



To Mr. E. A. Pape  
National Trade Operations Director

Date 12/4/92

From Mr. J. M. Clark  
Regional Merchandising Promotion Manager

Re: RECOMMENDATION MASSACHUSETTS TAX BUSTER

This serves to recommend a program designed to prompt trial of our primary push brands in outlets most impacted by the increase in the massachusetts state cigarette tax.

BACKGROUND:

Effective January 1, 1993, the Massachusetts Cigarette Tax will be increased by 25¢/pack, bringing the total tax to a whopping 51¢/pack. Obviously, this tax, coupled with new the F.E.T., will negatively impact the Massachusetts retailers, especially those in close proximity to the state boarder. Retailers in the neighboring state of Rhode Island, New Hampshire, Vermont and New York expect significant volume increases. Beyond the tax issue, some of the bordering states enjoy other advantages such as lower or no sales tax; no sale below cost laws, etc. The following state pricing advantage over Massachusetts is based on the state cigarette tax only.

Vermont	31¢/pack	\$3.10/carton
New Hampshire	26¢/pack	\$2.60/carton
Rhode Island	14¢/pack	\$1.40/carton
New York	12¢/pack	\$1.20/carton

We have an opportunity to not only generated incremental business in the above mentioned tax advantage states, but to gain new trial and retain current customers within the state of Massachusetts.

The following program has been developed by Mr. Scott Fisher and the D.S.M's in Sales Section E-1.

PROGRAM MASSACHUSETTS TAX BUSTER:

To address the opportunity within the state of Massachusetts, we recommend a 50¢ V.P.R. on behalf of the following brands:

CARLTON  
MONTCLAIR  
MISTY  
RIVIERA

This activity would be limited to the outlets near the state border, which are primarily pack outlets (10/90 carton/pack ratio.)

In the above listed border states, we recommend an extension of our Off Invoice Buy Down Program to all border calls agreeing to maintain a separate Floor Display and Banner on behalf of our push brands. Our Buy Down amount will be limited to a maximum of \$3.00/carton and 30¢/pack. Regular 1-2-3 Gratis will be utilized.

TIMING:

Massachusetts - January 1 - January 29, 1993 (4 weeks)

Border States - January 1 - March 26, 1993 (12 weeks)

COST:

Massachusetts - 50¢ V.P.R.

300 Outlets x 125 average weekly volume = 37,500

37,500 x 4 weeks x 95% participation = 142,500 total cartons

142,500 total cartons x  
5% share of store sales = 7,125 cartons

7,125 cartons x 10 pkgs = 71,250 x \*31¢ = \$35,625

\*Average expenditure per pack . . . 20¢ incremental on sub-generics, 50¢ incremental on CARLTON.

BORDER STATES # OF OUTLETS:

<u>NEW HAMPSHIRE</u>	<u>VERMONT</u>	<u>RHODE ISLAND</u>	<u>NEW YORK</u>
120	100	60	14

TOTAL NUMBER OUTLETS - 294:

294 outlets x 300 average weekly volume = 88,200 ctns/week

88,200 x 12 weeks = 1,058,400 ctns

1,058,400 x 95% participation x  
5% share of store sales x \*\$1.00 = \$50,274

\*Average expenditure per carton . . . \$3.00 CARLTON Buy Down represents 1/3 of total volume.

75,000 50¢ V.P.R. sticker (cost to be sourced by Sales/Merchandising)

Contingency = \$ 2,638

Total = \$75,000

FUNDING:

Incremental funding is requested.

May I have your approval to proceed?

*McCall*

APPROVALS:

*E. A. Pape* 12/7/92  
E. A. Pape Date

*F. D. E.*  
F. D. Ferrell Date

*R. M. Spight* 12/11/92  
R. M. Spight Date

*T. A. Albert* 12/12/92  
T. A. Albert Date

Funding: to be incorporated into  
Empire initial budget requests.

*J. E. Vyse* 12/29/92  
J. E. Vyse Date

*T. P. Kriz* 12/29  
T. P. Kriz Date

*E. J. Gesell* (see)  
E. J. Gesell Date

*D. S. Johnston* 1/4/93  
D. S. Johnston Date

RECEIVED

JAN 5 1993

DEPT. OF R & QA