

TO: Hal Quick

FROM: Michael Rimakis

SUBJECT: United Airlines (In-flight Sales)
February 21, 1986 Meeting

DATE: February 25, 1986

*File
United Airlines*

Present at meeting were:

- Mr. Peter Dell, Purchasing Manager
- Mr. Ken Bauman, Buyer-Catering Food Service Division
- Samuel L. Polk and Michael Rimakis

The following points were discussed at this meeting:

- ° R. J. Reynolds offered to supply United Airlines with gratis Sample 12's equaling 80% of their actual annual needs; a total of 3 million cigarettes. R.J. Reynolds was aware of United Airlines' total sample needs and based their proposal on a fixed allowance of 3 million Sample 12's contingent upon United Airlines carrying the following three brands of R.J.Reynolds' manufacture.
 - Winston King Size
 - Salem King Size
 - Yves Saint Laurent
- The other two brands that will also be sold on board are Dunhill and Mild Seven.
- ° United Airlines based their rational for the acceptance of R.J. Reynolds' proposal solely on R.J.R.'s offer of free Sample 12's.
- ° United Airlines did not show any concern with regards to a possible loss of sales, nor were they concerned with increasing their profit potential on in-flight sales by neglecting the worlds number 1 selling cigarette (Marlboro).
- ° The importance of cigarette sales in the duty free market place was presented as a major factor, but United Airlines played it down by claiming that cigarettes were the least profitable of all duty free items carried on board their flights.
- ° The overwhelming strength of Marlboro worldwide was demonstrated particularly in the market areas covered by United Airlines' flights.

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- ° Messrs. Dell and Bauman agreed that we presented a strong case for the inclusion of Marlboro on their in-flight brand selection, however, they confirmed to us that an agreement had been reached with R. J. R., and it was their intention to honor it. They mutually agreed that a judgement error might have been made.

R. J. Reynolds will also participate in United's in-flight magazine. They will contribute to the printing of menus and the production of in-flight videos, and supply United Airlines with packaging material; such as, plastic bags.

- ° Ken Bauman, who is in charge of buying and catering for the food service division, suggested to Peter Dell, his superior, that we include Marlboro instead of Salem; but Dell quickly shut him down, expressing his desire to honor their agreement with Reynolds.
- ° We reviewed additional Philip Morris brands; namely Lark, and produced demographic support of the strength the Lark family has in Japan. We also brought to their focus the success we have enjoyed with Benson & Hedges Deluxe Menthol on board their aircrafts, to date.

Peter Dell's only response was for Philip Morris to submit a bid in November of 1986, so that we could be considered for 1987's in-flight program.

It was mentioned on numerous occasions, and the point well taken, that duty free sales on board the airlines is not only for profit, but most importantly, a valuable service to their passengers.

Trying to satisfy as many passengers as possible should be a primary goal, and attempting this without the number 1 selling cigarette in the world is futile.



Michael Rimakis

MR:ldv

cc: S. Bornhuetter
N. Devitt
C. Kotsakis
P. Pagonis
S. Polk
M. E. Roberts

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