

First with the finest cigarettes...through Lorillard research

Bob Davis:

August 30, 1978

Please draft a reply for me by 9/11 -

TO: Mr. Curtis Judge

FROM: T. L. Achey - Field 3

SUBJECT: Product Information

Thanks -

BAH
9/6



Mr. Judge, if you will look at my Sales figures (attached), you will note that NEWPORT KING SIZE is the #1 selling Lorillard brand, and NEWPORT BOX the #6 selling Lorillard brand in Field 3 for the year-to-date.

I know your immediate concern must be the "Lights" market; however, I also know the efforts placed into several "taste" brands over the past few years.

The success of NEWPORT has been fantastic during the past few years. Our profile taken locally shows this brand being purchased by black people (all ages), young adults (usually college age), but the base of our business is the high school student.

NEWPORT in the 1970's is turning into the Marlboro of the 60's and 70's. It is the "In" brand to smoke if you want to be one of the group.

Our problem is the younger consumer that does not desire a menthol cigarette. If that person desires a non-menthol, but wants to be part of the "In group", he goes to Marlboro.

✓ Could we be furnishing a back-lash to Marlboro from our NEWPORT brands?

✓ Is Marlboro as strong with the early beginning consumers as the NEWPORT brands?

Could we end the success story for Marlboro by furnishing the young adult consumers with a total category of "In" brands?

I think the time is right to develop a NEWPORT NATURAL (non-menthol) cigarette to attract the young adult consumer desiring a non-menthol product. We have a solid base with NEWPORT and I foresee much success with the name of NEWPORT on new packaging.

SUITE 2, RTR BLDG., RTE. 73, MT. LAUREL, N.J. 08054 Telephone: (609) 234-8141-42

Source: <http://industrydocuments.library.ucsf.edu/tobacco/docs/kqng0121>

03537131

Title: Product Information

Bates Number : 03537131-03537132

URL: <http://legacy.library.ucsf.edu/tid/tqn61e00/pdf>

This is the famous Lorillard memo which states: "the base of our business is the high school student.." It was written by a Lorillard salesperson to Curtis Judge, the President of Lorillard.

YOUNGER ADULT SMOKERS
STRATEGIC IMPORTANCE

1. EACH YEAR 1.0MM NEW ADULT SMOKERS ENTER THE CIGARETTE MARKET -- 2.0 SHARE POINTS.
2. YAS ARE THE ONLY SOURCE OF REPLACEMENT SMOKERS.
 - LESS THAN ONE-THIRD OF SMOKERS START AFTER AGE 18.
 - ONLY 5% OF SMOKERS START AFTER AGE 24.
3. FIRST USUAL BRAND YOUNGER ADULT SMOKERS (FUBYAS) DRIVE THE GROWTH OF MARLBORO AND NEWPORT.
4. THE VALUE OF FUBYAS COMPOUNDS OVER TIME DUE TO EXTREME BRAND LOYALTY AND RATE PER DAY INCREASES.
 - OF ALL SMOKERS WHO CHOSE MARLBORO AS A FUB IN THE MID 1970's, 41% STILL SMOKE THE BRAND.
 - RATE PER DAY INCREASES 30% BETWEEN AGES 18 AND 35.
5. RJR IS SUBSTANTIALLY UNDERDEVELOPED AND DECLINING IN SHARE OF 18-20 YEAR OLD SMOKERS.

SHARE OF 18-20 SMOKERS

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
RJR	16.8	16.4	14.5	14.0	13.5	13.8
P. MORRIS	65.1	65.4	67.5	67.9	68.7	69.8
DIFFERENCE	48.3	49.0	53.0	53.9	55.2	56.0

SOURCE: TRACKER

50724 1617

Source: <http://industrydocuments.library.ucsf.edu/tobacco/docs/pmcl0092>

Title: Camel Y&R Orientation
Bates Number : 507241613-507241838
URL: <http://legacy.library.ucsf.edu/tid/sdj54d00/pdf>

This lengthy 1989 R.J. Reynolds (RJR) document discusses the importance of young people to tobacco industry profits.

TARGET MKT. STUDY
SALON SOUNDWAVES
By DENICOLA RESEARCH
9-20-89

(COVER MEMO TO
TOP P/L HARRISON
4-10-90)

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Our target is (more) downscale; typically they are:

- ... less educated than others
- ... more literal, not subtle
- ... not necessarily in college
- ... less urban, less likely to pick up on new social trends
- ... into escapism because they have no intellectual diversions
- ... working from 9 to 5
- ... likely to have goals and aspirations that are more short term; often defined by things they want to buy
- ... more immature in some cases than college kids

They're more impressionable to marketing/advertising...they're more susceptible

* They're less formed intellectually...more malleable

They are somewhat intolerant of people who talk down to them

How to talk their language...to not be condescending

There's lots of stress in their lives because of the absence of long-term goals...nothing to look forward to

They need places to meet one another...a place where they can be themselves

These kids see themselves as grownups

They have a tunnel vision of the future because there's no college/greater opportunities to look forward to

They're always on the prowl for instant gratification

Are we imposing our own values on this target market?

For many, the "future" means a party that they're going to in the next two weeks or a car they're planning on buying in the Fall

Cars gives them a sense of freedom

Are they mobile or more stationary?...are they transitory?

Many can't afford to be mobile

4 PROJECT COPY

51560 3998

Source: <http://industrydocuments.library.ucsf.edu/tobacco/docs/lmkp0102>

Title: Our target is (more) downscale...

Bates Number : 515603998-515604000

URL: <http://legacy.library.ucsf.edu/tid/pbs92d00>

This 1989 marketing document summarizes RJ Reynolds' "target market," mostly "kids," who do not attend college.

D R A F T

SOME THOUGHTS ABOUT NEW BRANDS OF CIGARETTES
FOR THE YOUTH MARKET

At the outset it should be said that we are presently, and I believe unfairly, constrained from directly promoting cigarettes to the youth market; that is, to those in the approximately twenty-one year old and under group. Statistics show, however, that large, perhaps even increasing, numbers in that group are becoming smokers each year, despite bans on promotion of cigarettes to them. If this be so, there is certainly nothing immoral or unethical about our Company attempting to attract those smokers to our products. We should not in any way influence non-smokers to start smoking; rather we should simply recognize that many or most of the "21 and under" group will inevitably become smokers, and offer them an opportunity to use our brands.

Realistically, if our Company is to survive and prosper, over the long term, we must get our share of the youth market. In my opinion this will require new brands tailored to the youth market; I believe it unrealistic to expect that existing brands identified with an over-thirty "establishment" market can ever become the "in" products with the youth group. Thus we need new brands designed to be particularly attractive to the young smoker, while ideally at the same time being appealing to all smokers.

Several things will go to make up any such new "youth" brands, the most important of which may be the image and quality - which are, of course, interrelated. The questions then are: What image? and What quality? Perhaps these questions may best be approached by consideration of factors influencing pre-smokers to try smoking, learn to smoke and become confirmed smokers.

50298 7358

TIOK 0034692

Source: <http://industrydocuments.library.ucsf.edu/tobacco/docs/lhv10146>

Title: Research Planning Memorandum on Some Thoughts About New Brands of Cigarettes for the Youth Market
Bates Number : TIOK0034691-TIOK0034702
URL: <http://legacy.library.ucsf.edu/tid/iuu91f00/pdf?search=%22502987357%22>

Here, Claude Teague of RJ Reynolds' research department complains that it is "unfair" that RJR cannot market cigarettes directly to the youth market.

PHILIP MORRIS U. S. A.
INTER-OFFICE CORRESPONDENCE
RICHMOND, VIRGINIA

Dr. Dunn

To: Dr. R. B. Seligman
From: Myron Johnston
Date: May 21, 1975
Subject: The Decline in the Rate of Growth of Marlboro Red

I think Dr. Dunn's memo has very effectively dispelled the notion that nicotine reductions have been the cause of the slackening in the rate of growth of Marlboro Red.

In view of my fields of interest, it should come as no surprise that I chose to investigate the economic and demographic factors that could be responsible for the decline in Marlboro's rate of growth. Indeed, I treated these factors in my 1975-1980 Economic Forecast. It was my contention that Marlboro's phenomenal growth rate in the past has been attributable in large part to our high market penetration among younger smokers and the rapid growth in that population segment. I pointed out that the number of 15-19 year-olds is now increasing more slowly and will peak in 1975, and then begin to decline. I also hypothesized that Marlboro would be particularly vulnerable to the recession.

In my opinion, the decline in Marlboro's growth rate is due to four factors:

1. Slower growth in the number of 15-19 year-olds
2. The recession
3. Price increases in 1974
4. Changing brand preferences of younger smokers

Obviously, we can do nothing about factors 1 and 2 and have only partial control over factor 3. (State taxes are beyond our control, for example.) Let us look at each of these factors individually.

Demographics

It has been well established by the National Tracking Study and other studies that Marlboro has for many years had its highest market penetration among younger smokers. Most of these studies have been restricted to people age 18 and over, but my own data, which includes younger teenagers, shows even higher Marlboro market penetration among 15-17 year-olds. The teenage years are also important because those are the years during which most smokers begin to smoke, the years in which initial brand selections are made, and the period in the life-cycle in which conformity to peer-group norms is greatest.

COPY

2022849875

Source: <http://industrydocuments.library.ucsf.edu/tobacco/docs/pkhy0125>

Title: The Decline in the Rate of Growth of Marlboro Red

Bates Number : 2022849875-2022849880

URL: <https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/pkhy0125>

This six-page internal memo was written in 1975 by Philip Morris researcher Myron Johnston. This document discusses why the sales of Marlboro Reds have declined, sighting particularly that less youth aged 15-19 are using the product.

1975 MARKETING PLANS PRESENTATION
HILTON HEAD
SEPTEMBER 30, 1974

CHART #1
OBJECTIVE IN 1975

OUR PARAMOUNT MARKETING OBJECTIVE IN 1975 AND ENSUING YEARS IS TO REESTABLISH RJR'S SHARE OF MARKETING GROWTH IN THE DOMESTIC CIGARETTE INDUSTRY.

CHART #2
OPPORTUNITY AREAS

WE WILL SPEAK TO FOUR KEY OPPORTUNITY AREAS TO ACCOMPLISH THIS.

THEY ARE:

- 1- INCREASE OUR YOUNG ADULT FRANCHISE.
- 2- IMPROVE OUR METRO MARKET SHARE.
- 3- EXPLOIT THE POTENTIAL OF THE GROWING CIGARETTE CATEGORIES.
- 4- DEVELOP NEW BRANDS AND LINE EXTENSIONS WITH NEW PRODUCT BENEFITS OR NEW PERSONALITIES.

FIRST, LET'S LOOK AT THE GROWING IMPORTANCE OF THE YOUNG ADULT IN THE CIGARETTE MARKET. IN 1960, THIS YOUNG ADULT MARKET, THE 14-24 AGE GROUP, REPRESENTED 21% OF THE POPULATION.

CHART #3
YOUNG POPULATION
SKEW

AS SEEN BY THIS CHART, THEY WILL REPRESENT 27% OF THE POPULATION IN 1975. THEY REPRESENT TOMORROW'S CIGARETTE BUSINESS. AS THIS 14-24 AGE GROUP MATURES, THEY WILL ACCOUNT FOR A KEY SHARE OF THE TOTAL CIGARETTE VOLUME -- FOR AT LEAST THE

50142 1311

Source: <http://industrydocuments.library.ucsf.edu/tobacco/docs/rlnp0094>

Title : 1975 Marketing Plans Presentation -- Hilton Head, September 30, 1974
Bates Number : 501421310-501421335
URL: <https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/rlnp0094>

This is a corporate marketing strategy document from a presentation given by a R.J. Reynolds Tobacco Company employee.

MARKETING INNOVATIONS, INC.

SCARBOROUGH HOUSE, BRIARCLIFF MANOR, N.Y. 10510, USA - PHONE (914) 762-3050

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BROWN & WILLIAMSON TOBACCO CORPORATION

PROJECT REPORT

September, 1972

PROJECT: Youth Cigarette - New concepts

MARKETING INNOVATIONS' SUGGESTIONS:

MI suggests new ideas for the breath-freshener field...

COLA-FLAVOR

While the government would not permit us to add caffeine to a cigarette, it may be possible to use artificial ingredients to obtain a cola taste and aroma. Suitable names might be:
COLA-COLA, COLA-COOLER.

APPLE FLAVOR

Apples connote goodness and freshness and we see many possibilities for our youth-oriented cigarette with this flavor. Apple cider is also a possibility.

SWEET FLAVOR CIGARETTE

We believe that there are pipe tobaccos that have a sweet aromatic taste. It's a well known fact that teenagers like sweet products. Honey might be considered.

If any of the above ideas have interest, MI, will prepare concept ads.

021635

170042014

Source: <http://industrydocuments.library.ucsf.edu/tobacco/docs/hjff0045>

Title : Youth Cigarette - New Concepts
Bates Number : 170042014
URL : <https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/hjff0045>

This document from 1972 was created by Brown and Williamson Tobacco Corp. and discusses new concepts for youth cigarettes.