

# **2004 Camel Operating Plan**

**October 3, 2003**

## 2004 Camel Operating Plan

### Portfolio Role

Grow Share And Profitability

### Objectives

	<u>2002</u>	<u>2003 LE</u>	<u>2004</u>
Volume (BL)	22.1	19.2	19.5
Share	5.7	6.0	6.3

### Spending (\$MM)

Equity	142	99	97
MAM	558	437	460

## 2004 Camel Operating Plan

Marketing Objective	2004 Goal
<ul style="list-style-type: none"> <li>• Grow 21-34 Share</li>      <li>• Achieve Broad Awareness Of Equity Message</li>      <li>• Strengthen Turkish And Exotic Families                         <ul style="list-style-type: none"> <li>– Solidify Turkish Franchise</li> <li>– Grow Exotic Blends Volume</li> </ul> </li>   <li>• Continuous Efficiency Improvement And Asset Leverage</li> </ul>	<ul style="list-style-type: none"> <li>• 1.0 Share Point Increase Up To 14.3</li> <li>• 25% Reduction In Switch Out</li>      <li>• Grow Perceptions 10%</li> <li>• Increase Awareness Of Turkish &amp; Exotic Families 10%</li>      <li>• Grow Turkish UBs From 40-50% Of Buyers</li> <li>• Increase Exotics Volume 50%</li>      <li>• \$3.0MM asset leverage</li> <li>• \$29MM reach savings</li> </ul>

# 2004 Camel Operating Plan

	<u>Spending</u>	<u>vs '03</u>	<u>vs '02</u>
<u>Advertising</u>			
Print	\$ 31.1	\$ 7.9	\$ 31.1
1-Sheets	5.7	(0.7)	3.6
Production/Differentiation	3.2	(2.3)	1.9
	<u>40.0</u>	<u>4.9</u>	<u>36.6</u>
<u>Retail</u>			
POS	6.1	0.1	(3.9)
PDI	7.5	2.2	(2.0)
VAP Equity Promotions	2.2	0.2	2.2
Freight/Other	0.6	0.3	(3.3)
	<u>16.4</u>	<u>2.8</u>	<u>(7.0)</u>
<u>Relationship Marketing</u>			
Production / Postage	12.4	(1.5)	1.8
E-mail	2.0	0.5	1.9
Agency Production	0.3	0.1	(0.2)
Conversion	0.8	(0.2)	0.4
Continuity / Camel Cash	7.9	1.4	1.7
	<u>23.4</u>	<u>0.3</u>	<u>5.6</u>
<u>Event</u>			
Integrated Promotions	3.1	(1.5)	(17.4)
Lifestyle Events	3.0	0.2	(31.1)
Guerilla / 1 to 1	5.5	(11.8)	(30.8)
VAS	1.9	(0.5)	(0.6)
Presence	3.5	2.7	(0.5)
	<u>17.0</u>	<u>(10.9)</u>	<u>(80.4)</u>
Total Equity	<u>96.8</u>	<u>(2.9)</u>	<u>(45.2)</u>
DM Pricing	70.7	30.2	46.7
Retail Pricing	955.0	51.5	124.1
Total Spending	<u>\$ 1,122.5</u>	<u>\$ 78.8</u>	<u>\$ 125.6</u>

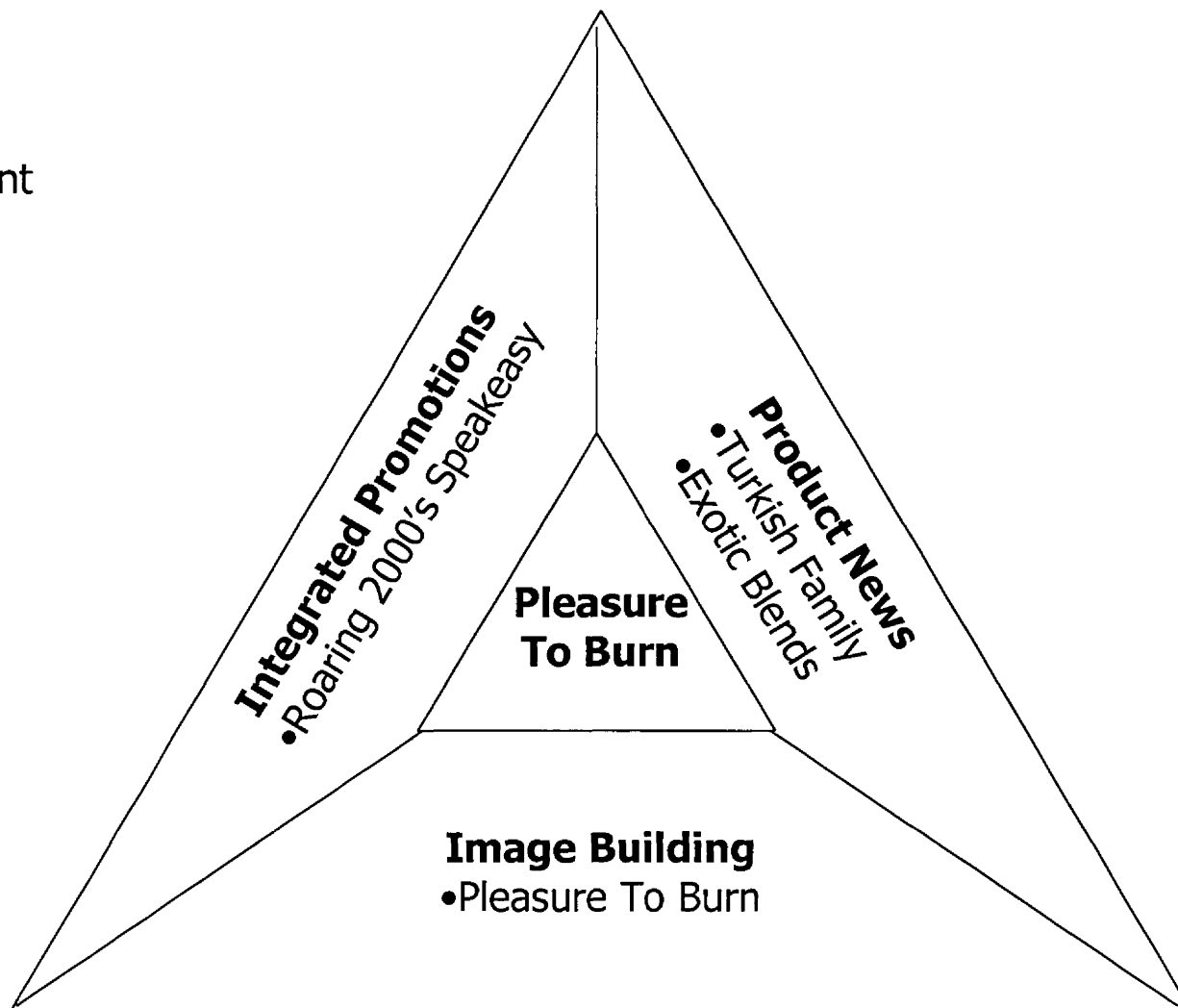
## 2004 Camel Operating Plan

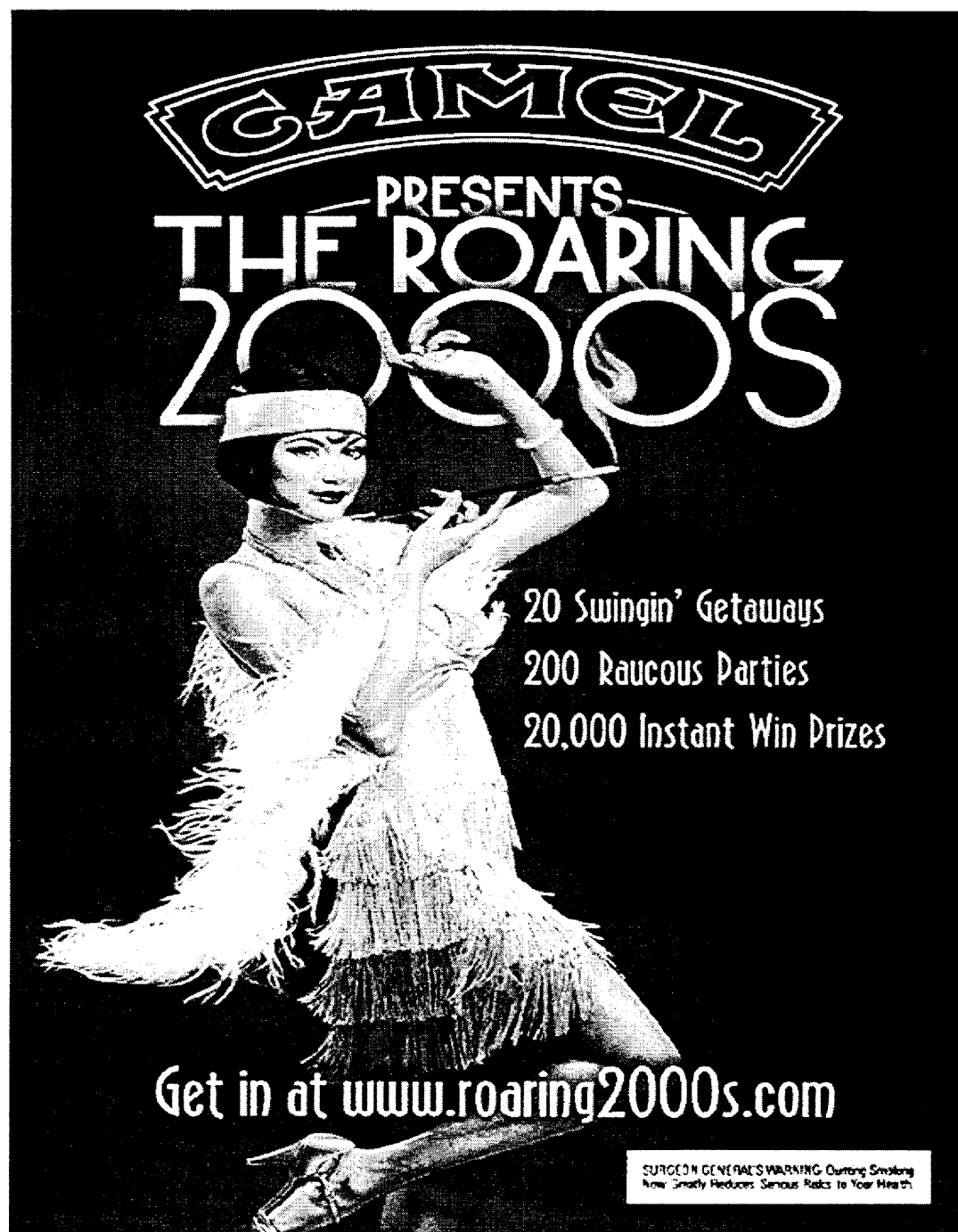
- ▶ Smoker reach inceased by 14%
- ▶ Cost / Impression reduced to 43% of 2003 cost

	2002			2003			2004		
	Net Smoker Reach/Area	Frequency	Cost / Impression	Net Smoker Reach/Area	Frequency	Cost / Impression	Net Smoker Reach/Area	Frequency	Cost / Impression
<b>Retail</b>									
BSGSF	1,535	10	9.80	1,541	10	10.29	1,307	7	10.54
<b>DM</b>									
Retention	300	4	1.67	340	4	1.84	400	10	1.09
SOR Lift	1450	4	1.38	1,600	4	1.56	1,900	11	1.47
Competitive Volume	1250	1	1.20	2,100	2	1.17	3,000	11	1.49
<b>Event</b>									
Bar	2,177	1	27.14	525	1	29.14	614	1	27.70
CAP/Biker	406	1	34.54	12	1	39.17	-	-	-
MBRI	989	1	24.45	240	1	28.52	-	-	-
<b>Retail/DM/Event Reach</b>	<b>8,107</b>	<b>3</b>	<b>9.53</b>	<b>6,358</b>	<b>4</b>	<b>6.98</b>	<b>7,220</b>	<b>9</b>	<b>3.01</b>
<b>Competitive Trial Buyers</b>	<b>521</b>			<b>616</b>			<b>722</b>		

## 2004 Camel Operating Plan

- Interactive
- Fun
- Frequent





**CAMEL**  
PRESENTS  
**THE ROARING  
2000S**

20 Swingin' Getaways  
200 Raucous Parties  
20,000 Instant Win Prizes

Get in at [www.roaring2000s.com](http://www.roaring2000s.com)

SURGEON GENERAL'S WARNING: Quitting Smoking Now Greatly Reduces Serious Risks to Your Health.

53227 2812

## 2004 Camel Operating Plan

### Advertising

- Plan
- High Impact And Interactive
  - Product Ads And One Sheets To Support 3 Families
  - Maximize Efficiency And Value

	<u>1<sup>st</sup> Qtr.</u>			<u>2<sup>nd</sup> Qtr</u>			<u>3<sup>rd</sup> Qtr</u>			<u>4<sup>th</sup> Qtr</u>			<u>% Of Spending</u>
<u>Print</u>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	
Pleasure To Burn	←											→	25%
Roaring 2000's				←					→				50%
Product	T	E			T	E	E		T	T	T	E	25%
<u>One Sheets</u>													
38 Mkts, 55% Camel Volume	←											→	

<u>Impact</u>	<u>2003</u>	<u>2004</u>
Reach (%)	57	60
Frequency	2.7	4.2
Impression (MM)	320	450
\$/Impression	.05	.04



## 2004 Camel Operating Plan

### Relationship Marketing

#### 2003 Model

Event As Primary Vehicle, Dbase To Reinforce

- Weekly Frequency
- Highly Targeted
- Borrowed Equity
- Extensive Infrastructure

#### 2004 Model

Event & Database Synergy

- Weekly Frequency
- Broader Targeted Reach
- Stronger Focus On Brand Equity
- Efficient Infrastructure And Shared Revenues
- Value Added

## 2004 Camel Operating Plan

### Relationship Marketing – Key Programs

#### Direct & E-Mail

More Smokers, More Frequent, With More Relevant Trial and Equity Offers

- Impact

<u>Qty</u>	<u>'03</u>	<u>'04</u>
Direct	4.0MM	6.3MM
E-Mails	.5	1.4
Contacts	7-16X	9-52X

- Direct Mailings Delivering Equity & Pricing
- Monthly E-Mails To Support Brand Initiatives, Weekly E-Mails Supporting Events
- Camel Cash
- Develop and Test On-Line Loyalty Program That Rewards Interaction
  - Event Attendance
  - Sweeps And Self Liquidating Offers
  - "Focus Groups"
- Co-Creation Offers
  - Tasting Panel
- Strategic Partnership Value Added

## 2004 Camel Operating Plan

### Relationship Marketing

#### Event

- Continue To Be A Part Of Lifestyles Of 21-34 Smokers
  - Focus On Big-Brand Presence – 30 Markets, 2000 Venues
    - Signage
    - Bar Essentials
    - VAS
  - 1:1 Intercepts To Achieve Conversion – 540M Smokers, 8% Conversion
  - Events To Bring Positioning To Life – 144M Smokers
    - Themed Events To Support Promotion – 60 Events
    - Shared Revenue Model For Lifestyle Events – 600 Events
    - Localized Cause Marketing For Added Value
    - Add Value Using Merchandising Credits & Strategic Partnerships – 50+ Events

## 2004 Camel Operating Plan

### Retail

- Retail As Media Vehicle
  - Expanded Presence On Back Bar
  - Miller Zell Test 2<sup>nd</sup> Qtr, 3<sup>rd</sup> Qtr Rollout
  - Workplan Changeover Supporting Promotion
- Trial Promotions Supporting Equity Initiatives

Camel 2004 Workplan

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	COMPARISON OFFERS (MM)		
	ROARING 2000'S SPEAKEASY									Turkish Themed Promo			2003	2004	CHANGE
CLASSICS		B1G1F		B1G1F	\$1.00 off (2 pks)			B1G1F			B1G1F		46	35	(11)
TURKISH	B1G1F			B1G1F			B1G1F			B1G1F			27	12	(15)
EXOTICS		bayou blast				Roaring 2000's						holiday blends	2	3	1

- Effective & Efficient Pricing Strategy
  - Increase Average Face Value To Offset Lower VAP
  - Increase Price Support Through Direct Marketing

## 2004 Camel Operating Plan

### Strengthen Turkish And Exotic Families

#### Turkish Family

- Goals:
  - Gain Awareness Of Family Proposition
  - Solidify Buyer Base
  - Gain Quality Trial
- Plan:
  - Short term – Turkish Specific Marketing Plan
    - Constant advertising with benefit message, quarterly one-sheets
    - Launch "Invitations" through direct and e-mail
    - Guerilla sampling – 135m intercepts
    - Strategic Partnership Events – 25 events
    - "Lights, Camera, Camel" 4<sup>th</sup>QTR mini-promotion
  - Long term – Further Differentiation of Entire Family
    - Exploring 4 concepts
      - More Turkish
      - Distinctively Mellow
      - Fine Art of Smoking
      - Imported Camel
    - Exploring product, packaging, tipping, pricing, and marketing programs
    - Qualitative testing beginning October 2003

## 2004 Camel Operating Plan

### Strengthen Turkish And Exotic Families

#### Exotics

<u>Current Performance</u>	<u>Exotics</u>	<u>Dunhill</u>	<u>Nat Sherman</u>
National SOM	.07	.02	.01
SOM Where Exotics Are Selling	.16	.01	.01
SOM Where Other Premiums Selling	.15	.14	.13

#### Business Plan

	<u>'03</u>	<u>'04</u>	<u>'05</u>	<u>'06</u>
SOM	.06	.08	.10	.12
Volume	.2	.3	.3	.4
MAM(MM)	\$9	\$13	\$16	\$19

### 2004 Strategies

- Seek Natural Distribution Level
  - 48M → 35M Outlets
- Targeted Print, Direct, Event And E-Mail to Encourage Trial And Repeat Purchase
- Expanded Retail Signage On Back Bar

## **2004 Camel Operating Plan**

### **Contingency Opportunities**

- **Additional Promotions**
  - Testing \$1 Off 2 Pk
  - Developing Value Added
  - 4 Open Workplan Opportunities
- **Geographic Pricing Opportunities**
- **Database Adjustments**
  - Add incremental intercepts
  - Change coupon values for greater IPV
  - Add coupons/mailings

# Camel New Product Initiatives 2004

- New Product Strategy – 1999-2002
  - Used line extensions to create new news and excitement by:
    - Highlighting key product point of difference
    - Providing different taste signatures (to broaden buyer base)
    - Underscoring core equities of brand
- Results
  - Introduced Turkish Family
    - Achieved .70 sustaining SOM
    - Different buyer profile
      - 62/38% Male/Female vs. 73/27% Classic
    - Grew “Turkish and Domestic” and “mellow” perceptions
  - Introduced Camel Exotic Blends
    - Achieved .05 SOM
    - Different buyer profile
      - 66/34% Male/Female
    - Grew perceptions of “slightly exotic”, “has a variety of flavors” and “does innovative things”



# Camel New Product Initiatives 2004

- 2004 Challenges
  - Re-focused marketing energy on Classic family and heritage and fun equities
  - Weak Turkish Family performance and high volatility
  - Exotic Blends slow to take off
- Recommendation
  - Return to successful strategy of introducing new products
    - Classic Family Line Extension
      - a premium blend that captures the spirit of the “golden era of pleasure and smoking” made contemporary, fun, and slightly irreverent
    - Turkish Family Upgrade and UM with unique filter line extension
      - further differentiate by highlighting core benefit and perceptions of family:
        - Mellow – more Turkish and aroma
        - Sophistication
        - Premium
        - More acceptable to broader buyer base

# Camel New Product Initiatives 2004

## Critical Dates & Issues

### Camel Classic

Concepts developed  
Consumer learning  
Product Identified  
Art Mechanical  
Mfg. Start-up  
DTS

### Critical Dates

February 12  
February 16-17 & March 3-4  
March 5  
March 8  
May 10  
July 7

### Issues:

- Can a Camel Classic line extension be made fun and interesting enough to excite competitive adult smokers?
- Can the product be truly differentiated?
- Can we make the timing?
- If Wides configuration, do we have capacity?
- Is there an opportunity to not discount?

# Camel New Product Initiatives 2004

## Critical Dates & Issues (continued)

### Camel Turkish UM and Upgrade

Concepts developed

Product identified

- UM configurations w/unique filter
- Adding more Turkish + aroma to entire line

Consumer learning

- Qualitative
- Tipping Risk
- Packaging
- CPT

Management approval

Art Mechanical

Mfg. Start-up

DTS

### Critical Dates

March 15

April 15

March 15-16

February 23

March 29

March 29

May 1

May 24 – all nine styles

August 9

October 1

### Issues:

- Can an upgrade help wean the brand from heavy promotion?
- What products should be white-tipped and will it have a positive or negative effect?
- Can field sales handle a large, unplanned event?
- Do we have the resources to gain awareness and trial?

## Exotic Holiday Blends

To go with holiday parties, falling snowflakes, brisk winds, and high spirits, Camel Exotic Blends is adding two complementary sensations: a cool and refreshing peppermint and a warm and soothing aromatic blends for an indulgent smoking pleasure this holiday season

*Karli Mist* combines smooth T&D tobaccos with complements of oriental peppermint and hints of cocoa creating a wintry indulgence that's as cooling and lively as it is decadent. Every time you light up, it will make you feel like you're at a party in a ski chalet.

*Karli Aromatica* features an array of exotic tea notes from the Far East for a wonderfully aromatic smoke layered with a lively, exotic flavor. It's like finding warm comfort in a fun and relaxing holiday jubilee.

## Exotic Holiday Blends

**Name: Karli Mist** (*"Karli" is the Turkish word for "snowy"*)

**Mouse copy: A Lively Blend of Peppermint and hints of Cocoa**

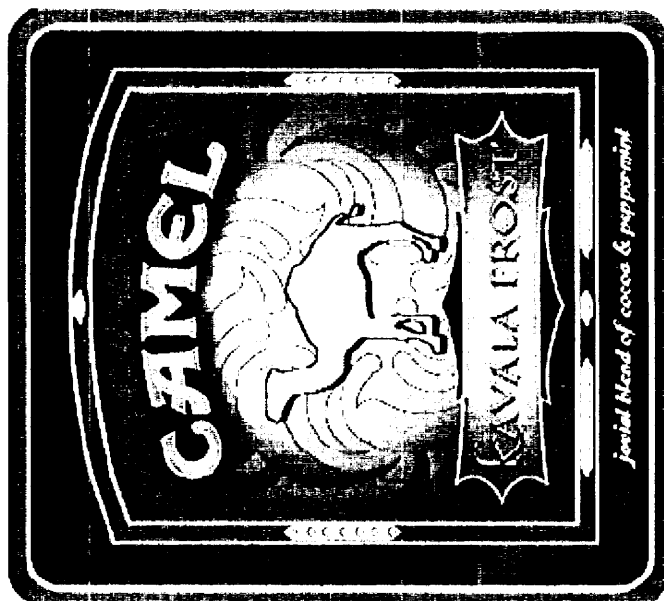
*Inside copy: "This blend matches extra smooth Turkish and Domestic tobaccos with cooling peppermint and rich cocoa bean to offer an exotic, wintry delicacy.*

**Name: Karli Aromatica**

**Mouse copy: A Soothing Blend with Warm Tea Notes**

*Inside copy: Karli Aromatica combines our smooth and flavorful Turkish and Domestic tobaccos with exceptionally clean tea notes found in the Far East. It's a unique sensation that you can always enjoy.*

Exotic Option

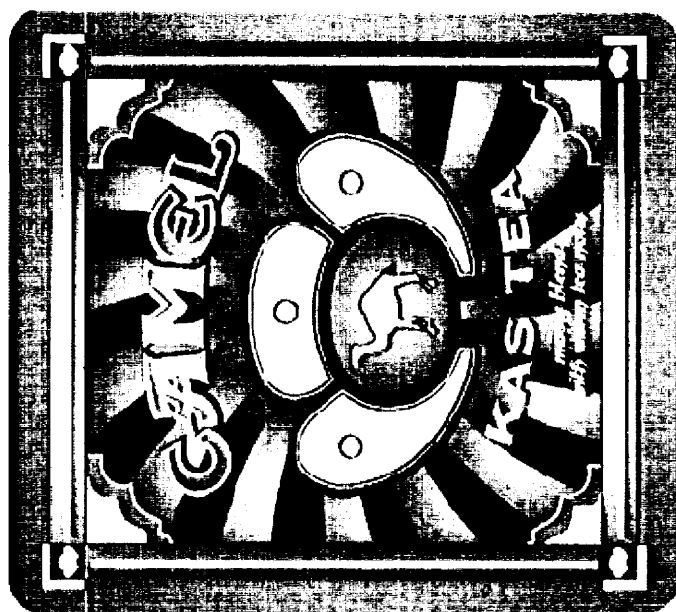


*Invigil blend of coconuts & peppermint*

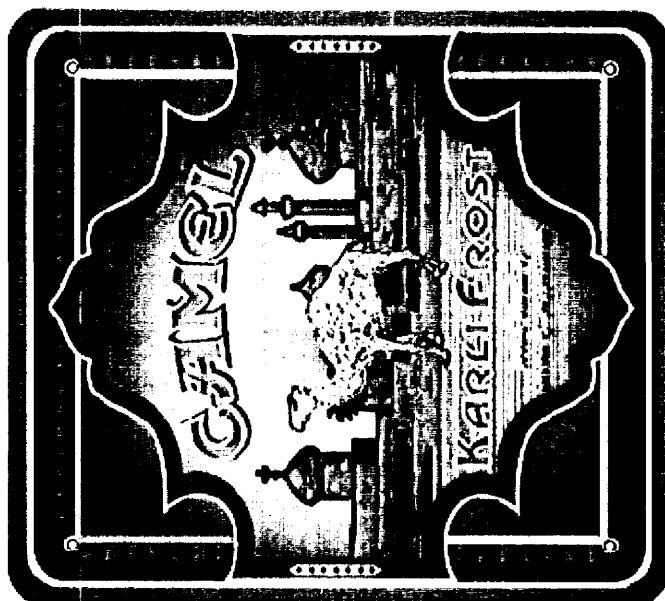
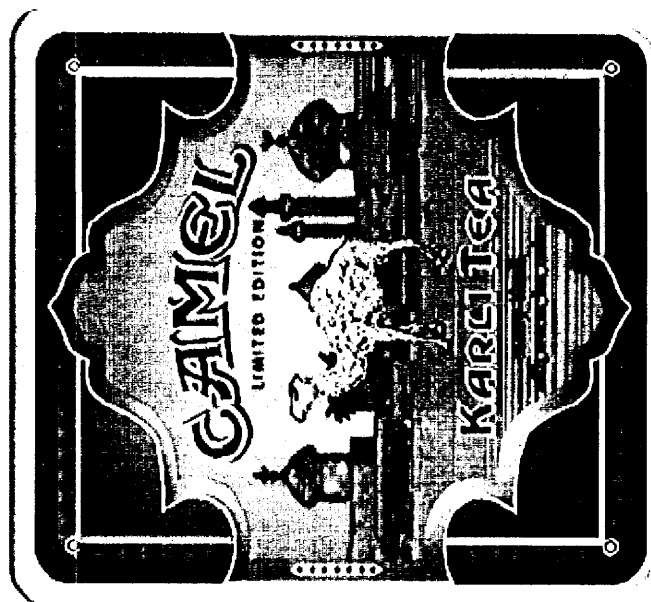


*morro blend with warm tea notes*

Party in a tin option



Option 3





# Holiday Blends

Parties - champagne  
liquors

Sophisticated chocolates & desserts

Gifts -

fine cigar

fine wine, cognac, port

variety of beers

gift baskets of gourmet foods & drinks

Intimate - warm drinks by the fire

things to savor

cozy blankets

Mistletoe

Scents - apples & cinnamon

spice/pine/woodsey

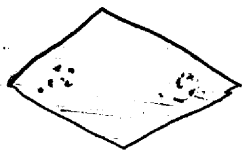
Vanilla

orange

cranberry

Summer did not go to NY  
didn't want to go into NY

Cards -



iced Cakes  
winter treat  
Wintermint Kiss  
Cranberry Crush  
Jinglebell Jazzyberry  
Hollyberry  
Mistletoe Fluxer

53227 2830

Starburst Sparkler - shining holiday blend  
"special occasions"

Chocolate Peppermint  
Tea  
Peppermint Only  
Peach  
Spiced Cider - low or high  
Choc. Cherry  
Cranberry  
Pine - Cinnamon  
Caramel  
Chocolate only - low intensifying