CAPRI

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CAPRI

History

- The Slims Segment Was Introduced In The Late 1960's And, By 1989, Peaked And Flattened At Around 6% SOM.

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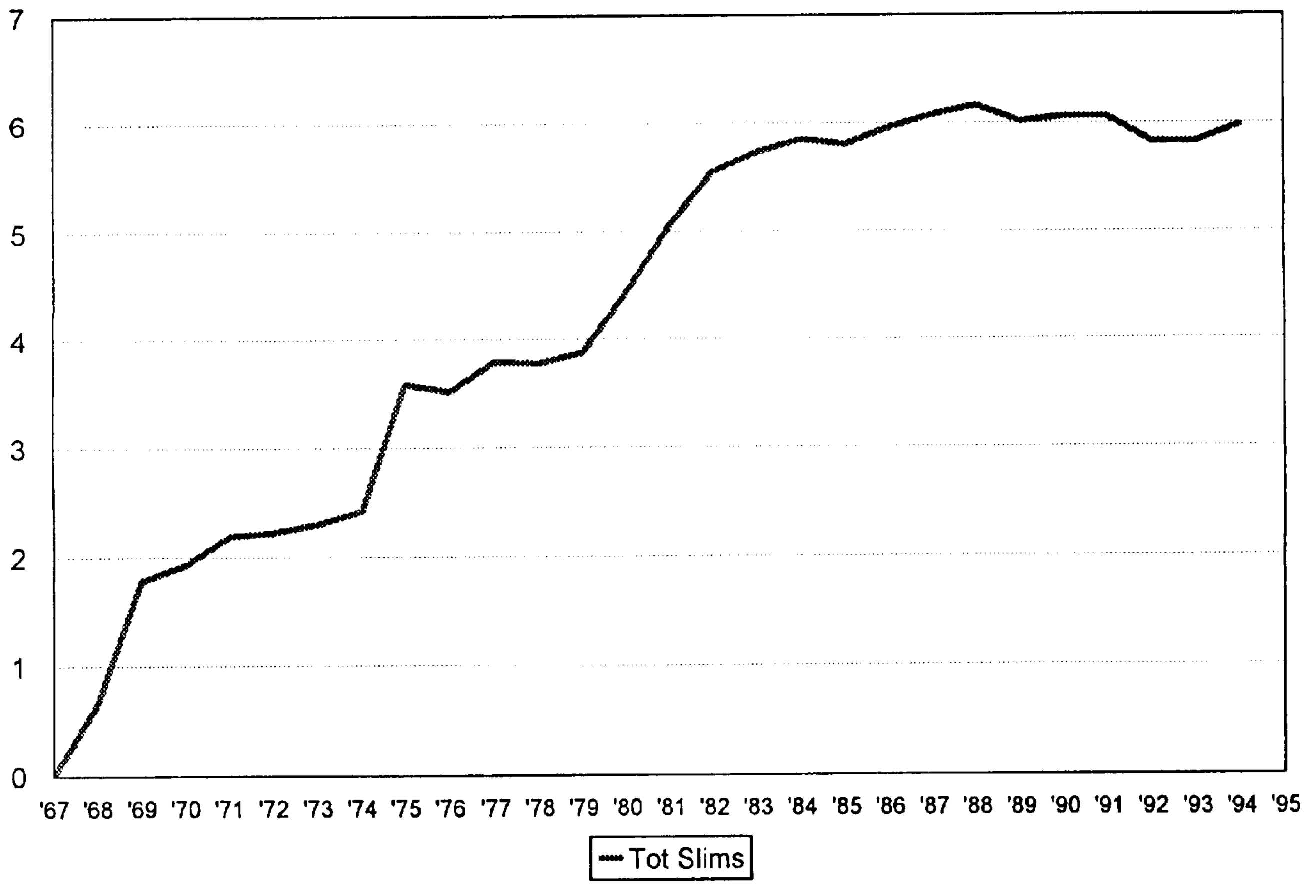
CAPRI

Total Slims



Capripln (27)

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CAPRI

History

- Slims Full Flavor Peaked In 1976 While The Lights Seem To Be Leveling Off.
- The Slims Ultra Lights Have Increased Steadily Since 1992.

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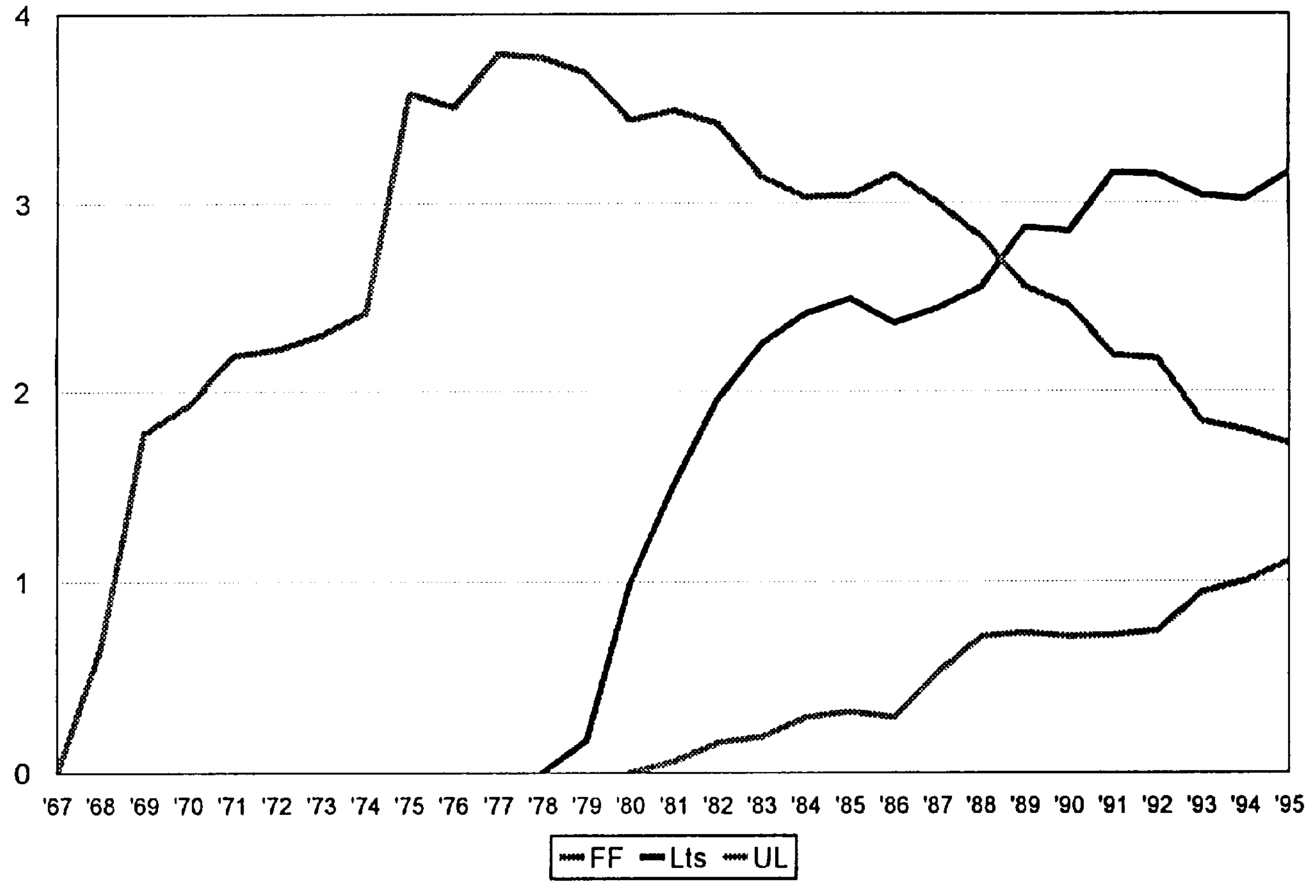
CAPRI

Total Slims



Capripln (28)

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CAPRI

History (cont'd)

- CAPRI Was Nationally Introduced In 1988 And Enjoyed Initial, But Limited Success Through 1989.
  - From 1989-1994 The Two Parent Styles Have Declined Steadily, Slightly Rebounding Due To "Marlboro Friday".
  - Meanwhile, The 120's (Menthol And Non-Menthol) Were Introduced Nationally In 1989 Through 1992 And Have Sustained Growth Through 1996 YTD.
- The Two Ultra Light Styles Have Continued To Grow Slightly Since Their Introduction In Mid-1993.

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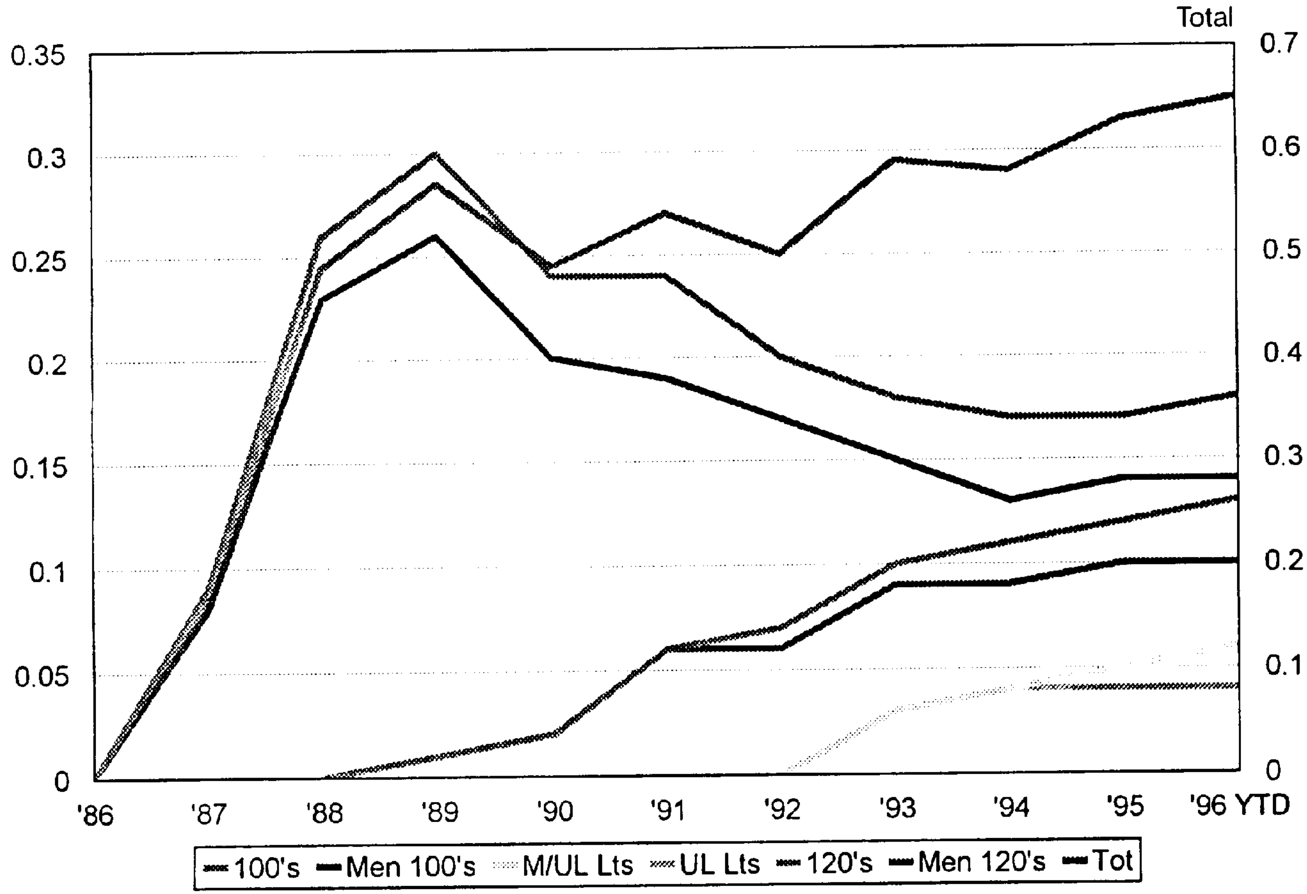
CAPRI

Share



CapripIn (29)

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CAPRI

Vitals

	1992	1993	1994	1995	1996E
Vol. (Bil)	2.5	2.7	2.8	3.0	3.1
SOM (%)	0.50	0.59	0.58	0.63	0.64
SOS - Slims (%)	8.27	10.9	9.97	10.45	10.45

Capripln (3)

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CAPRI

Financials

	1995	1996E	% Change
Var. Margin/M	$32.64	$34.69	6.3
Media	12.7MM	13.6MM	7.1
Promo/Discount	5.1MM	0.1MM	(98.0)
Direct Mail/Other	7.5MM	0.3MM	(96.0)
Total Spend	25.3MM	13.4MM	(47.0)
Contribution/M	68.9MM	85.0MM	23.4

Capripln (4)

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CAPRI

- CAPRI's Main Problem Is Its Size.
  - CAPRI Does Not Have The Critical Mass Necessary To Make It An Effective Nationally Retail Promoted Proposition.
  - Thus, Other Consumer Communication Vehicles Must Be Used (i.e., Direct Mail) To Effectively Promote The Product.

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CAPRI

Usage

- CAPRI Does Well Versus Virginia Slims In Multiple Brand Usage.
  - 91% Of ~~Single~~ Brand Users Of CAPRI Smoke Only CAPRI (Industry 24%). ??

among females!

- MOB Usage For CAPRI Has Increased Steadily From 1.1 In 1993 To 1.8 In 1995.

Capripln (5)

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CAPRI

Multiple Brand Usage

	Jul-Dec '94	Jan-Jun '95	Jul-Dec '95
CAPRI			
Single Brand Usage	85	86	$\boxed{94}$
CAPRI Only	82	84	$\boxed{91}$
CAPRI+Trial	3	2	$\boxed{3}$
Multiple Brand Usage	15	14	$\boxed{6}$
Virginia Slims			
Single Brand Usage	87	89	$\boxed{83}$
Va. Slims Only	82	84	$\boxed{77}$
Va. Slims+Trial	5	4	$\boxed{6}$
Multiple Brand Usage	14	11	$\boxed{17}$

Capripln (22)

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CAPRI
In-Switching

- 88% Of CAPRI's In-Switching Is From Full Revenue.
- Marlboro Is The Top Trademark Donor And Marlboro Lights Is The Top Brand Donor To CAPRI At 21.0% And 18.5% Respectively.
    - CAPRI's Indexes At A 164 Versus Slims Segment For Marlboro Lights In-Switchers.
- Virginia Slims And Salem Are The Next Top In-Switcher Trademarks At 20.6% And 13.1% Respectively.

CapriIn (6)

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CAPRI

Source Of In-Switchers To CAPRI
(%)

FULL REVENUE

Marlboro (Net)		21.0
Full Flavor	2.5	
Lights	18.5	
Va. Slims		20.6
Salem (Net)		13.1
Salem	10.4	
Slims	2.8	
Eve		8.6
CARLTON		4.0
Other		20.6
Total		87.9

VFM

MONTCLAIR	6.9
MISTY Slims	2.5
Doral	2.7
Total	12.1

Base = 28

CapripIn (7)

20

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CAPRI
Out-Switching

- 64% Of CAPRI's Out-Switching Is To Full Revenue -- Compared To 45% For The Slims Segment. Thus, These Smokers Are Not Necessarily Leaving Due To Price.
- Marlboro Lights Garner 28.9% Of All CAPRI Out-Switchers.
- B&H And Eve Follow With 11.3% And 11.2% Respectively.
- Doral And Basic Lead The VFM Destination For CAPRI Out-Switching With 9.4% And 6.7% Respectively.

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CAPRI

Source Of Out-Switching From CAPRI
(%)

FULL REVENUE

Marlboro (Net)		28.9
Lights	28.9	
B&H		11.3
Eve		11.2
Other		12.7
Total		64.1

VFM

Doral	6.9
Basic	6.7
Jacks	5.8
Austin	5.6
Eagle	4.6
MISTY Slim	3.8
Total	35.9

Base = 16

Capripln (9)

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CAPRI

Switching

- Reasons For Switching To CAPRI Are As Follows:
  - Previous Brand Too Strong/High Tar & Nicotine 33.3%
  - Previously A Quitter ??? 26.2%
- Reasons For Switching From CAPRI Are As Follows:
  - Too Expensive 21.0%
  - Too Strong/High Tar & Nicotine 20.2%
  - CAPRI Not Available 16.4%

Capripln (10)

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CAPRI

Conclusions

- CAPRI's Current Performance Is Flat/ Slight Growth.
- Conversion To CAPRI Is Difficult Due To Resistance To The Product.
- Therefore, Extended Trial Must Be A Priority. This Objection May, In Turn, Require That Substantial Financial Incentives Be Used In Order To Obtain Trial And/Or Conversion. Though Expensive, The benefits Of Gaining A CAPRI Consumer And CAPRI's High Retention Rates May Warrant The Investment.
- CAPRI's Target Should Include Marlboro Lights And Salem As Well As Traditional Competitors Such As Virginia Slims, B&H, Eve And Style.

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CAPRI

Trademark Positioning

CAPRI Is The Uniquely Slim Cigarette For The Female Smoker That Allows Her To Express Her Aspirations For Sophistication, Elegance, Style And Femininity.

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CAPRI

Target Markets

- Female Smokers Who Desire A Product That Expresses Sophistication, Elegance, Style And Femininity.

- CAPRI (More Than Any Other Trademark) Depends More On Psychographics Than Demographics.
  - Not An Activist
  - Feminine, But Not A Feminist
  - Family And Community Very Important
  - Likes To Try New And Unusual Things

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CAPRI

Target Markets (cont'd)

- Primary
  - Female
  - White
  - 35+
  - Affluent
  - Educated
  - Slims/ Salem Switchers
- Secondary
  - Female
  - 21-35
  - White
  - Marlboro Light Switchers

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CAPRI

Strategies

- Distribution
  - Distribution And Maintenance Of Adequate Stock Levels In High Volume CAPRI Stores Is Critical Given Anecdotal Reports Of Out Of Stocks.

- Pricing
  - No Retail Pricing For CAPRI Is Anticipated.

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CAPRI

Strategies

- Merchandising
  - CAPRI Is Not A Merchandising Priority In The Mainstream Market.
  - Exploration Of Tactical Distribution/Merchandising In Specialty Outlets Will Be Forthcoming (For Example; Near Upscale/ Trendy/ Fashion-Oriented Shopping Areas).
- Product
  - No Product Development Is Necessary At This time.
- Packaging:
  - Exploration Of Logo Alternatives To Better Communicate Sophistication, Elegance, Styles And Femininity.
    - Readability May Also Be Improved.

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CAPRI

Strategies

- Consumer Promotion
  - Given CAPRI's Size And Smoker Base, Direct Mail Is The Vehicle Of Choice For Delivering Consumer Promotions Efficiently To The Target Market.
  - Direct Mail Should Promote All Styles.
  - Direct Mail Should Communicate The Key Benefits Of Sophistication, Elegance, Style And Femininity In Addition To Providing An Incentive To Purchase.

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CAPRI

Strategies

- Communication
  - Key Benefit
    - CAPRI Is The Uniquely Slim Product That Allows The Smoker To Express Her Sophistication, Elegance, Style And Femininity.
  - Selling Platform
    - CAPRI Represents An Escape From The Ordinary.
    - "She's Gone To CAPRI And She's Not Coming Back" (Current)

3'

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CAPRI

Strategies

- Executional Considerations
  - Tone And Manner
    - The Execution Must Be Upscale And Inviting.
    - Escapist, Exotic, Romantic Visuals In A Serene Environment.
    - Models Must Be Attractive, Self-Confident, Elegant And Sophisticated.

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CAPRI

Specific Measures

- Maintain Current High Distribution Levels, While Ensuring Adequate Quantities In High CAPRI Volume Outlets So As To Reduce Out-Of-Stock As Reason For Outflows (16.4% Albeit On Small Base).
- Inflows From Specific Targets Will Increase.
- Lower Out-Switching By Reducing Out-Of-Stocks.
- Therefore, Expectations Of Slightly Higher SOM Versus The Base Realistic Forecasts.