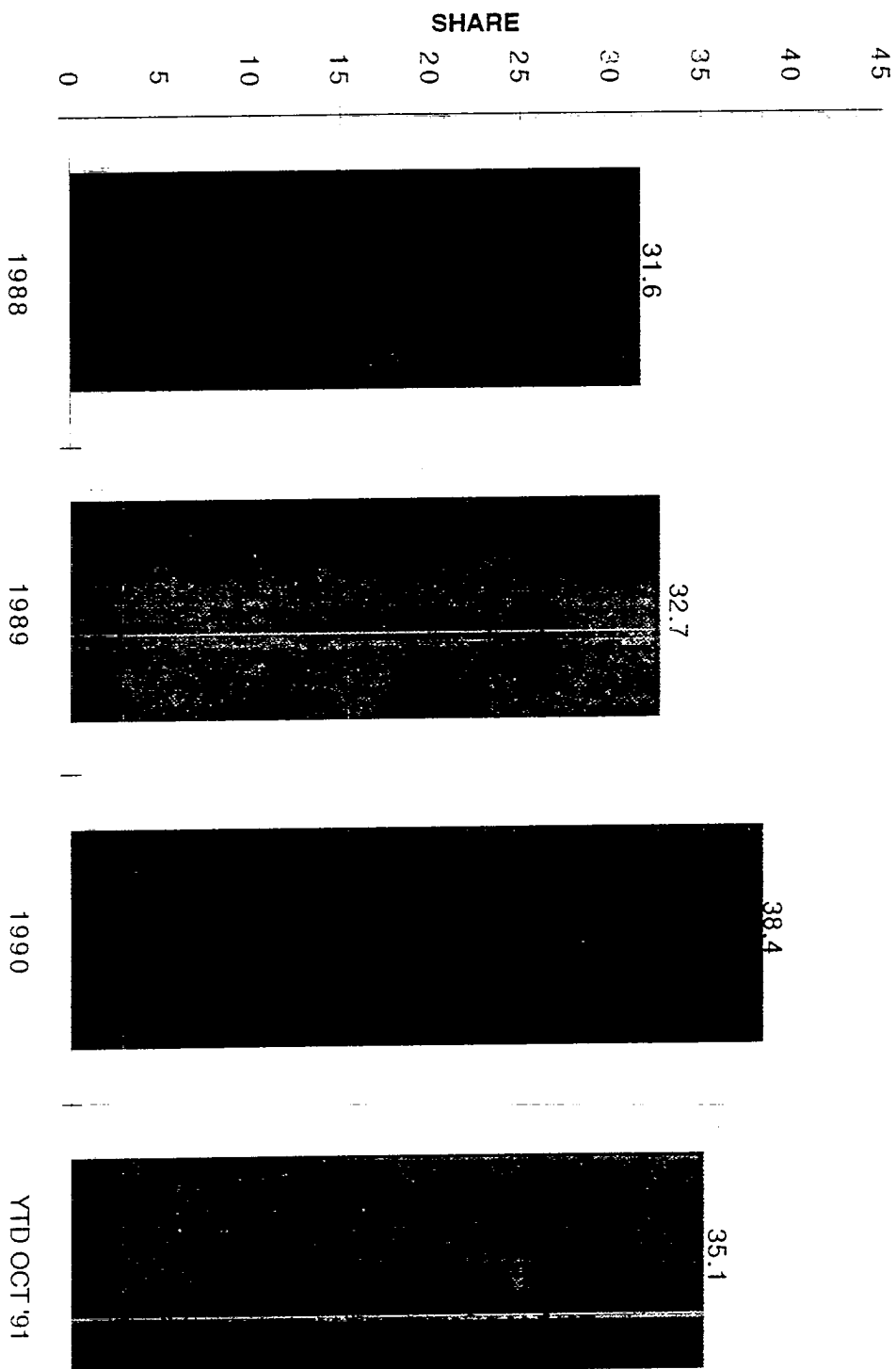
Please let me know if you have any comments or questions.

MS19/el
cc: Marlboro Group

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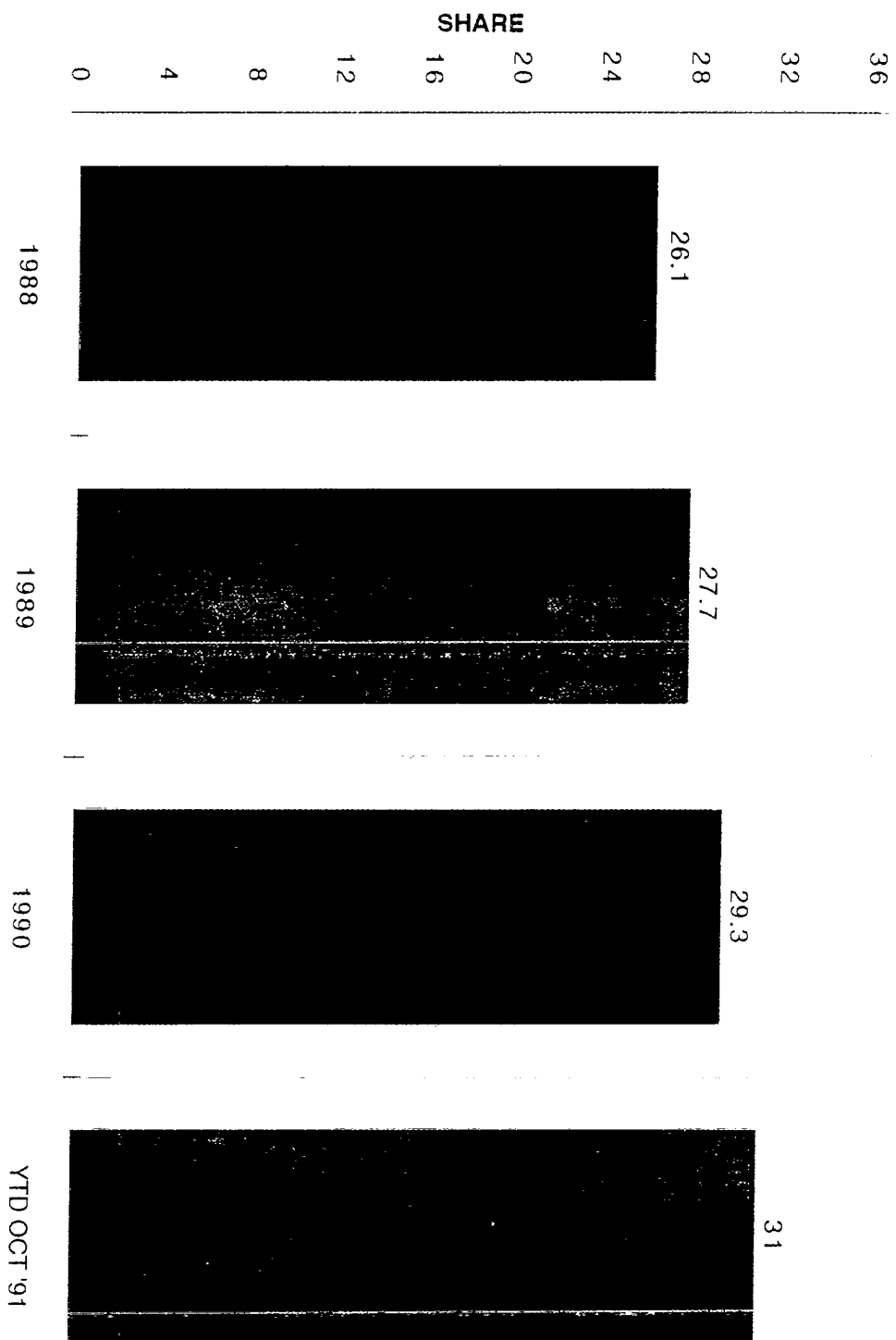
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MARLBORO SMOKER SHARE AMONG HISPANICS



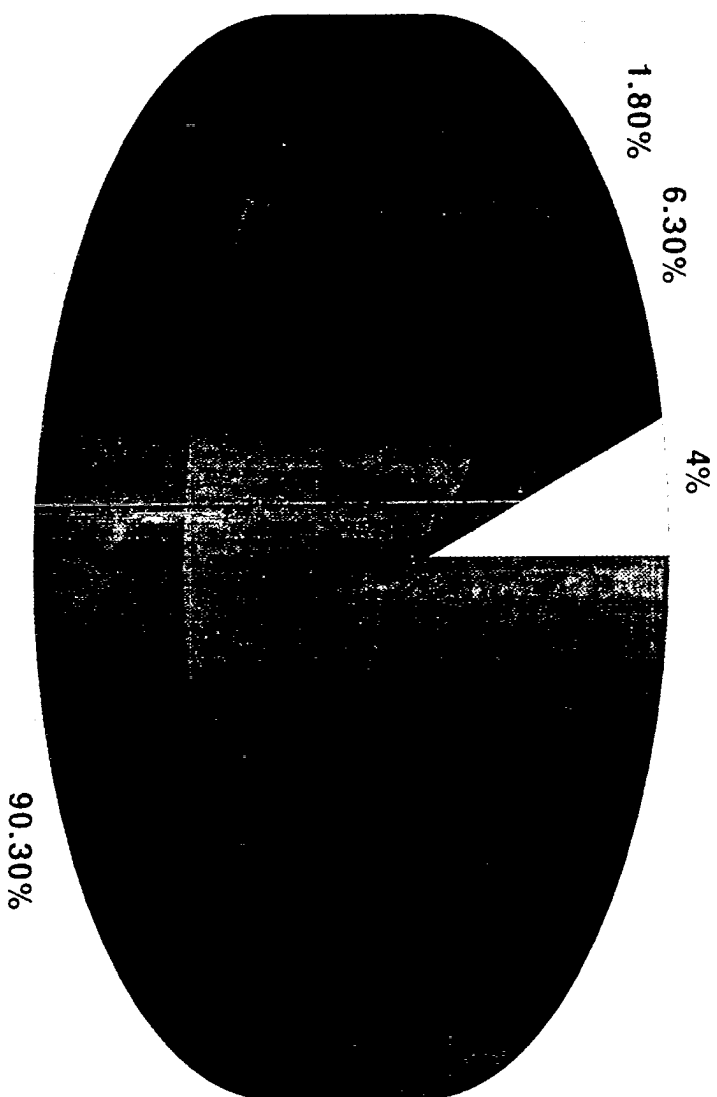
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MARLBORO SMOKER SHARE AMONG WHITE SMOKERS



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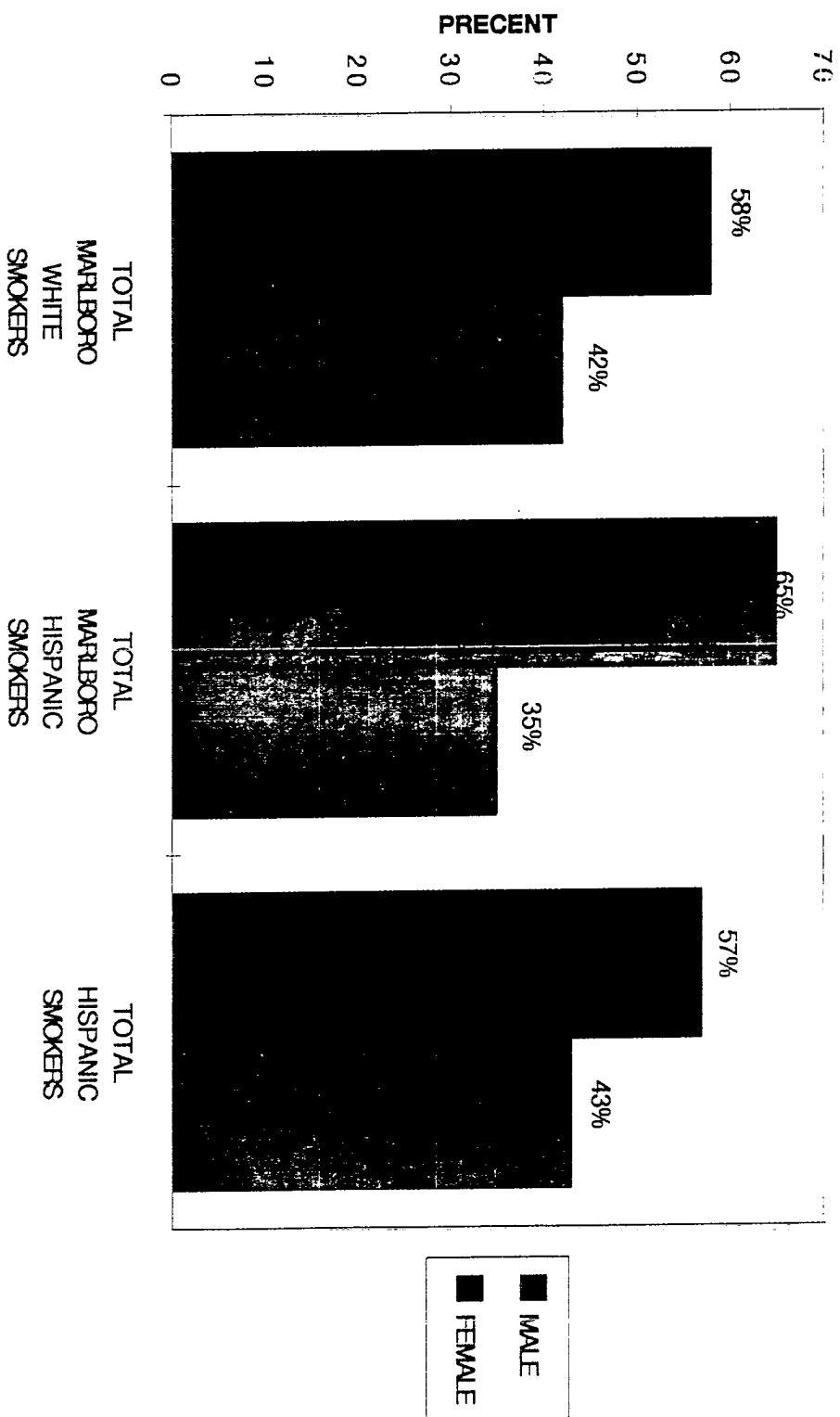
**MARLBORO DEMOGRAPHICS
BY RACE**



NOTE: PROFILE WILL EXCEED 100% AS MEASURES UTILIZED BY CONSUMER TRACKING TO DEFINE RACE MAY OVERLAP

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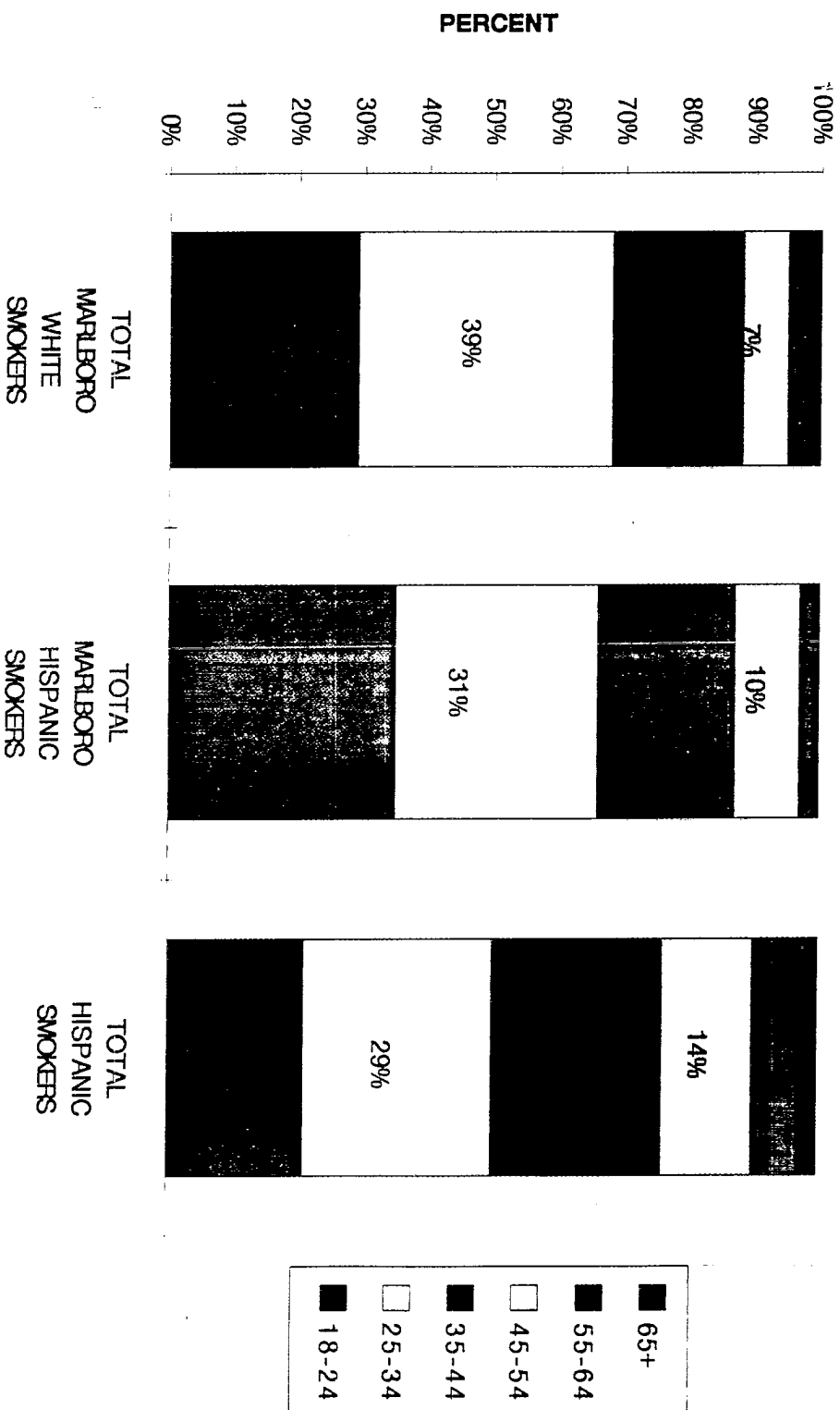
MARLBORO/HISPANIC DEMOGRAPHICS BY SEX



SOURCE: CONSUMER TRACKING, YTD ENDING OCTOBER 1991

2041945305

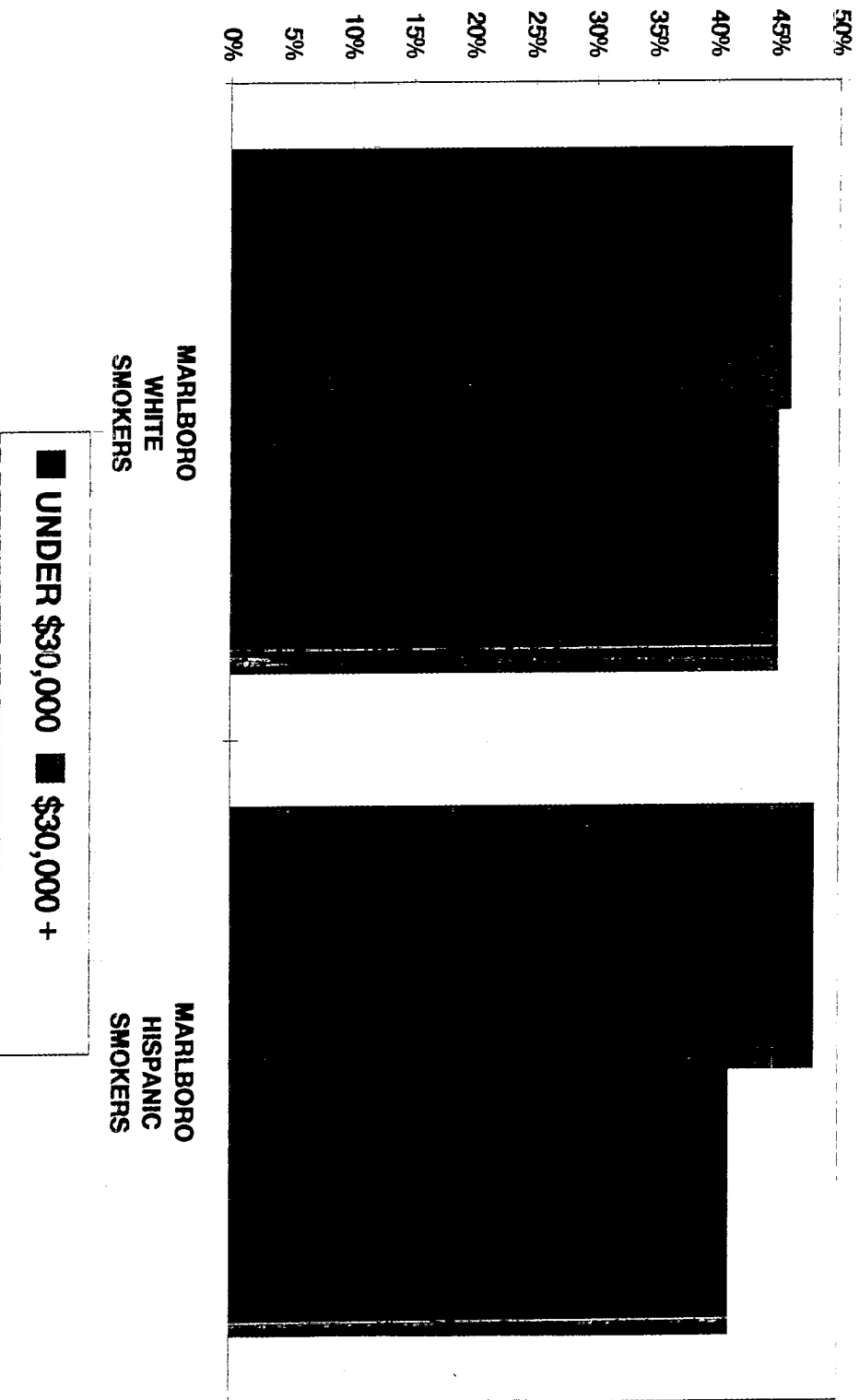
MARLBORO DEMOGRAPHICS BY AGE



SOURCE: CONSUMER TRACKING, YTD ENDING OCTOBER 1991

2041945306

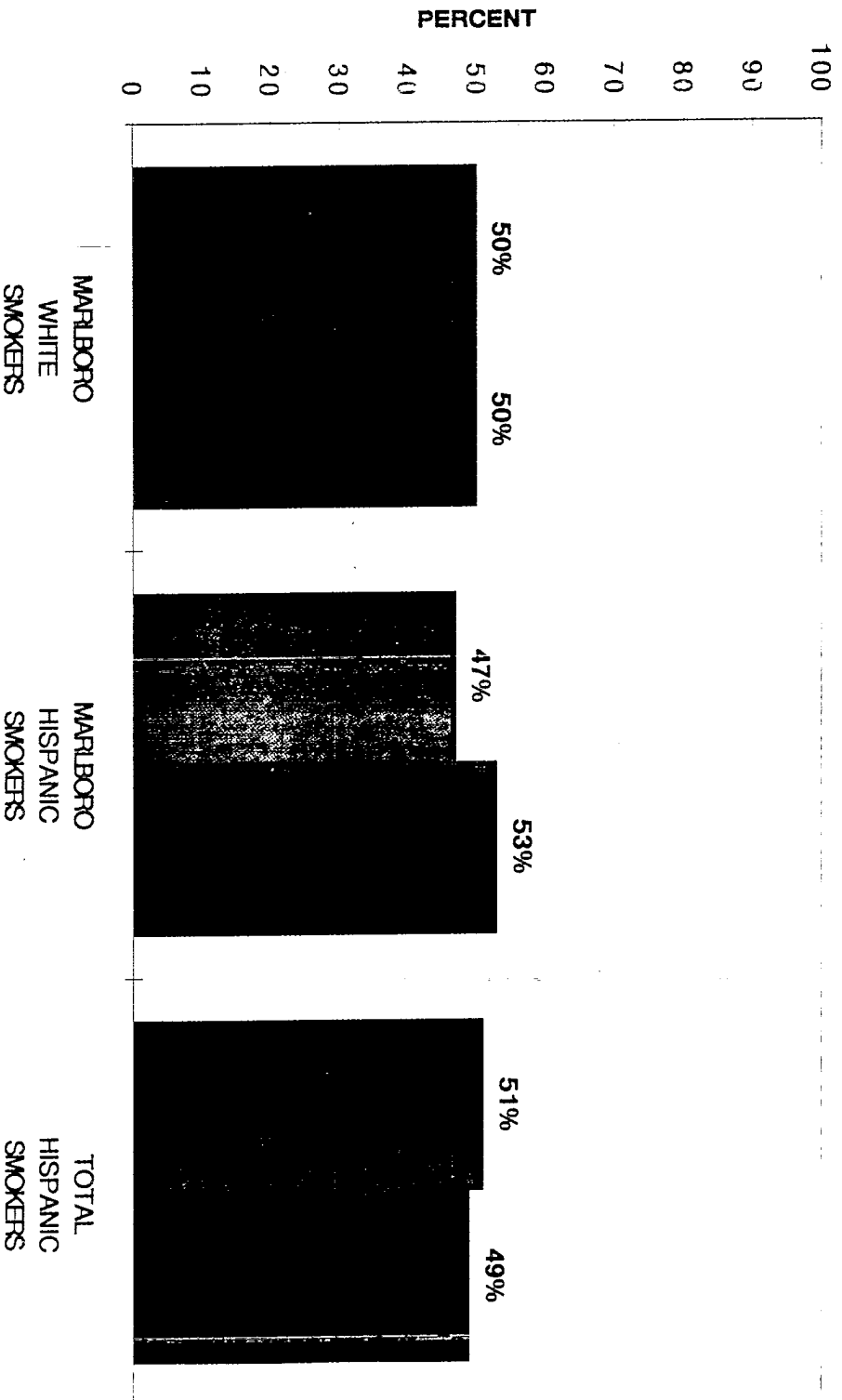
**MARLBORO HISPANIC/WHITE SMOKERS DEMOGRAPHICS
BY INCOME**



NOTE: ONLY 91% OF THOSE SURVEYED IN BOTH SMOKER GROUPS RESPONDED TO INCOME QUESTION

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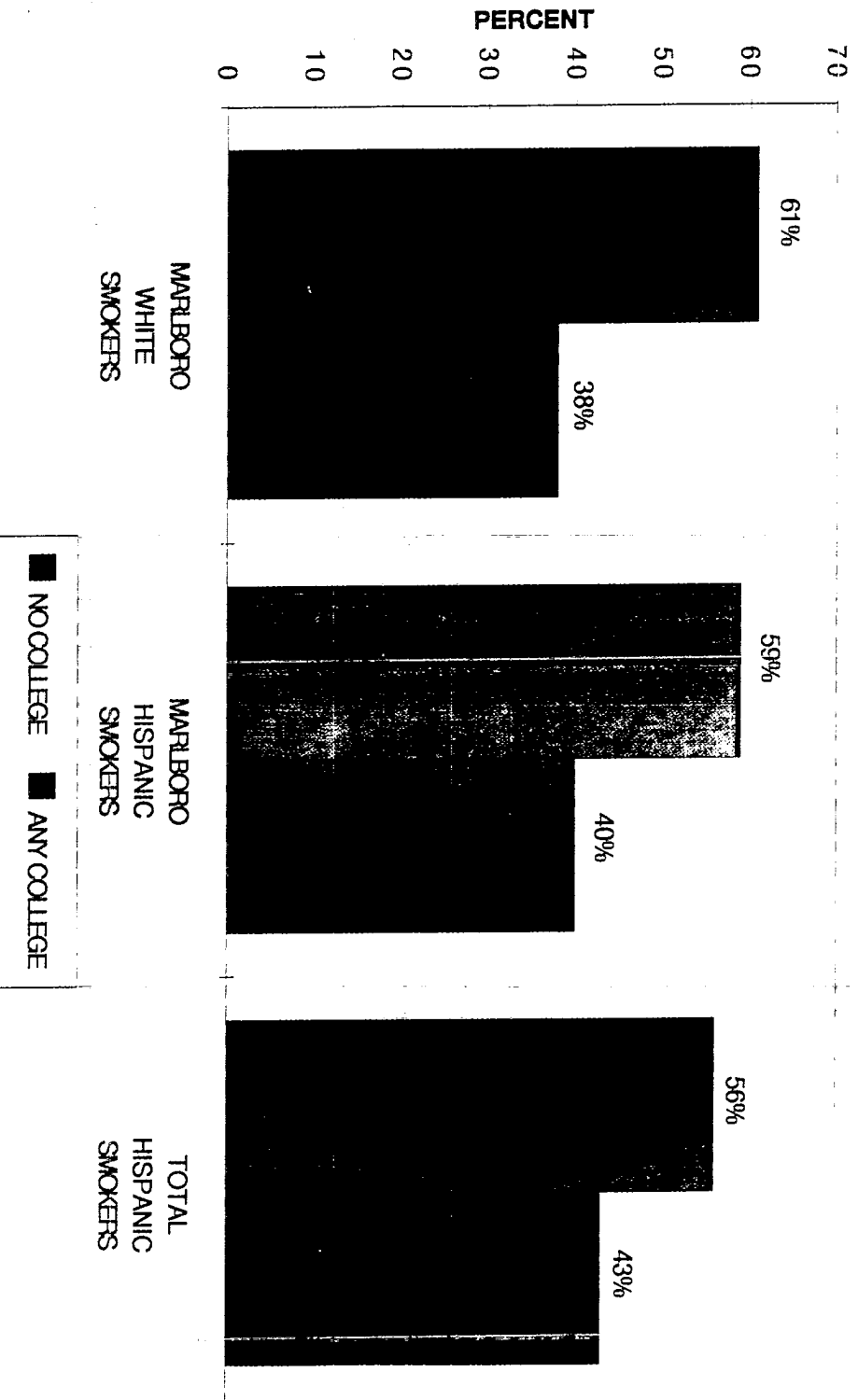
**MARLBORO/HISPANIC SMOKER DEMOGRAPHICS
BY MARITAL STATUS**



SOURCE: CONSUMER TRACKING, YTD ENDING OCTOBER 1991

2041945308

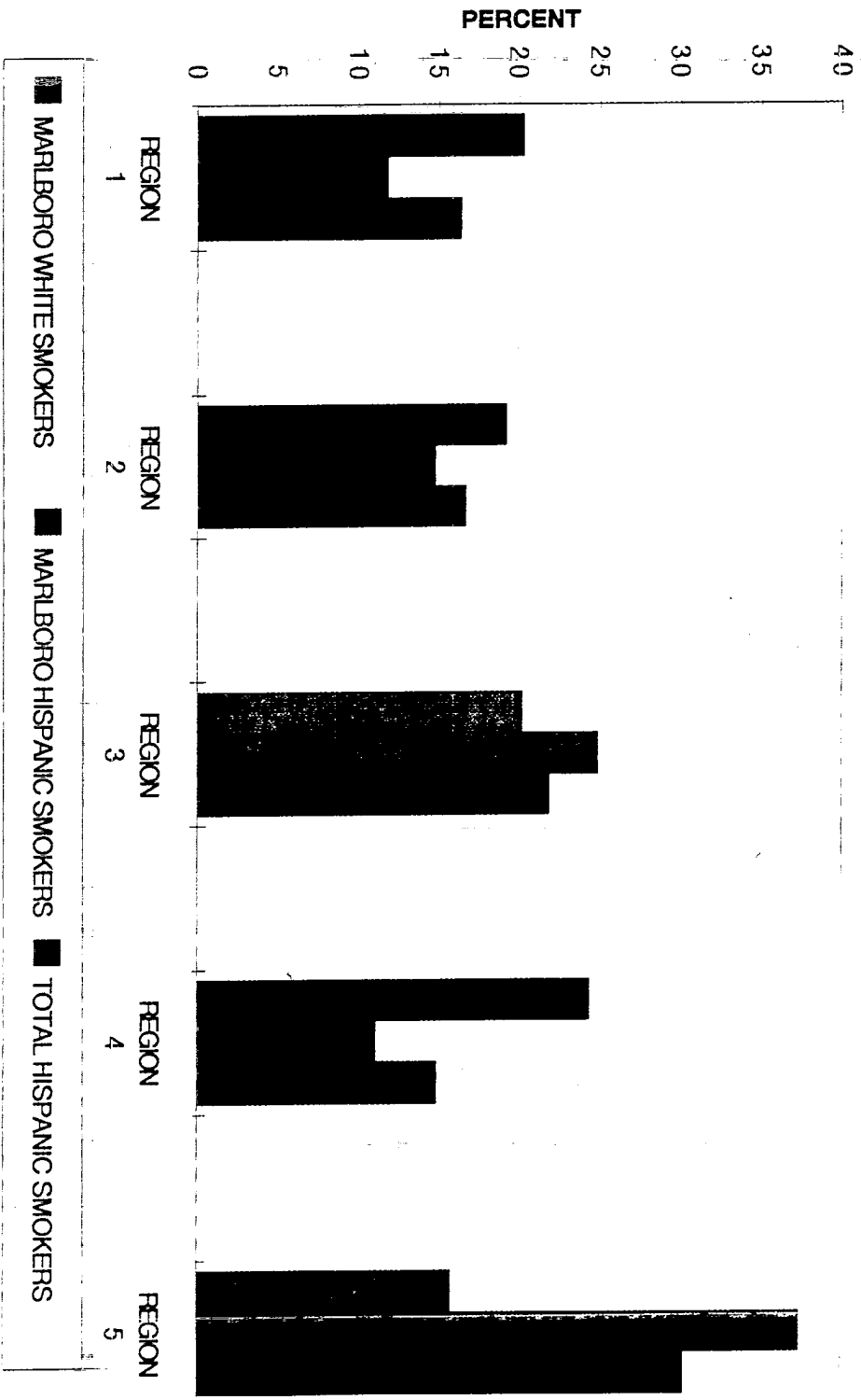
MARLBORO/HISPANIC SMOKERS DEMOGRAPHICS BY EDUCATION LEVEL



SOURCE CONSUMER TRACKING, YTD ENDING OCT 1991

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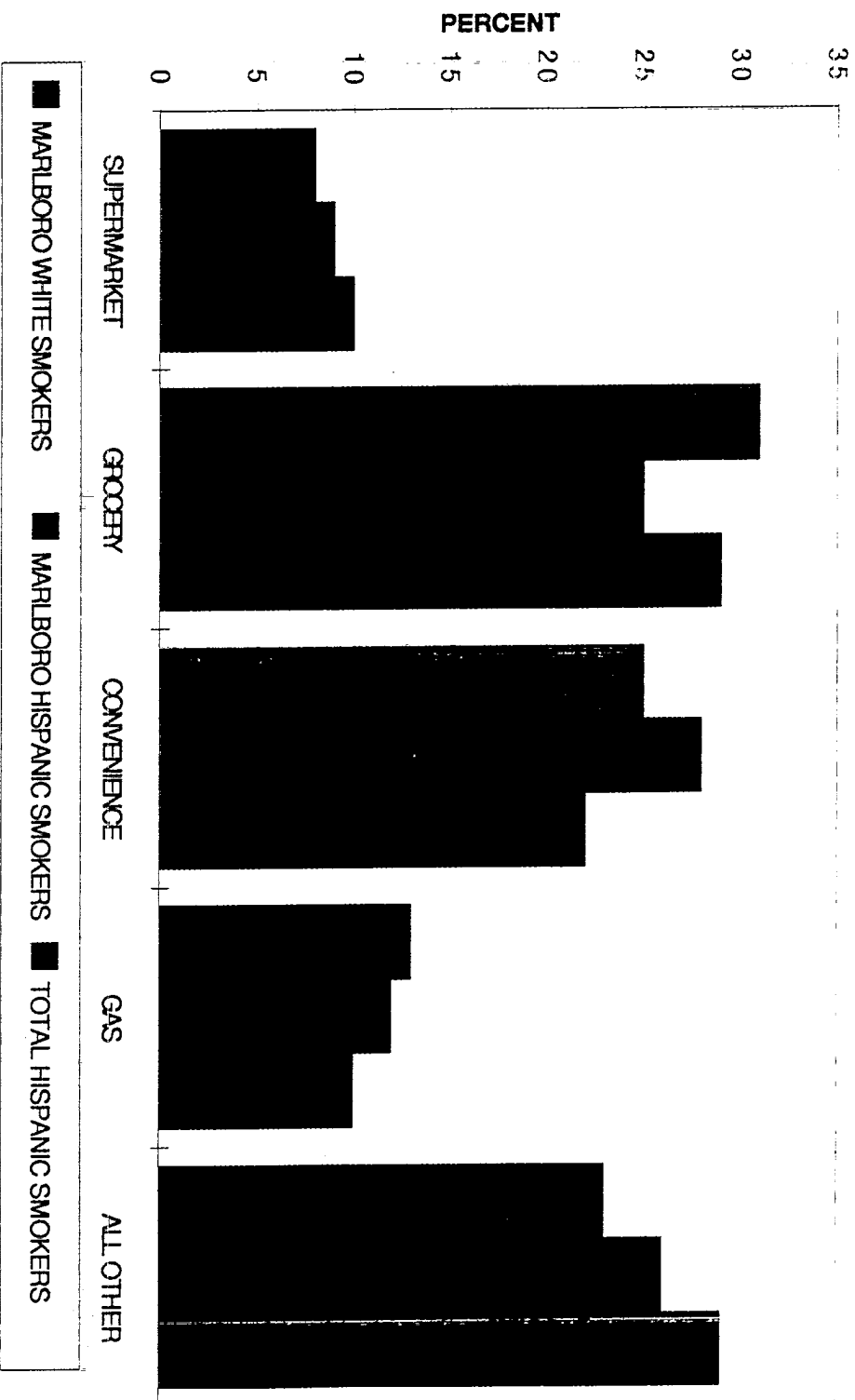
WHERE MARLBORO SMOKERS RESIDE
BY RACE



SOURCE: CONSUMER TRACKING, YTD ENDING OCTOBER 1991

2041945310

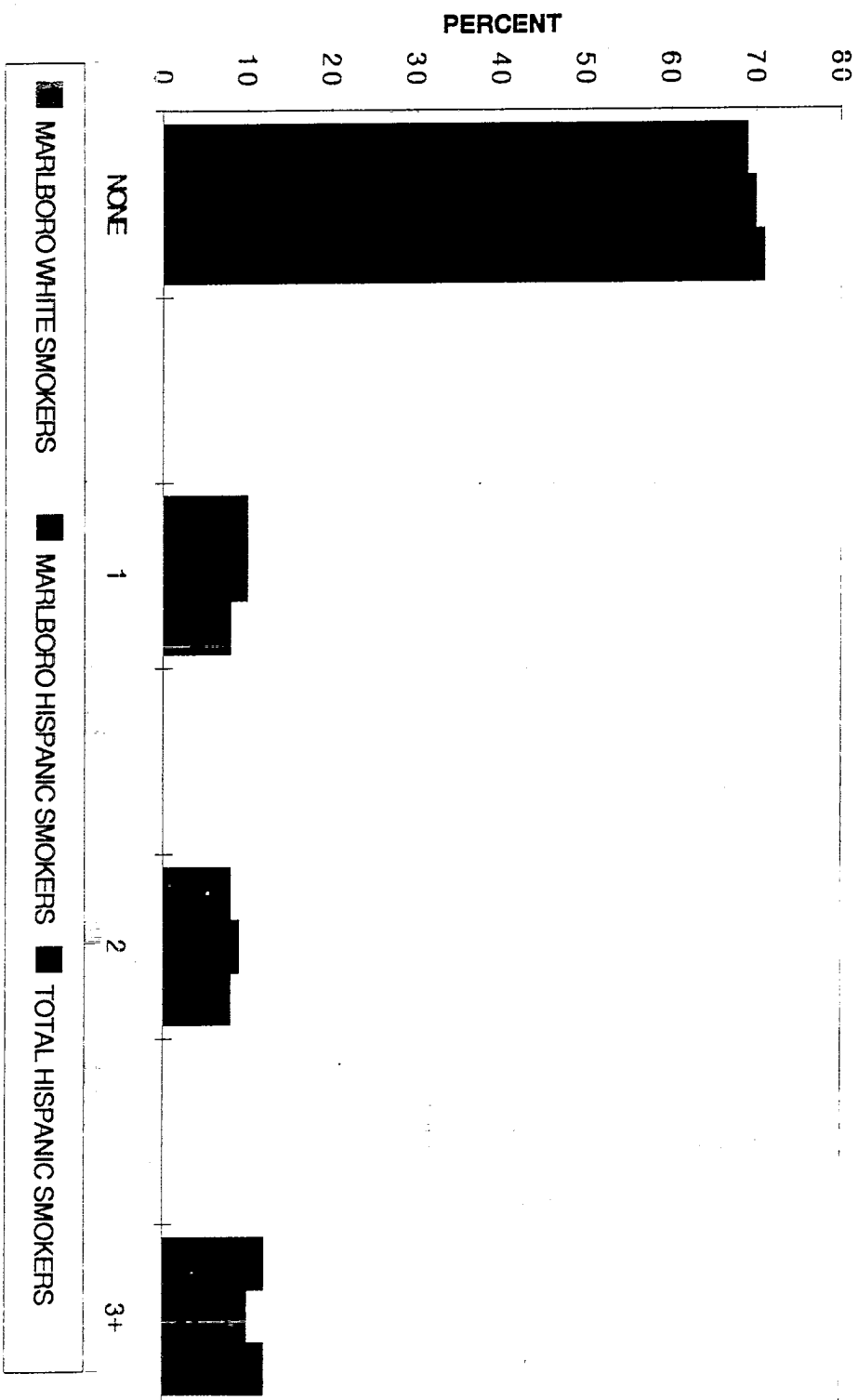
MARLBORO VS. HISPANIC SMOKERS
WHERE CIGARETTES ARE USUALLY BOUGHT - 1ST MENTION



SOURCE: CONSUMER TRACKING, YTD OCTOBER 1991

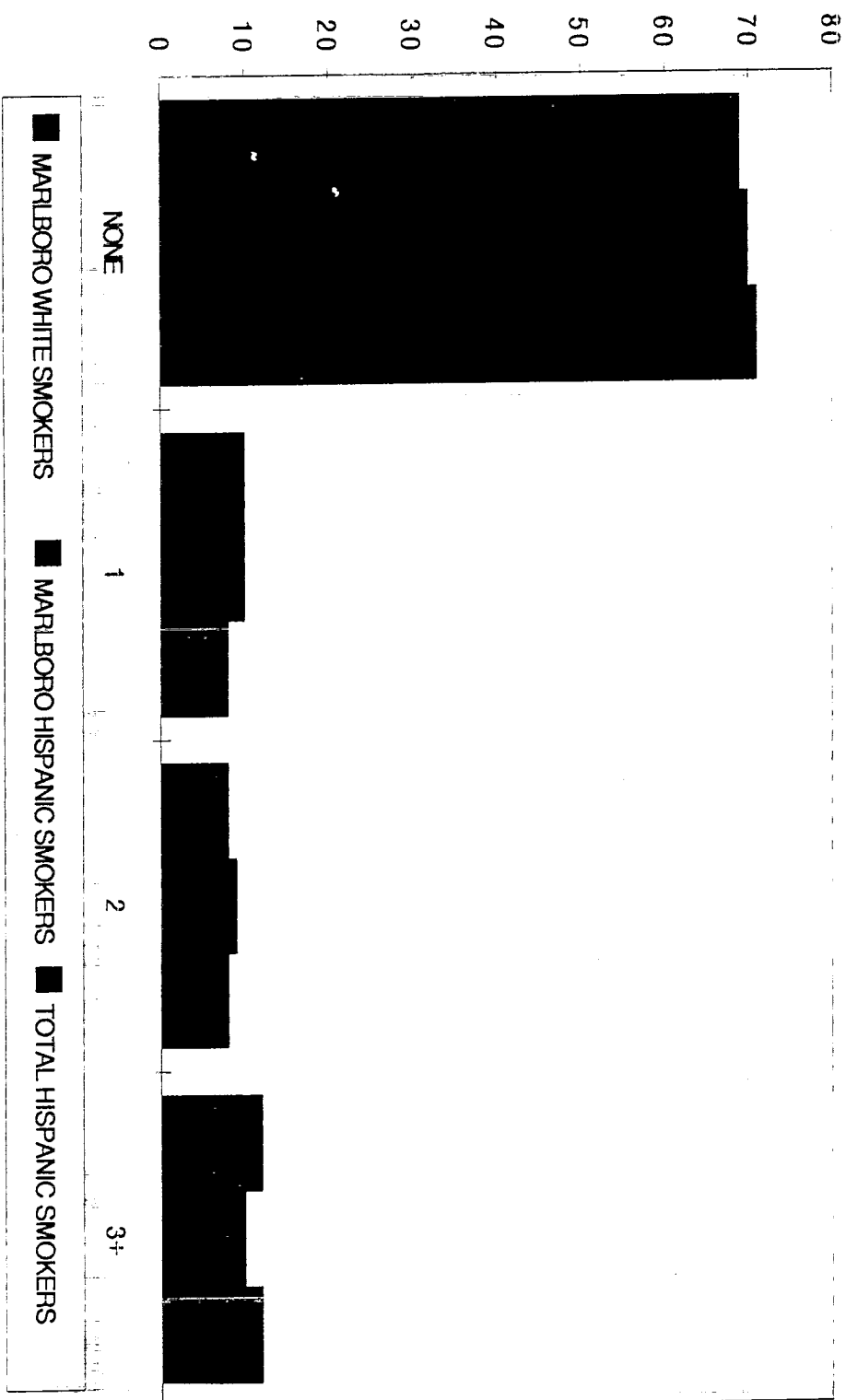
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**MARLBORO VS. HISPANIC SMOKERS
COUPON USAGE**



SOURCE: CONSUMER TRACKING, YTD OCTOBER 1991

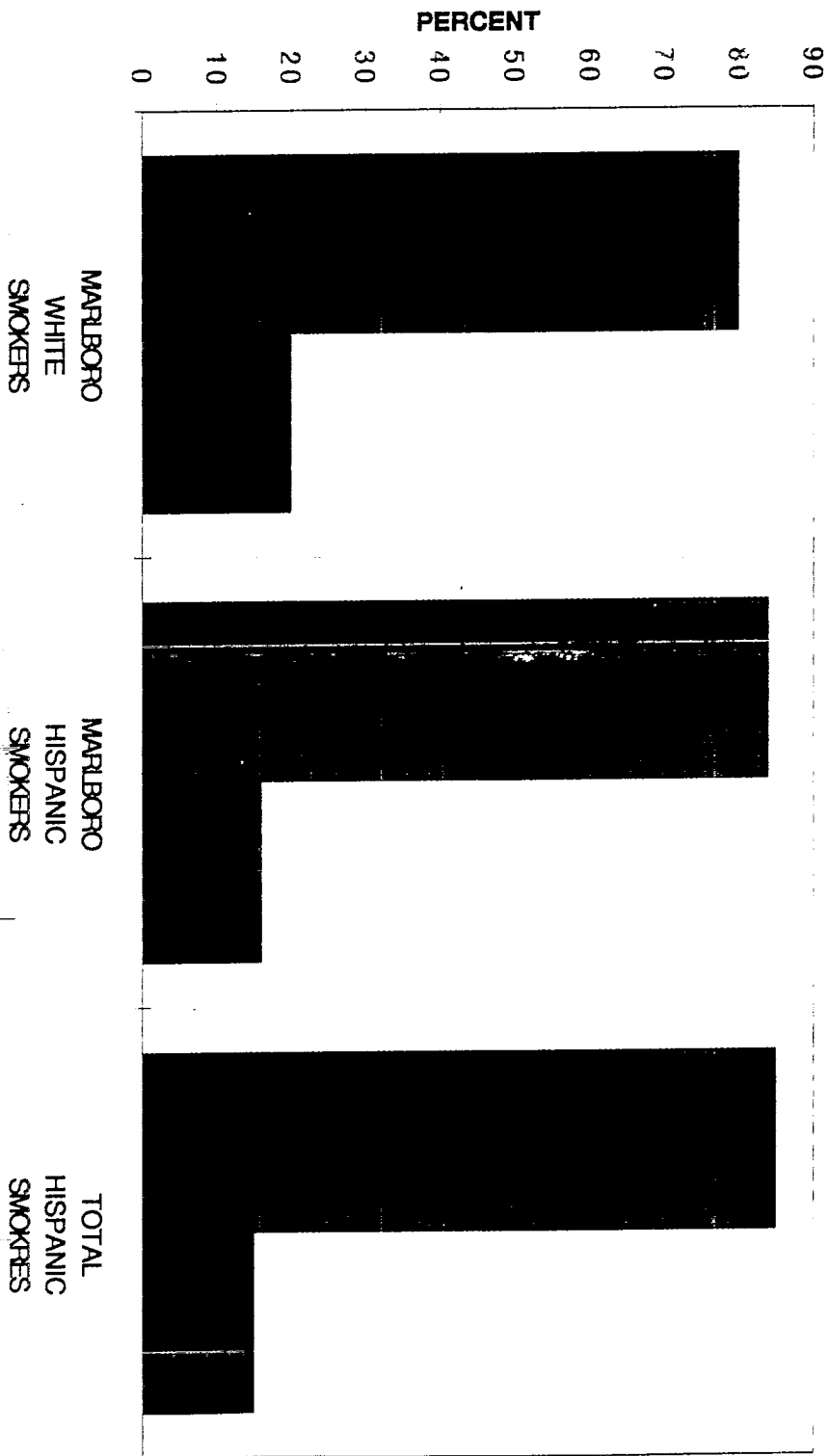
**MARLBORO VS. HISPANIC SMOKERS
USAGE OF 2 FOR 1 DEALS**



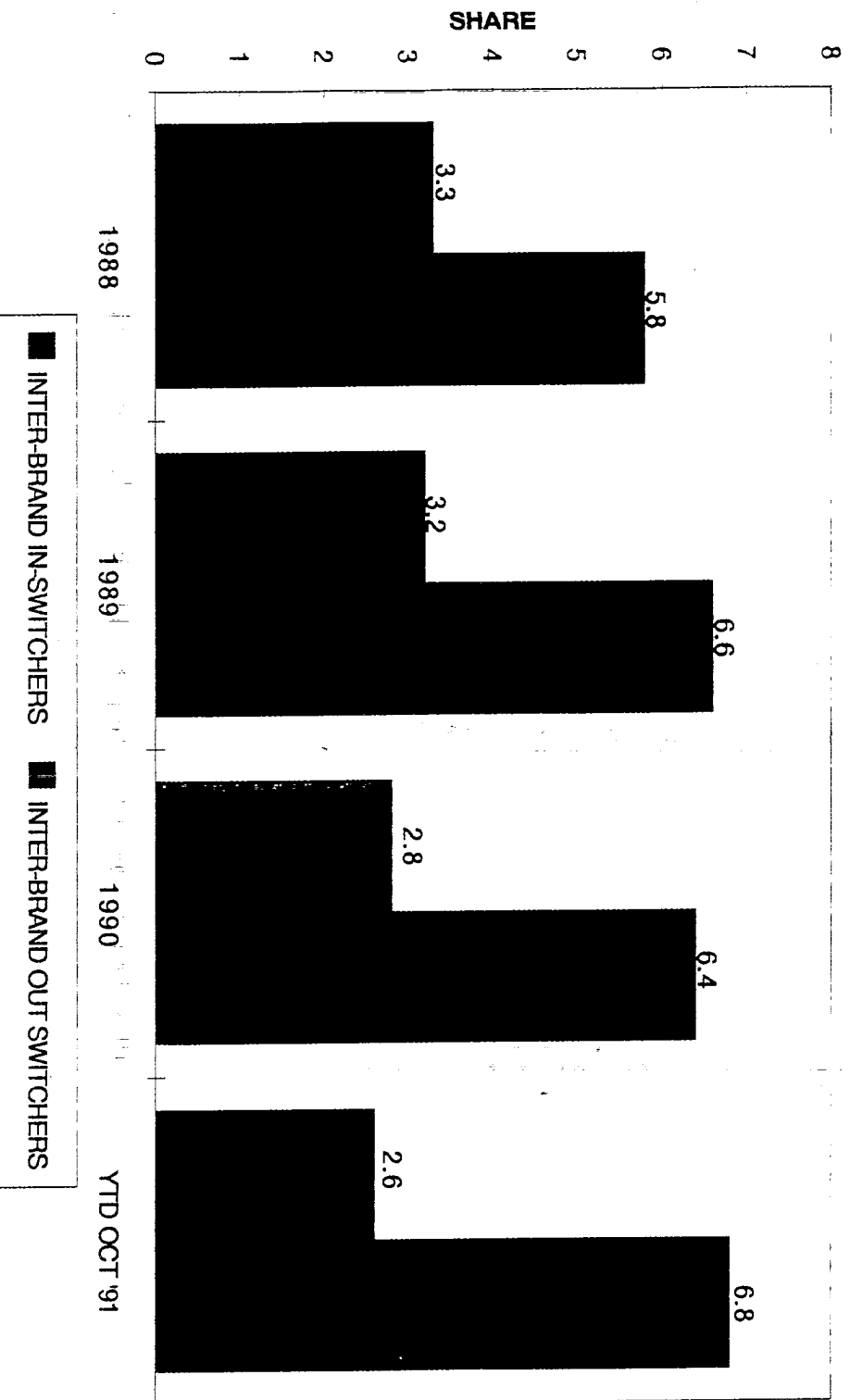
SOURCE: CONSUMER TRACKING, YTD ENDING OCTOBER 1991

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MARLBORO VS. HISPANIC USAGE OF SPECIAL DEALS

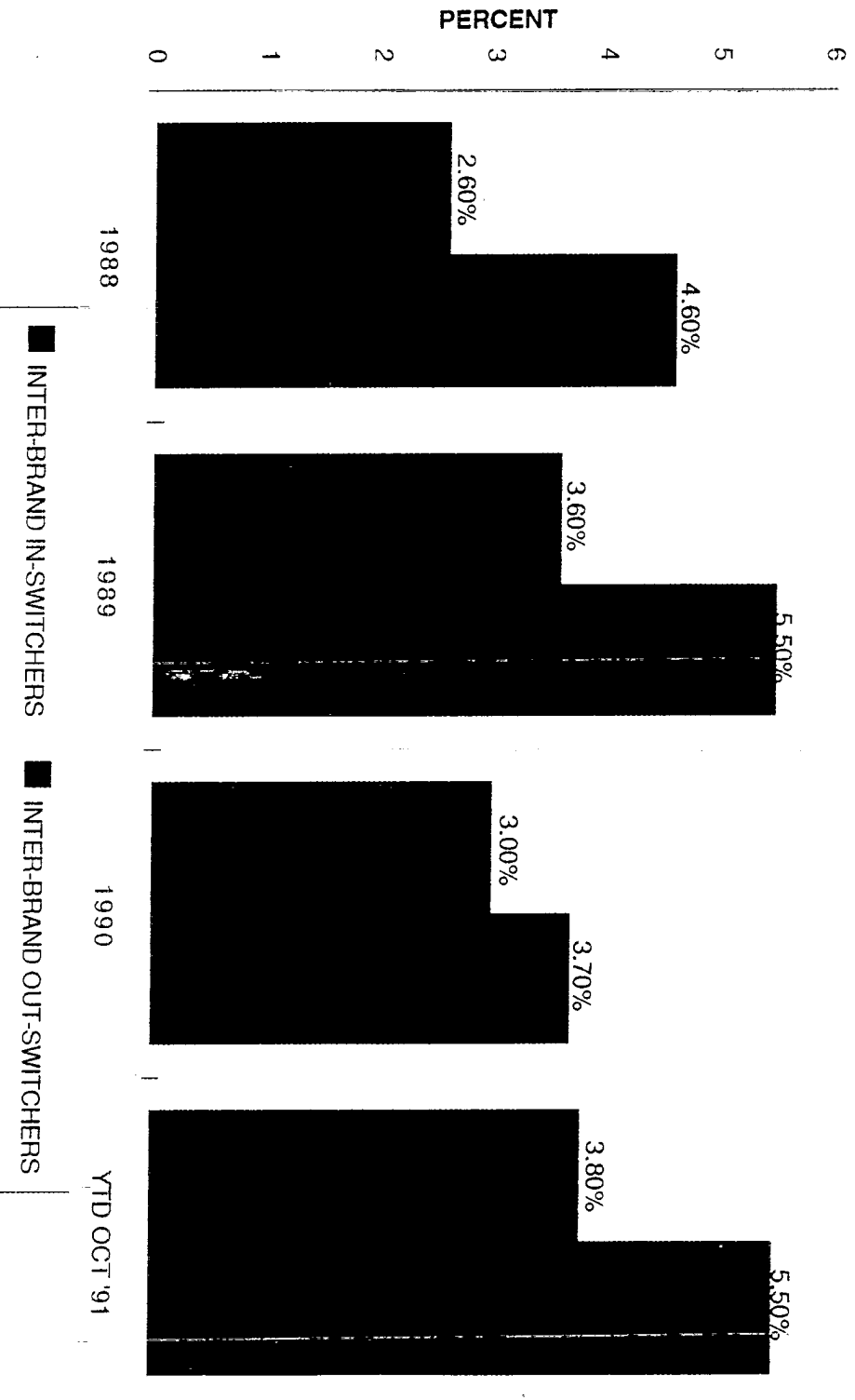


SOURCE: CONSUMER TRACKING, YTD OCTOBER 1991

**MARLBORO WHITE SMOKERS
SWITCHING RATES**

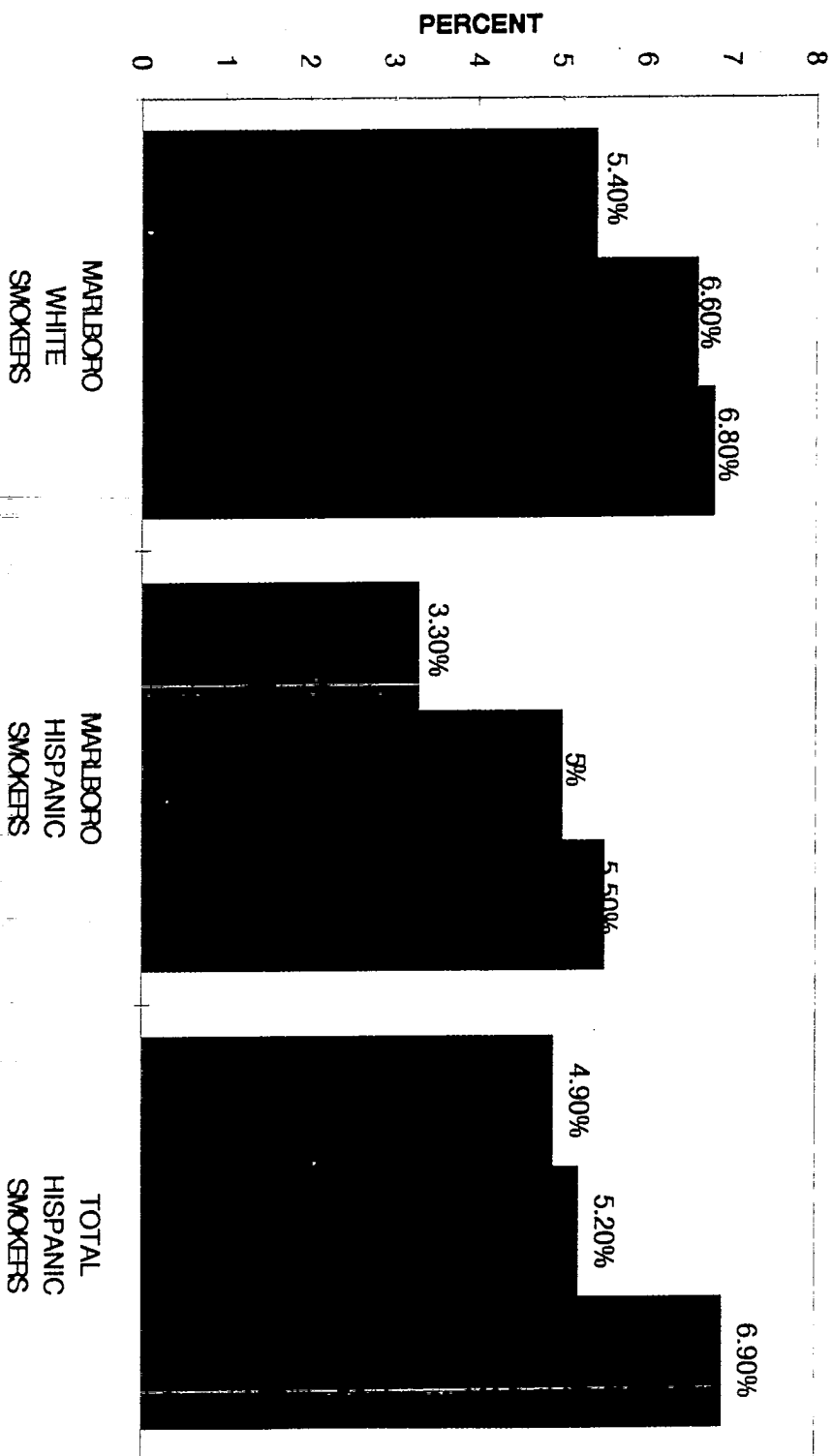
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**MARLBORO HISPANIC SMOKERS
SWITCHING RATES**



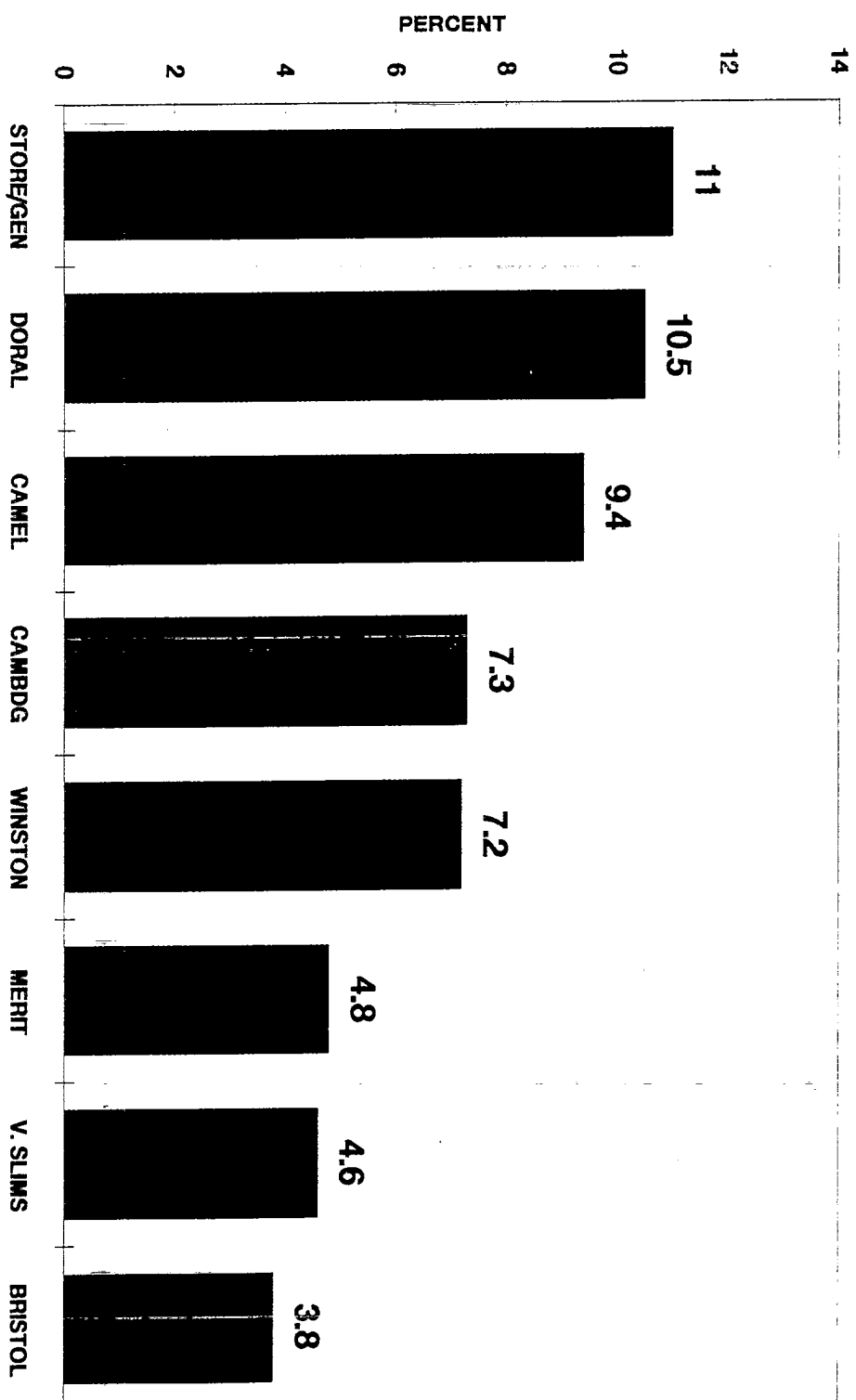
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MARLBORO VS. HISPANIC OUTSWITCHING RATES OVER TIME



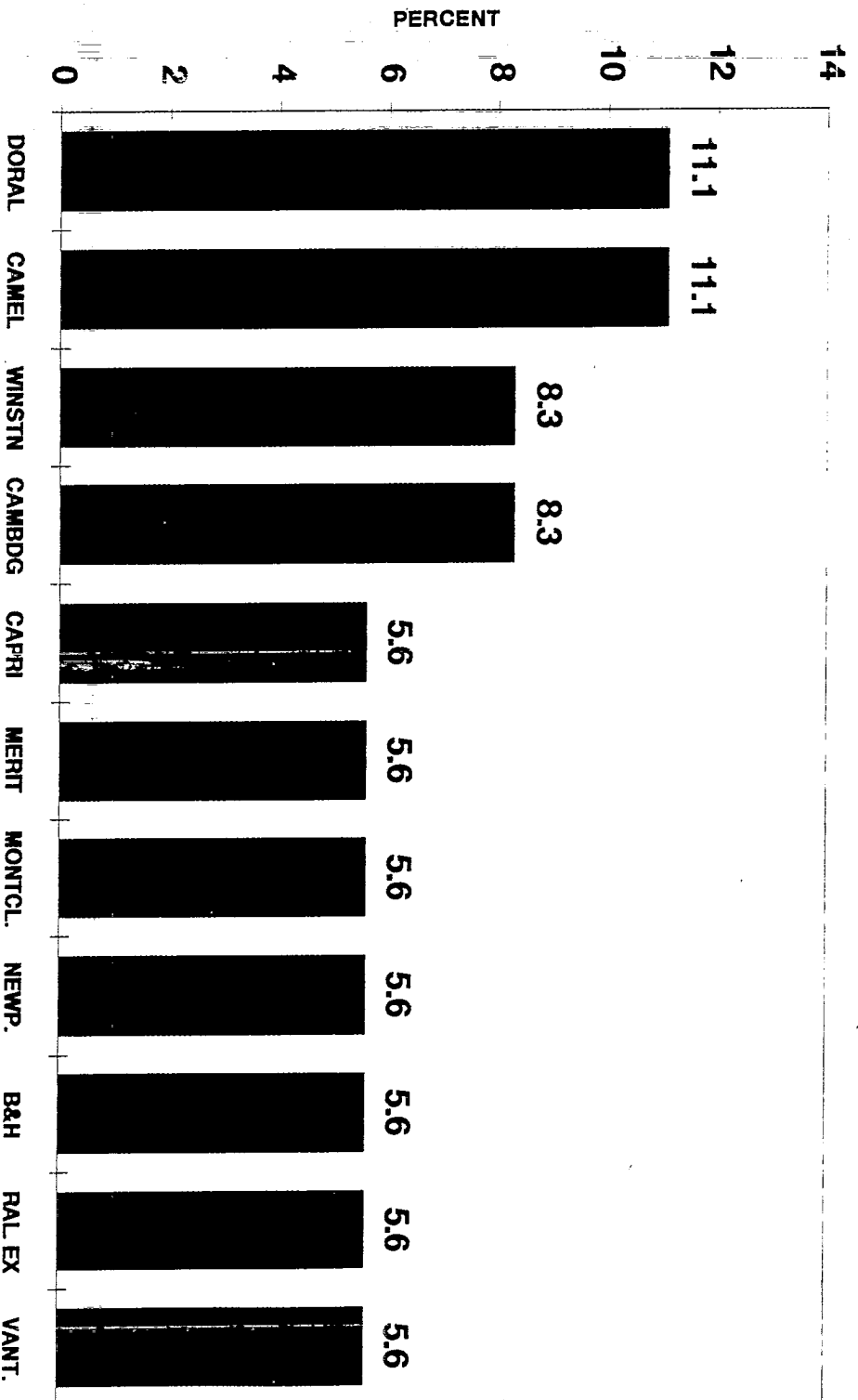
SOURCE: CONSUMER TRACKING

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**BRANDS MOST OFTEN SWITCHED TO
BY MARLBORO WHITE SMOKERS**

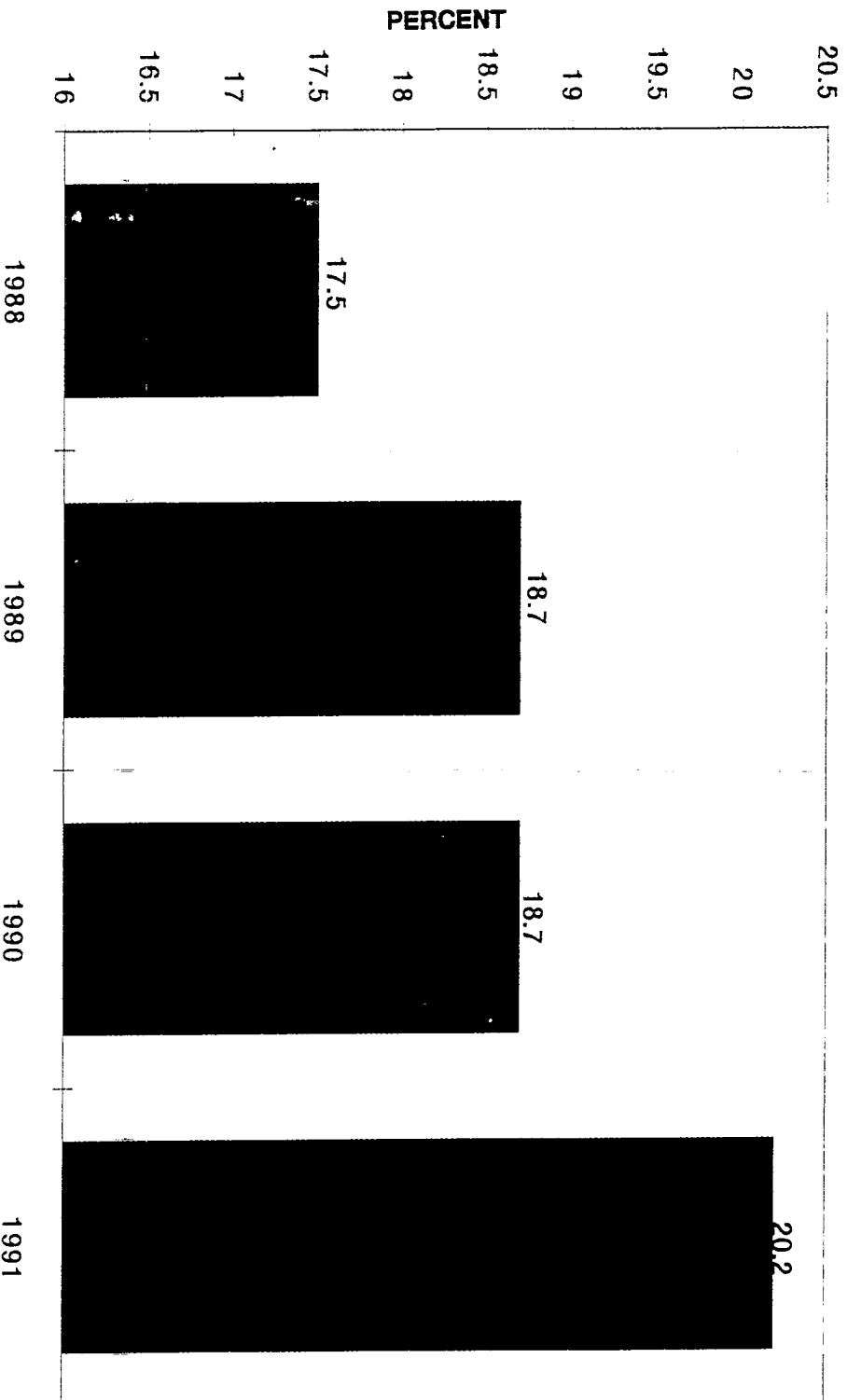
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**BRANDS MOST OFTEN SWITCHED TO
BY MARLBORO HISPANIC SMOKERS**

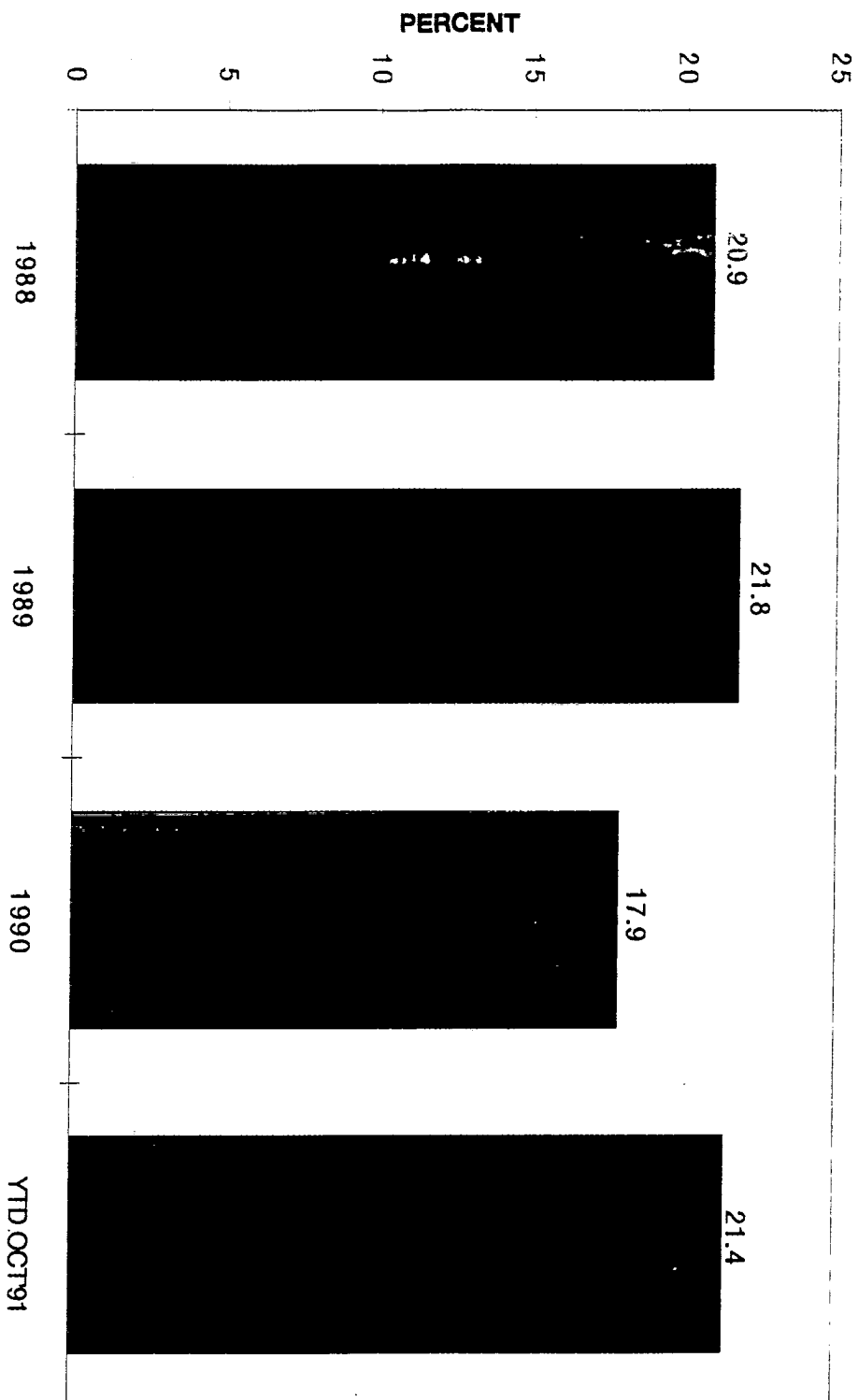


NOTE: SMALL SAMPLE SIZE

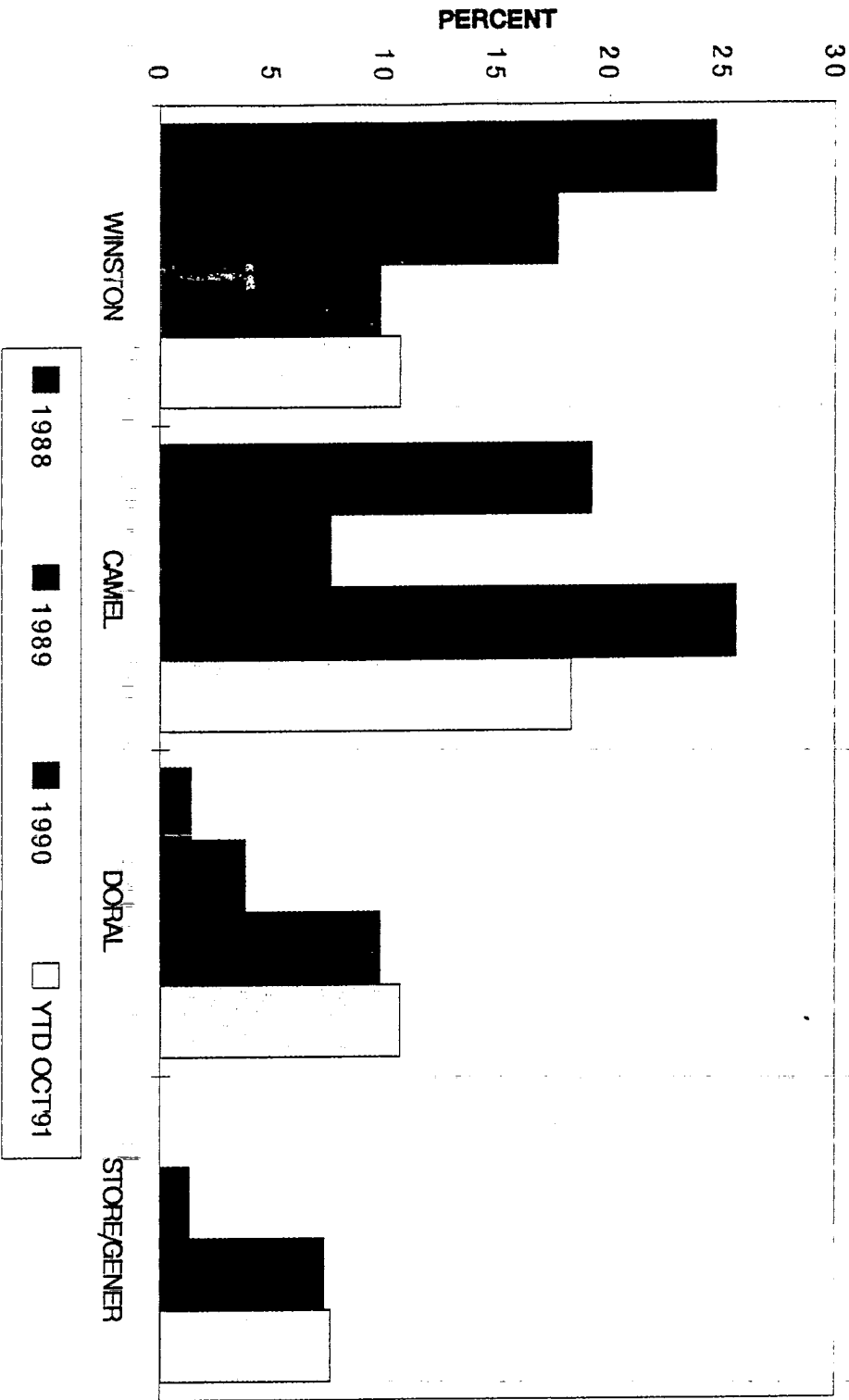
**MARLBORO WHITE SMOKERS
% PURCHASING ALTERNATE BRAND IN THE PAST 2 WEEKS**



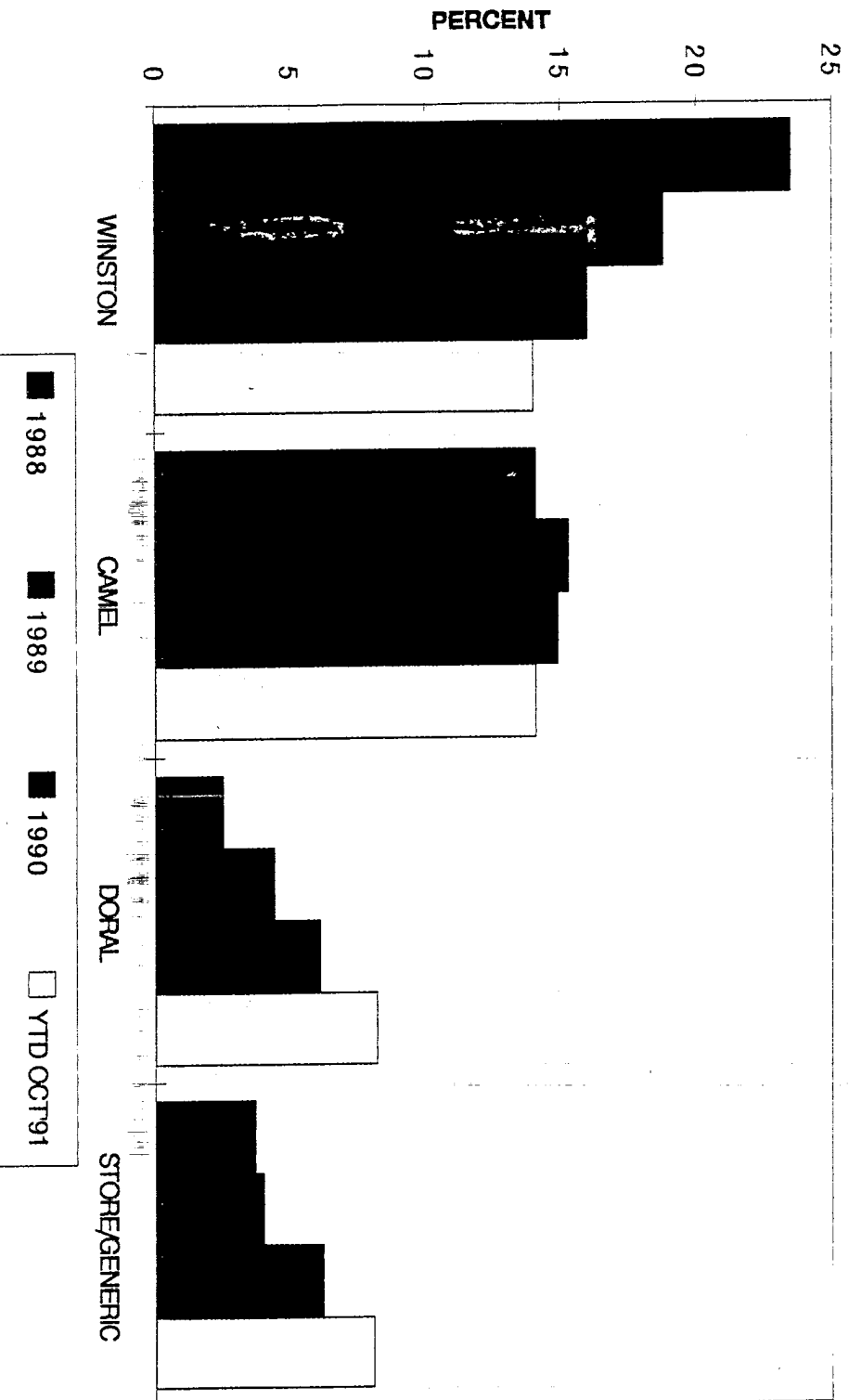
**MARLBORO HISPANIC SMOKERS
% PURCHASING ALTERNATE BRAND IN PAST TWO WEEKS**



**MARLBORO HISPANIC SMOKERS
ALTERNATE BRANDS MOST OFTEN PURCHASED OVER TIME**

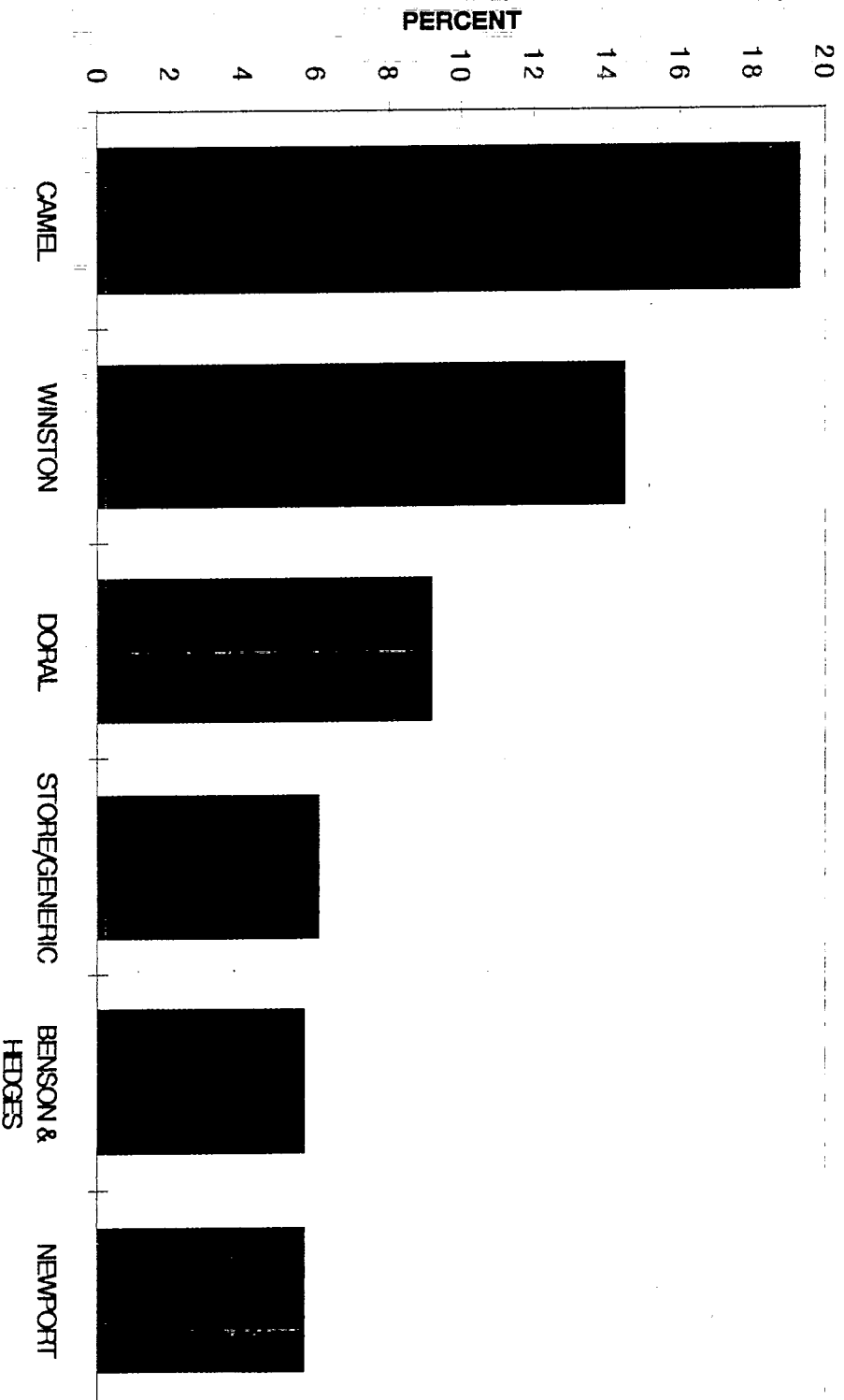


**MARLBORO WHITE SMOKERS
ALTERNATE BRANDS MOST OFTEN PURCHASED OVER TIME**



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**ALTERNATE BRANDS MOST OFTEN PURCHASED
BY MARLBORO HISPANIC SMOKERS**

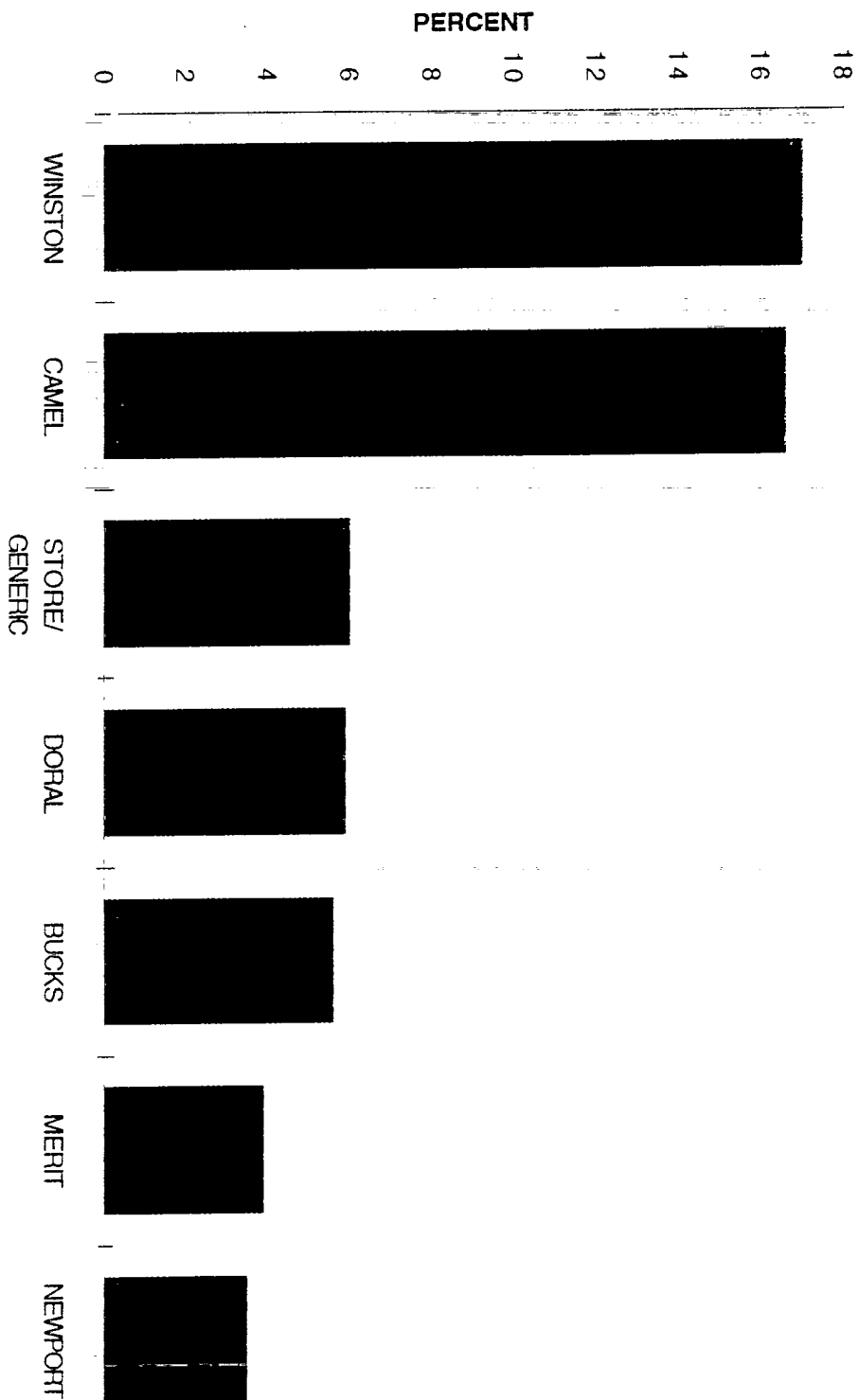


SOURCE: CONSUMER TRACKING YTD ENDING OCTOBER 1991

NOTE: SMALL SAMPLE SIZE

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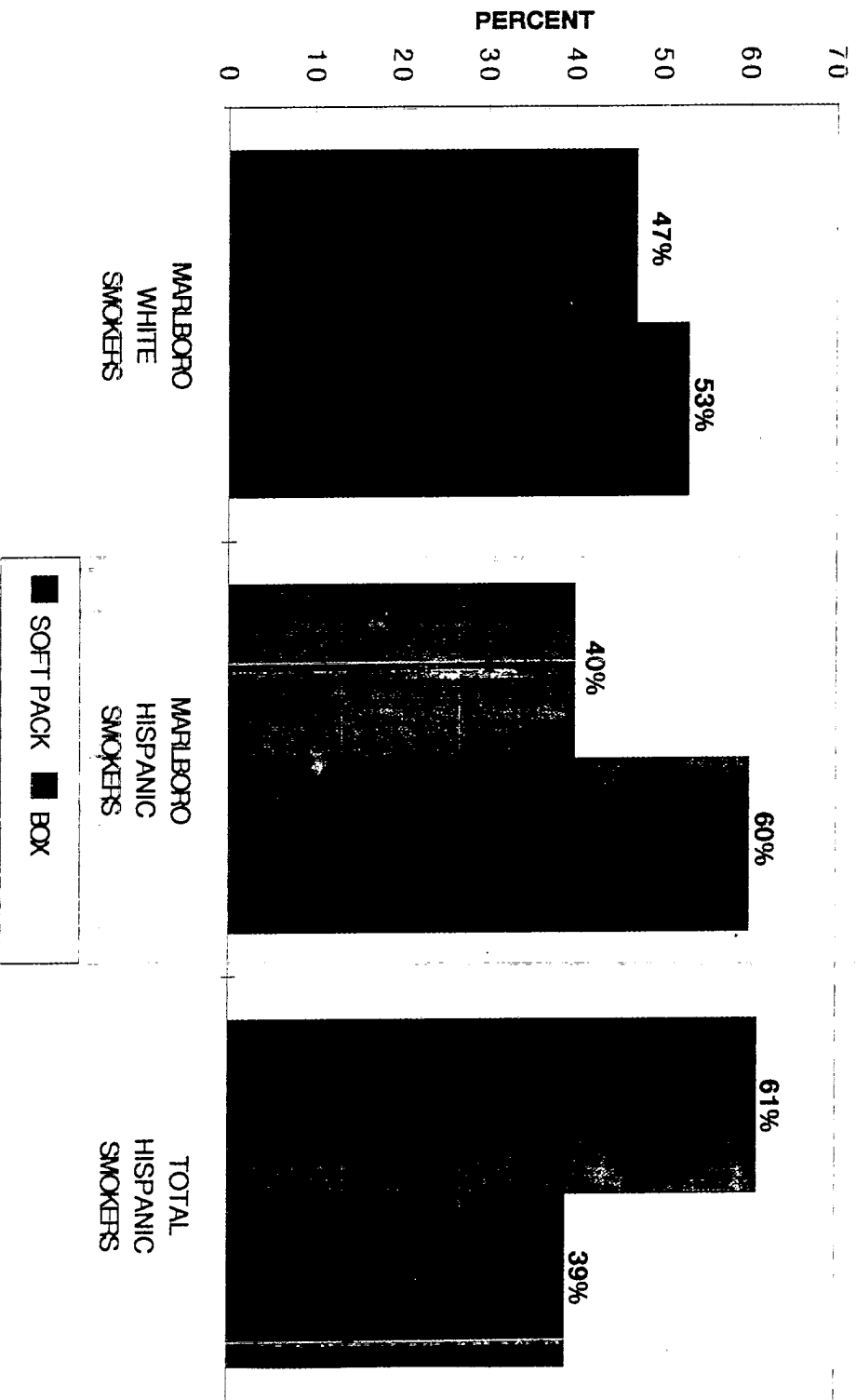
**ALTERNATE BRANDS MOST OFTEN PURCHASED
BY MARLBORO WHITE SMOKERS**



SOURCE: CONSUMER TRACKING YTD OCTOBER 1991

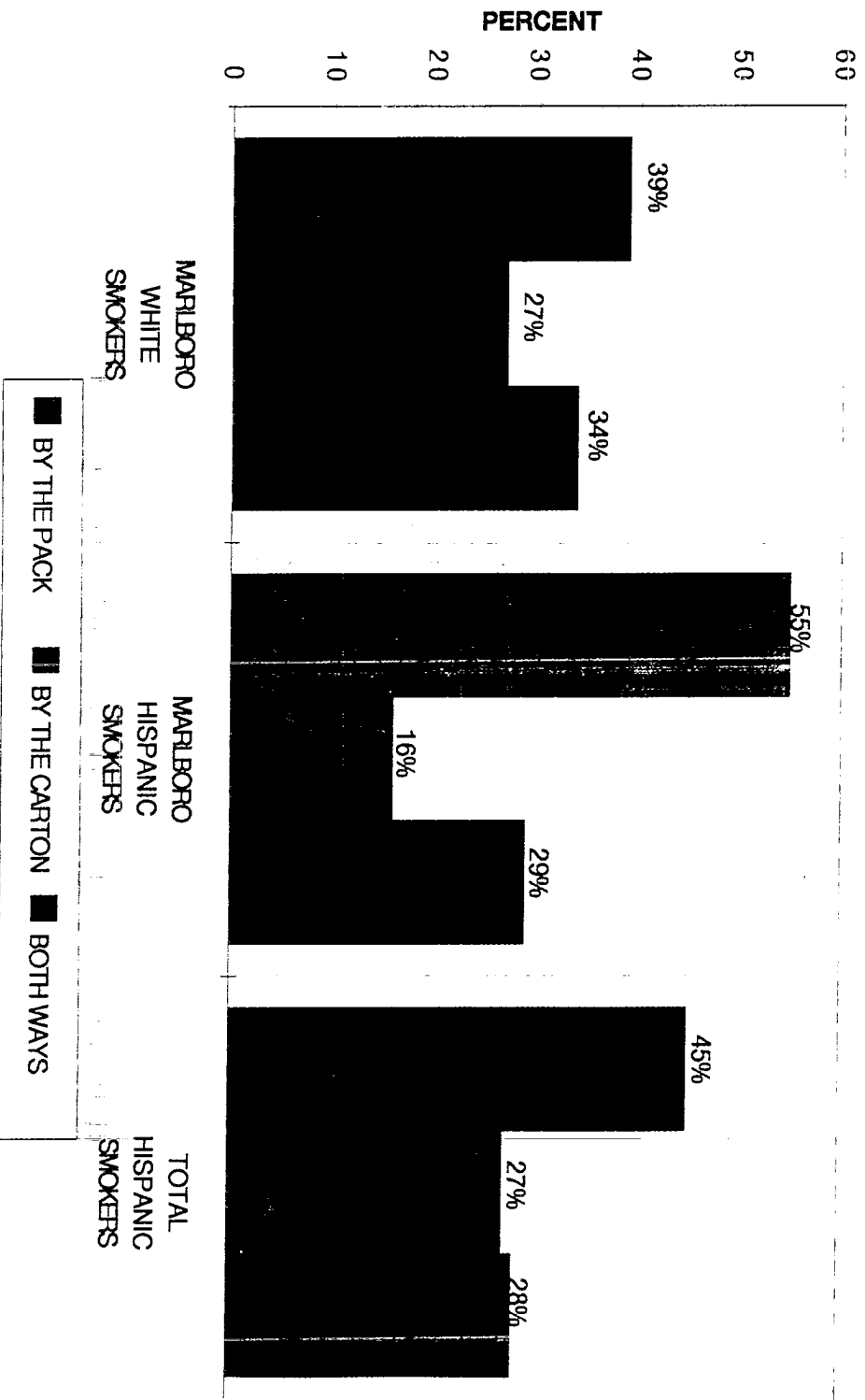
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**MARLBORO/HISPANIC SMOKERS PURCHASING BEHAVIOR
PREFERENCE BOX/SOFT PACK**



SOURCE: CONSUMER TRACKING STUDY, YTD ENDING OCT 1991

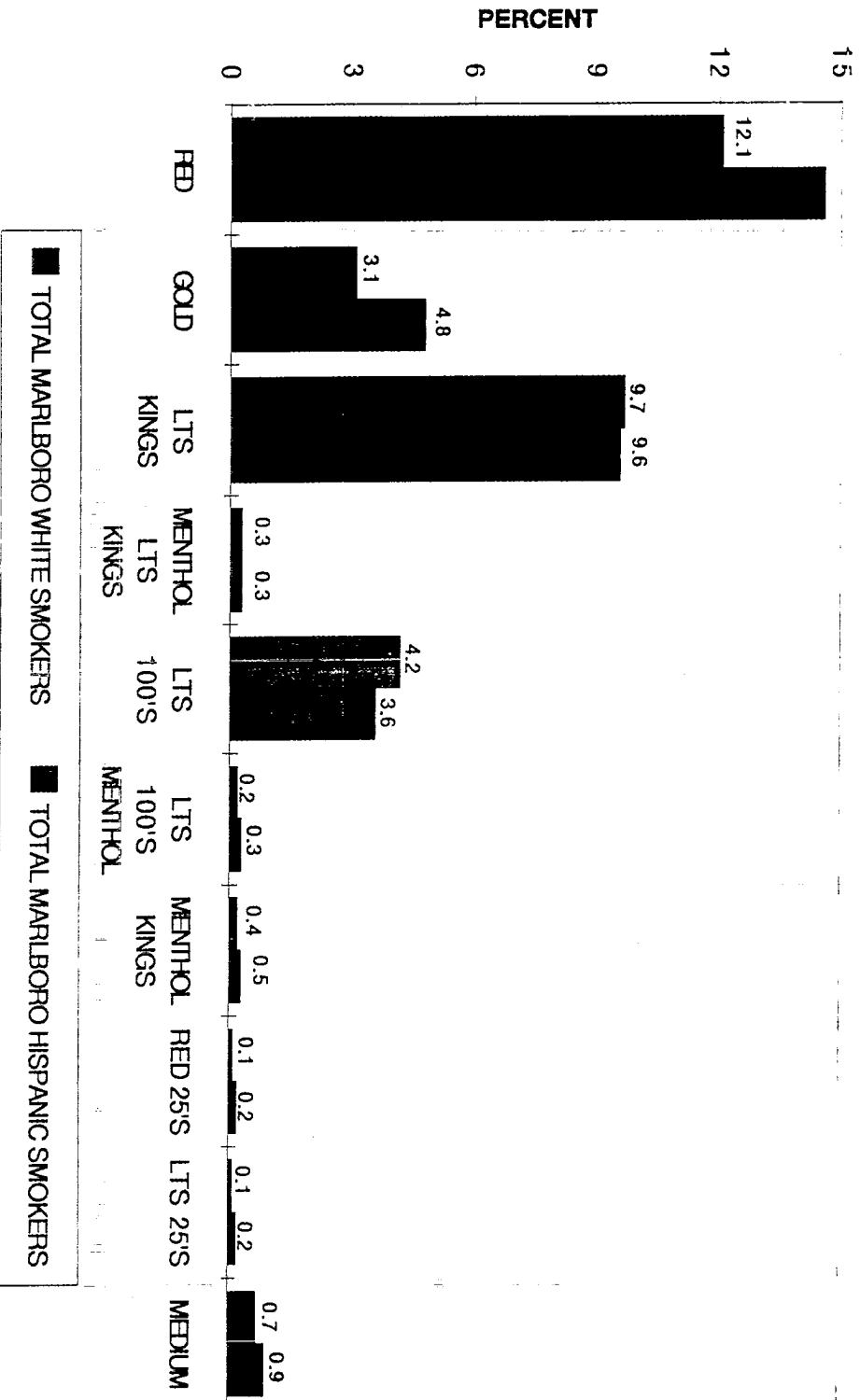
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**MARLBORO/HISPANIC SMOKERS
PURCHASE BEHAVIOR**

SOURCE: CONSUMER TRACKING, YTD ENDING OCTOBER 1991

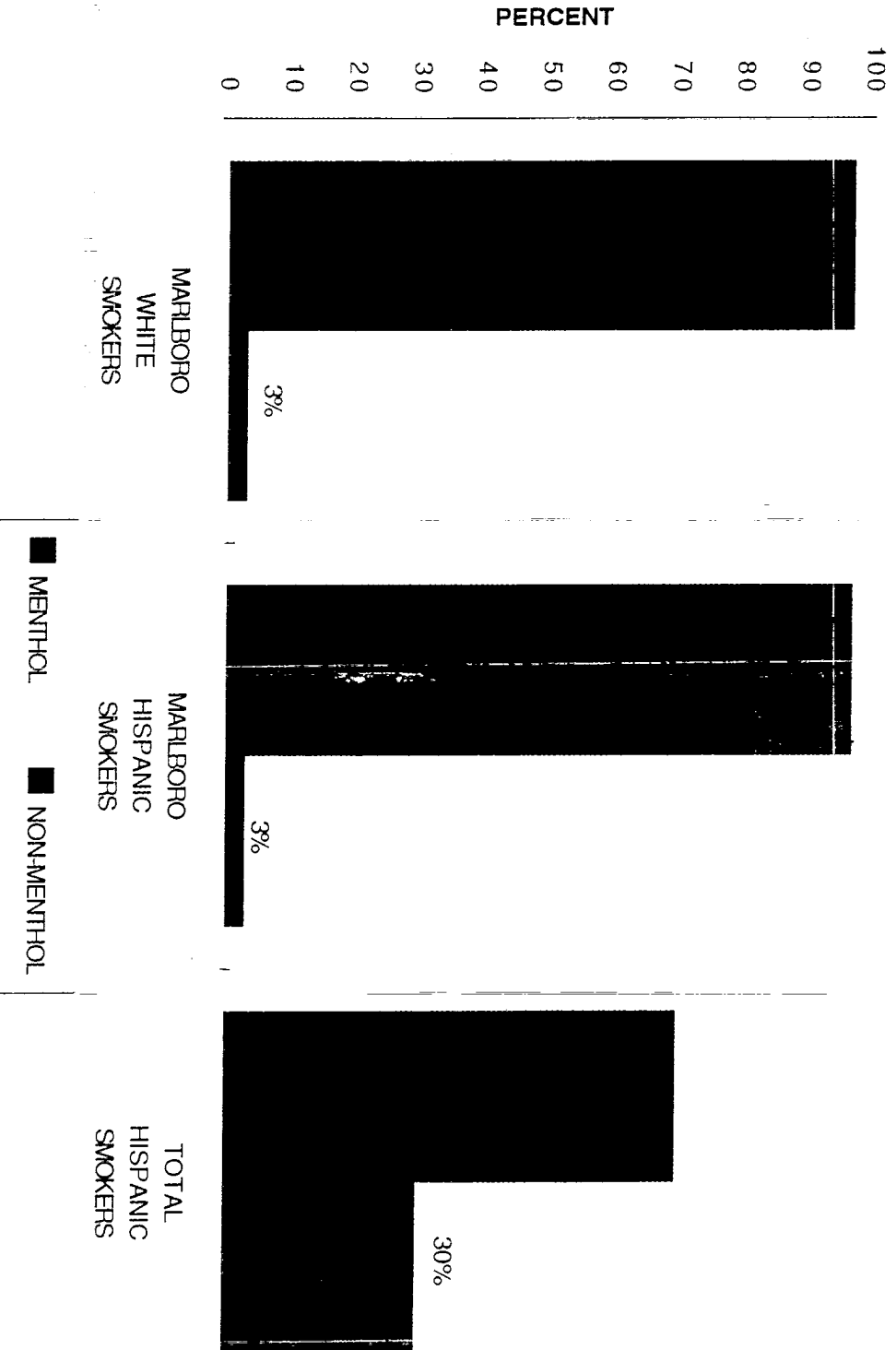
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**MARLBORO WHITE/HISPANIC SMOKERS
PACKING PREFERENCE**



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MARLBORO VS. HISPANIC SMOKERS FLAVOR PREFERENCE



SOURCE: CONSUMER TRACKING, YTD ENDING OCTOBER 1991