

PHILIP MORRIS USA**INTER-OFFICE CORRESPONDENCE**

120 PARK AVENUE, NEW YORK, NY 10017-5592

TO: Ali FSF Personnel

DATE: April 14, 1993

FROM: Mike Szymanczyk

SUBJECT: Basic Distribution*Call SSD's*

Since October you have pursued a number of initiatives on Basic to ensure that Philip Morris has a leadership presence in the Deep Discount segment. The key elements necessary for successfully establishing and maintaining Basic as a strong National Brand are, quite frankly, basic:

- 1) very broad-scale distribution
- 2) continuous visibility and prominent display
- 3) price competitiveness

In regard to distribution, the attached chart indicates that we currently have 53% national distribution in SPACE. In some Sections distribution for Basic is far lower. February Nielsen indicates only 42% distribution, with reductions in distribution from January to February in 9 Sections and 2 Regions.

In my original correspondence to you, I asked you to attain a minimum of 60% retail distribution for Basic. I am now asking you to set a retail distribution objective for Basic of **75%** by May 31, 1993. Obviously, that means you will need distribution in both Retail Masters and non-Retail Masters accounts where we currently have 67% and 39% distribution respectively.

To help you achieve this distribution objective, you are authorized to offer gratis on a one time basis to retail accounts not currently carrying Basic. As before, you may offer 10% gratis on up to 20 cartons sold in (i.e., maximum of 2 gratis cartons per retail account.) Gratis cartons should be expensed at the wholesale price of Basic using Promo Code **324J**.

In addition, please remember to fully leverage the other tools you have for merchandising and promoting Basic. Attached is a listing of Section allocations and orders placed for the B2G1F deals. If your Section no longer has inventory of old Basic packaging, you may use your remaining allocation of B2G1F deals to wrap three new packs/cartons together.

In those accounts where a permanent merchandising position does not exist, placement of a separate display under the Basic Temporary Merchandising Program is imperative. Attached is a listing of Section allocations and orders placed for the temporary pack and carton merchandising fixtures. These units are no longer on backorder. Please order your full allocation to help you achieve and maintain a competitive display presence as soon as possible.

To help in this effort, we also plan to drop an FSI and direct mail program to help leverage Basic's position versus other deep discount brands in June. Details will be forthcoming.

Finally, please note that our current allowance structure makes Basic's price from manufacturer to wholesaler competitive with RJR's major deep discount entries. It is your job to ensure that this translates to competitive pricing at retail.

Good luck and good selling.

cc:	F. Alfieri	DMs
	R. Simons	DAMs
	VPRSs	SAMs
	TMDs	SOMs
	TMPs	UMs
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