

**SUMMARY OF EVENTS IN THE U.S.A.**

- \* LATE 1992
  - Test marketing of several different promotional packages for Marlboro
  - the first ever corporate share decline for Philip Morris with all brands losing share in 1992 except their value brands
  - an increase in the share of value brands to over 35% by the end of 1992
- \* 1ST QUARTER 1993
  - significant decline of Marlboro shipments (-8.3%) as a result of some overstocking adjustment by the Trade but also in the context of a further consumer share decline of the Marlboro brand family
- \* 2 APRIL 1993
  - Philip Morris announced their US action plan to the press and on the same day as the RJR annual meeting. This plan contained four key elements:
    - A reduction in the price gap between Marlboro and value for money brands by up to 40 cents per 20 or 20% of the average retail price. Although recommended prices would remain the same, the price reductions would be selectively applied regionally through price discounting and price offers from early May 1993.
    - Continued high level of support and some expansion of the Marlboro Adventure Team.
    - Expansion of distribution and greater aggression with their lower priced value brands.
    - No further price increases for their other full price brands such as Benson & Hedges, Merit, Virginia Slims.
    - Philip Morris share price fell from \$64 1/8 to \$49 3/8 in one day.
- \* MID APRIL 1993
  - appointment of G BIBLE as No 1 of PM's global tobacco operations with both US domestic and International reporting directly to him
  - various marketing and financial appointments to strengthen the US domestic management team
  - resignation of L GERSTNER, the Reynolds CEO to head the IBM Corporation

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- RJR announce a reduced annual dividend and a suspension of their proposed stock split plan to create two separate stocks, for their tobacco and food operations
  - \* LATE APRIL 1993
    - PM progressively release details of how their action plan will be implemented in practice for Marlboro. they confirmed that there would not be any reduction in the recommended price of Marlboro but that retail prices would be selectively and temporarily reduced through on pack promotions for unspecified periods and by variable amounts up to 40 cents per pack. This price promotional activity would commence from mid May onwards
    - Reynolds announce their response to the PM action plan whereby they will match the Marlboro 40 cents price cut for Winston commencing May and ending June after which they will reassess the situation. Although Camel will also be price promoted, it will be so to a lesser degree.
    - A Philip Morris International spokesman denies the existence of any plans to extend the Marlboro price discounting to other parts of the world.

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