

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Collection/Record Group: Clinton Presidential Records
Subgroup/Office of Origin: Office of Science and Technology Policy
Series/Staff Member: Jerold Mande
Subseries:

OA/ID Number: 13035
FolderID:

Folder Title:
Tobacco Industry Documents [4]

Stack:	Row:	Section:	Shelf:	Position:
S	66	4	4	3

METRO ACTION PROGRAMS

INCREASED VENDING DISTRIBUTION THROUGH:

- o ESTABLISHMENT OF AREA VENDING MANAGERS.
- o IMPLEMENTED SALESMEN "RIDE WITH VENDOR" PROGRAM WITH BONUS PLACEMENT PAYMENTS ON SALEM SUPER AND VANTAGE.
- o WILL IMPLEMENT TRU-CHECK COMPUTER SYSTEM IN 1975.

RJM 067344

50074 6999

METRO ACTION PROGRAMS

CUSTOMIZED LOCAL PROMOTIONS:

- o PUERTO RICAN SWEEPSTAKES (NEW YORK).
- o HARLEM BASKETBALL TEAM SPONSORSHIP (NEW YORK).
- o AFRO/AMERICAN DAY -- PARADE FLOAT (NEW YORK).
- o SPONSOR BEACH VOLLEYBALL LEAGUE (LOS ANGELES).
- o WATTS SUMMER FESTIVAL CONCERT SPONSORSHIP (LOS ANGELES).

SPECIAL MERCHANDISING PROGRAMS TO IMPROVE DISPLAY/
STOCKING OUR BRANDS IN NON-SELF-SERVICE STORES.

INCREASED MEDIA SPENDING

MAJOR METRO

1975 Vs. 1974

WINSTON

+ 9%

SALEM

+24%

VANTAGE

+33%

RJM 067346

50074 7001

MAJOR METRO MEDIA SPENDING*

MEDIA \$ SPENT
(MILS. OF DOLLS.)

WINSTON	\$8.2
MARLBORO	6.7
SALEM	7.4
KOOL	5.2
VANTAGE	2.5
TRUE	2.3

*NEW YORK, LOS ANGELES, AND CHICAGO.

RJM 067347

50074 7002

KEY OPPORTUNITY AREAS FOR GROWTH

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.

WINSTON SUPER KING

- SPECIAL ADS UNDER NEW "CANDID" AD CAMPAIGN
- HIGHER QUALITY PACKAGE BEING TESTED
- MENTHOL REINTRODUCED - NEW PACKAGE, NEW BLEND AND NEW ADVERTISING

RJM 067349

50074 7004

SALEM SUPER KING

NEW AD CAMPAIGN - WOMEN'S MAGAZINES

- o TIES-IN STYLISH EXTRA LENGTH WITH
PROVEN HIGH INTEREST FASHION APPEAL
- ENDORSED BY BIG NAME DESIGNER.

RETAIL CONSUMER OUTREACH

- 50 FASHION SHOWS WITH BIG NAME DESIGNERS.
 - o SALEM FASHION ADS PROMINENTLY DISPLAYED
 - o PR PROGRAM WITH FASHION EDITORS
 - o PRODUCT SAMPLING
- 50 WINDOW/IN-STORE DISPLAYS (SALEM ADS WITH
FASHIONS) -- E.G., IN:
 - o BLOOMINGDALES, NEW YORK
 - o FILENE'S, BOSTON
 - o I. MAGNIN, LOS ANGELES & SAN FRANCISCO
 - o NEUSTETERS, DENVER

RJM 067350

50074.7005

GROWTH CATEGORY: LOW TAR/NICOTINE

VANTAGE

- o CONTINUE SUCCESSFUL AD CAMPAIGN
- o INCREASED MEDIA SPENDING
- o HEAVY DIRECT MAIL COUPON PROGRAM --
TOP URBAN MARKETS

DORAL

- o TWO NEW AD CAMPAIGNS BEING TESTED
- o NEW BLEND WITH LOWER TAR/NICOTINE
BEING TESTED
- o HEAVY DIRECT MAIL COUPON -- TOP
URBAN MARKETS

WINSTON LIGHTS

- o SEPARATE ADS UNDER "CANDID" THEME
- o MEDIA AIMED AT HIGH POTENTIAL AUDIENCE --
FEMALE AND URBAN
- o HEAVY SAMPLING -- MAJOR METRO MARKETS

RJM 067351

50074 7006

KEY GROWTH OPPORTUNITIES

WE HAVE REVIEWED THE NEW/IMPROVED PROGRAMS FOR
OUR ESTABLISHED CIGARETTE BRANDS DESIGNED TO:

- o INCREASE OUR YOUNG ADULT FRANCHISE
- o IMPROVE OUR METRO MARKET SHARE
- o EXPLOIT THE POTENTIAL OF GROWING
CIGARETTE CATEGORIES.

RJM 067352

50074 7007

KEY OPPORTUNITY AREAS FOR GROWTH

1. INCREASE OUR YOUNG ADULT FRANCHISE.
2. IMPROVE OUR METRO MARKET SHARE.
3. EXPLOIT THE POTENTIAL OF THE GROWING CIGARETTE CATEGORIES.

DEVELOP NEW BRANDS AND LINE EXTENSIONS WITH
NEW PRODUCT BENEFITS OR NEW PERSONALITIES.

RJM 067353

50074 7008

NEW BRANDS BEING TEST MARKETING

SALEM EXTRA

6 HIGH MENTHOL LINE EXTENSION AIMED AT KOOL

WINCHESTER CIGARETTES

85MM FILTER AND MENTHOL POSITIONED TO
CAPITALIZE ON THE "YOUNG" APPEAL OF WINCHESTER
EQUITY - AIMED AT MARLBORO AND KOOL

MORE

120MM FILTER AND MENTHOL VERSIONS - NEW CONCEPT
IN SMOKING AIMED AT MALE SMOKERS AND AGAINST
MARLBORO AND KOOL.

NEW PRODUCT OPPORTUNITY AREAS

- o GROWING 100MM CATEGORY
- o WOMAN'S CIGARETTE MARKET
- o COOLNESS/MENTHOL CATEGORY
- o LOW TAR/NICOTINE CIGARETTE
- o NEW CATEGORY

RJM 067355

50074 7010

NEW OPPORTUNITIES NOT BUDGETED

- o TOBACCO PRODUCTS DIVISION (NON-CIGARETTE)
- o FUTURE DISTRIBUTION OPPORTUNITIES
- o AUTOMATED CHECK-OUT -- RETAIL STORES

RJM 067356

50074 7011

R. J. REYNOLDS TOBACCO COMPANY
 BRAND ADVERTISING AND PROMOTION/MERCHANDISING BUDGETS
 1975 VS. 1974

(MILLIONS OF DOLLARS)

	<u>CURRENT '74 BUDGET</u>	<u>1975 BUDGET</u>	<u>INCREASE/ (DECREASE)</u>	<u>PERCENT CHANGE</u>
WINSTON	\$ 53.6	\$ 51.0	\$ (2.6)	(4.9)%
SALEM	35.8	35.5	(0.3)	(0.8)
CAMEL	14.2	13.4	(0.8)	(5.6)
DORAL	7.6	7.6	-	-
VANTAGE	<u>10.5</u>	<u>13.3</u>	<u>2.8</u>	26.7
EXISTING CIGARETTE BRANDS	121.7	120.8	(0.9)	(0.7)
NEW CIGARETTE BRAND NATIONAL	-	14.7	14.7	-
NEW CIGARETTE BRANDS TESTING	2.5	5.8	3.3	132.0
WINCHESTER CIGAR	4.0	0.4	(3.6)	(90.0)
EXISTING SMOKING/CHEWING	1.5	0.8	(0.7)	(53.3)
ZÜR	<u>0.2</u>	<u>0.6</u>	<u>0.4</u>	<u>200.0</u>
TOTAL	<u>\$129.9</u>	<u>\$143.1</u>	<u>\$ 13.2</u>	<u>10.2%</u>

RJM 067357

50074 7012

PRODUCED BY

MARLBORO VS. WINSTON MEDIA SPENDING

(\$000)

	1971	1972	1973	1974 ⁽¹⁾	1975
WINSTON	\$20,518	\$27,584	\$26,169	\$35,477	\$31,321
MARLBORO	\$31,196	\$29,939	\$26,132	\$25,663	-

(1) ESTIMATED FOR MARLBORO.

RJM 067358

50074 7013

KOOL VS. SALEM MEDIA SPENDING

(\$000)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u> ⁽¹⁾	<u>1975</u>
SALEM	\$14,855	\$21,537	\$23,193	\$25,065	\$24,500
KOOL	\$23,734	\$21,759	\$18,546	\$18,022	-

(1) ESTIMATED FOR KOOL.

RJM 067359

50074 7014

R. J. REYNOLDS TOBACCO COMPANY
BRAND ADVERTISING AND PROMOTION/MERCHANDISING BUDGETS

1974 - 1977

(MILLIONS OF DOLLARS)

	CURRENT 1974 BUDGET	1975 BUDGET	1976 BUDGET	1977 BUDGET
WINSTON	\$ 53.6	\$ 51.0	\$ 54.6	\$ 58.9
SALEM	35.8	35.5	38.2	41.1
CAMEL	14.2	13.4	13.5	14.2
DORAL	7.6	7.6	7.9	8.0
VANTAGE	10.5	13.3	14.3	15.5
EXISTING CIGARETTE BRANDS	121.7	120.8	128.5	137.7
NEW CIGARETTE BRANDS NATIONAL	-	14.7	27.3	40.3
NEW CIGARETTE BRANDS TESTING	2.5	5.8	4.8	5.3
WINCHESTER CIGAR	4.0	0.4	-	-
EXISTING SMOKING/CHEWING	1.5	0.8	0.9	0.9
ZÜR	0.2	0.6	0.7	0.5
TOTAL	<u>\$129.9</u>	<u>\$143.1</u>	<u>\$162.2</u>	<u>\$184.7</u>
INCREASE VS. PRIOR YEAR:				
AMOUNT		\$ 13.2	\$ 19.1	\$ 22.5
PERCENT		10.2%	13.3%	13.9%

RJM 067360

5102 92005

(Excerpt)
WDH's Comments

50074 7016

RJM 067361

RECEIVED

RE

1964

CHART #
RJR SHARE
1971-1977

WE'VE NOTED CONTINUED GOOD GROWTH FOR THE DOMESTIC CIGARETTE INDUSTRY. WE HAVE OUTLINED THE KEY MARKETING OPPORTUNITIES TO RENEW OUR SHARE GROWTH AND THE SPECIFIC PROGRAMS TO ACHIEVE IT.

AS SEEN BY THIS CHART, WE ARE PLANNING FOR THE MAJOR PART OF OUR GROWTH TO COME FROM NEW BRANDS.

VANTAGE WAS OUR LAST SUCCESSFULLY INTRODUCED NEW BRAND, WITH ITS FULL EFFECT IN 1971.

IN THE YEARS 1972 AND 1973, AS OUR SHARE DECLINED ON OUR EXISTING BRANDS, MAINLY CAMEL REGULAR, WE HAD NO NEW BRANDS TO TAKE UP THE SLACK.

THIS YEAR, WITH THE SUCCESSFUL INTRODUCTION OF WINSTON LIGHTS, SALEM BOX, AND THE FAST GROWTH OF VANTAGE, WE HAVE STABILIZED OUR SHARE AT 32%.

OUR 1975 PLANS ARE DESIGNED TO TURN AROUND THE WINSTON SHARE DECLINE AND AUGMENT THE SHARE MOMENTUM OF SALEM, CAMEL FILTER, AND VANTAGE. BUT WITH THE CONTINUED DECLINE IN CAMEL REGULAR, THIS IS ONLY A SHORT TERM SOLUTION.

RJM 067362

50074 7017

NEW BRANDS ARE THE ANSWER. OUR GOAL IS TO INTRODUCE A NEW BRAND NATIONALLY IN EACH OF THE NEXT THREE YEARS, '75, '76, AND '77.

THE NEW BRAND PROGRAM ACCOUNTS FOR ALL OF OUR BUDGET INCREASE REQUESTED FOR 1975. WITH NO CIGARETTE PRICE INCREASE ANTICIPATED AT THIS TIME, OUR 1975 PROFIT INCREASE FALLS SHORT OF CORPORATE GOALS -- BUT WE FEEL THE STRONG PLANS CALL FOR MORE INVESTMENT SPENDING NOW FOR HIGHER PROFIT GROWTH IN LATER YEARS.

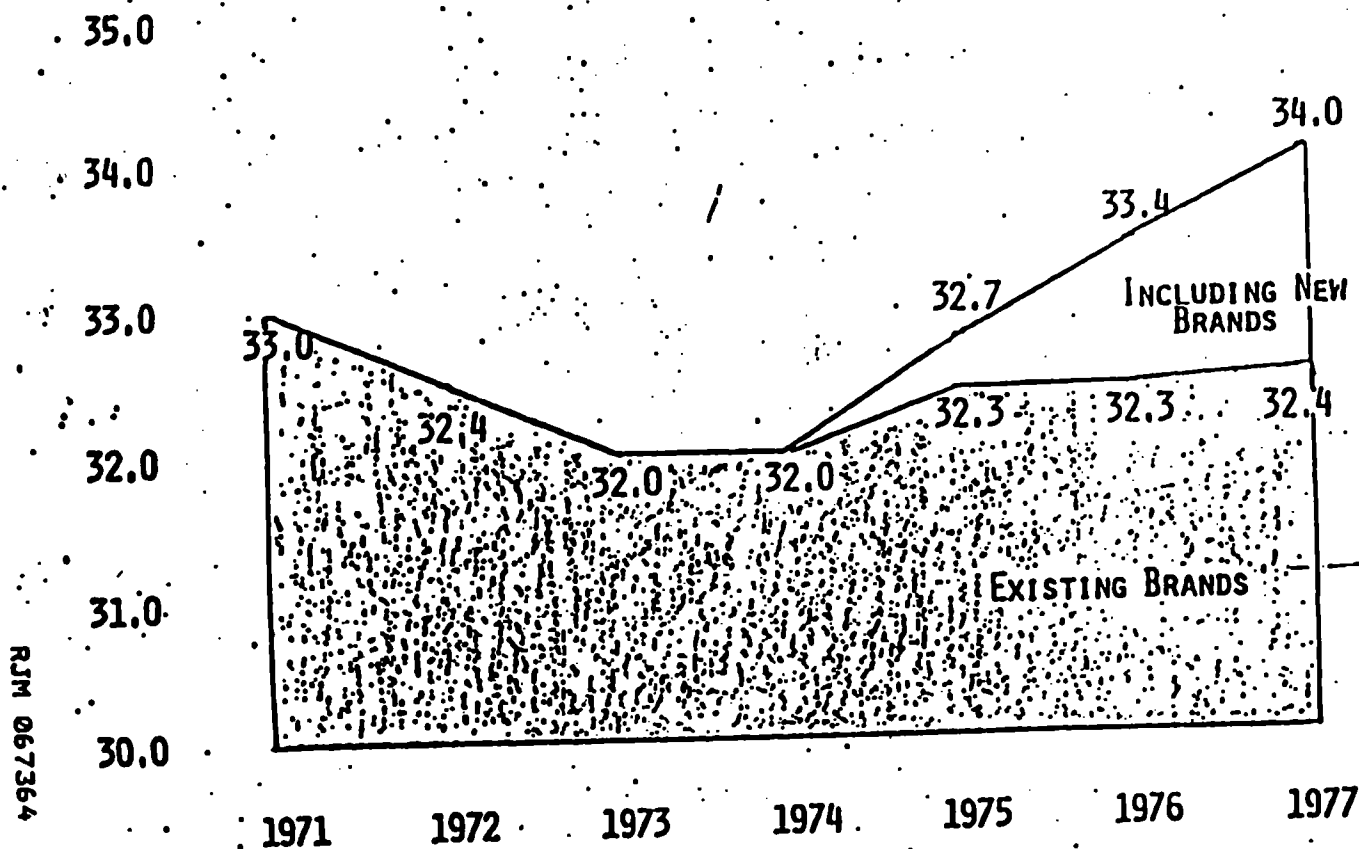
RJM 067363

50074 7010

RJR SHARE OF CIGARETTE MARKET

1971-1977

CONFIDENTIAL



RJM 067364

6102 42009

Enclosed you will find copies of tobacco industry documents obtained through the industry maintained internet websites created in accordance with the Minnesota Medicaid settlement. The documents are organized according to the following headings:

I. Military promotion/activity

II. Minority studies/targeting

III. Intervention in state/local activity

IV. Dual standard for nicotine levels-- Marlboros with higher levels of nicotine in Philipines/lower level in U.S.

V. Industry youth research (quotes)

The enclosed represent only a small sample of the documents available through more extensive searches. Some of the more salient points have been highlighted for your attention. If you have any questions, please contact Geoffrey Wayne of the Massachusetts Tobacco Control Program at (617) 624-5906.

I. Military promotion/activity

Background of the Military Market

There are 5,789,097 people in the military market, with a spendable income of approximately \$9,400,000,000. Of this figure, 2,837,201 are servicemen, and 2,951,896 are their dependents.

A current breakdown of the armed forces personnel follows:*

Army	1,064,647
Navy	666,428
Air Force	884,025
Coast Guard	31,139
Marines	190,962

Due to the fact that most of their basic needs are paid for by the government, the people in the market have a higher percentage of spendable income than the average civilian. It is also very evident that their money goes further, because of the low prices offered by the exchanges.

The military market, on the whole, tends to be young and impressionable; 68% of them currently are 25 years of age and under. In fact, the median age is 22.9 years. Thus, it follows that the majority now in the service, and those entering and leaving, are at an age where future buying habits are being formed. Many brand preferences are established in the service years that carry through the rest of their lives.

Thus, we have a young, responsible, mature, and spending market - which is significantly important in determining the future buying preferences of a good many families. In fact, 39.6% of the enlisted men are married at present, while 79.6% of the officers have families.

* 1963 World Almanac

91523842

6-21-83

Mike Schreiber

Jerry Ward

Military plan must be included in your 3BC document. Sito wants

MILITARY SALES PROMOTION

OVERVIEW & ANALYSIS

an aggressive share objective and plan.

Don't be bashful.

2X fair share spending is not unreasonable.

Also, essential that I receive your plans week of July 4. Earlier the better.

Jerry

P.S.

Mike, Carol Tomicka is quite familiar with this subject.

June 9, 1983

466613270

The military market is separate, distinct and unique, when compared to the domestic business. Although there is one basic customer, the government, the types of outlets, how they buy and promote and merchandise with different measurement criteria, is not what we experience in domestic sales. The military sales force is by necessity specialized, and is deployed and trained to deal in this environment. Military consumers are more easily segmented, extremely price oriented and respond to promotional activity.

Over the years, there has been little recognition that the military market is a separate and specialized business. Funds that have been allocated are often withdrawn or reduced, making promotional and merchandising planning an exercise that was seldom implemented. In short, there has been little continuity, short lead times and lack of brand specific commitment to the military business.

What is needed is a total, integrated program directed to the military market. It should be a continuing, concentrated and measureable effort, with the support of the brand groups with special programs that are adequately funded, to insure maximum results.

Opportunity Market

- One half million enter and one half million exit military each year to domestic market.
- Higher per capita cigarette consumption than domestic (2/1)
- Young smokers in military are "captive"
- Heavy starter index
- The military consumer will remain young with an average age of 24.4 years.
- Easy to reach because of segmentation

466613271

- Black, hispanic smokers increasing
- Female population increasing (approximately 7.4%)
- Retirees segment will continue to grow from present 1.4 million
- Paid reservists increasing to about one million and are expected to get year round shopping privileges
- Overall troop population expected to increase modestly
- Navy plans to double fleet size to 665 ships by 1985
- Market is more responsive to promotions than domestic

Strategy

Tailor integrated program directly for military market. This includes developing and executing the promotion, running a promotional ad, using PCF, utilizing "set sales" in store - targeting competitive smokers. This offers higher awareness and more potential sales. It also offers the opportunity for more continuity type promotional programs (i.e. incentive items) that consumers could collect each month for multiple carton purchases.

Problem Areas

- Competitive investment spending - not justified by volume ... including personnel
- ✓ - Competitive programming increasing for military market
- Lack of specific promotion programs for military
- Domestic SMF promotion used in military
- Lead time not sufficient to obtain desired results
- Promotion funds not usually allocated; uncommitted funds offered without plans
- Media ads placed at random using consumer creative, not tying into promotion or military
- Military market not recognized as a vehicle to obtain starters and feeders to domestic market
- Steady growth of generics

466613272

- B & W sales decline

- Large number of B & W marginal brands that continually struggle to exceed volume minimum and need special attention periodically

Mission

To serve specialized markets with a special sales organization, utilizing targeted programs for each of the segments of the military market to maximize brand sales.

Challenge

To compete successfully against the volume leaders, RJR and PM, who consistently "investment spend" to maintain share.

Market

The military population has been relatively stable over the years, remaining at about 2.1 million. The market also contains about 11 million shoppers (active duty, reservists, retired) who shop primarily in commissaries, which is 5% of U.S. population. The median age is young 24.4 years, with 60% of males married. There are 1.1 million military wives between 18 - 29. Military income averages \$38,924 per family with proportionately more discretionary income. Cigarettes represent the third largest sales category behind meat and civilian clothing making it extremely important in domestic military sales.

✓ Per capita sales of cigarettes is about twice the U.S. average.

Analysis of Outlets

As an indication regarding the size of military commissaries, the average sales per commissary is 15.1 million dollars vs. a super-market chain (i.e. Lucky Stores, which is 13.5 million and Kroger with an average of 9.0 million). Further military sales would rank in the top ten supermarket chains or the top eight in department stores sales.

466613273

Commissaries get a congressional appropriation and must sell at cost, plus a small surcharge of 4-6%, while military exchanges must make a profit to cover costs.

A. Army & Air Force Commissaries

Commissaries are similar to large supermarkets. Average weekly B & W volume per store is 1,176 cartons. This segment accounts for 57.09% of total B & W military sales.

Cartons only are sold in these outlets.

The Commissary serves active duty/retired military personnel and their families. Average age is 30, with 80% of the shopping done by females.

B & W is stronger in Army Commissaries than in the Air Force due to a larger population of blacks (est. at 20+%). We maintain an average 15% of the space at AF Com Stores and 17% in Army Com Stores.

Army Commissaries stock an average of 70 cigarettes brands, while the Air Force authorizes 62. New brand styles are accepted on a 3-month trial basis, after which the brand must move a minimum of one case per week or it is deleted.

B. Army & Air Force Exchanges

Main Exchanges are comparable to domestic department stores, and Branch Exchanges similar to C-stores. This segment accounts for 15.49% of total military sales.

Main Exchanges account for 25% of total cigarette sales: Troop and Branch Exchanges for the remaining 75%. An estimated 80%

466613274

of exchange cigarette sales, mostly packs, are to male consumers (enlisted personnel). Average age is 22.

According to Maxwell, these types of outlets carry the top 55 brand styles, with an additional 5-7 brands for test. We maintain an average of 11 brand styles in distribution. Authorized styles are limited to 55-62.

Kool accounts for 53.9% of B & W total sales, with Kool parent doing 45% alone. Full-flavor brands do 72% of total business vs. 59% in commissary stores.

C. Navy Exchanges

These outlets are similar to domestic department and C-stores. Average weekly B & W volume per store is 167 cartons. This segment accounts for 13.3% of total B & W military sales, but represented 16.4% of our total loss in 1979.

Main Exchanges (60) account for 50+% of total cigarette sales; Branch Exchanges (167) account for the remainder.

Low-tar brands do an estimated 38% of total sales; B & W low-tar menthols account for 43.2% of our total menthol sales. The consumer in this segment is a composite of the A&F Com & Exch. shopper. Average age is 24.

Navy Exchanges are the only retail outlets on the base that sells cigarettes.

466613275

D. Marine/Coast Guard Exchanges

These outlets are identical to Navy Exchanges. Marines and Coast Guards together account for 4.7% of total B & W military sales.

Distribution in both segments is very good, averaging 14 brand styles. Carton sales account for 70% of sales; the remaining 30% of package sales is mainly in Troop Exchanges.

Both segments cater to young males. Average age is 23. The Black population is estimated at 30%.

E. Ships Afloat

At present there are 345 ships in the fleet. (Navy plans call for 665 by 1986.)

Ships Afloat business accounts for 19% of our volume. They presently authorize the top 42 Maxwell brands for stocking, each individual store being allowed to carry an additional 10-20 styles based on volume.

Cigarette consumers in this sub-segment are males. Average age is 21.

B & W Distribution

Average B & W brand distribution in the commissary segment is 13.1%. A brand is required to generate a 1% SCM in order for it to be maintained. The commissary segment accounts for 57.3% of total sales and continues to grow.

466613276

Every competitor has improved/increased their promotional activities in an effort to introduce and maintain maximum brand styles.

A. Objective

Obtain and maintain B & W low-tar brand ACV distribution levels.

B. Strategy

Improve and expand consumer set store sales in the commissary, Navy and Marine Exchanges.

CHANNELS OF DISTRIBUTION (MILITARY/INSTITUTIONAL)

<u>Segment</u>	<u>% of B & W Military Sales/% of Outlets</u>	
Air Force Commissaries	29.89	5.87
Army Commissaries	27.20	4.33
Army & Air Force Exchanges	15.49	32.42
Navy Exchanges	13.26	17.72
V.A. Canteens	3.79	10.14
Institutions	3.59	6.10
Marine Exchanges	2.42	5.04
Coast Guard Exchanges	2.30	3.44
Clubs & Misc.	2.06	14.94
	<u>100.00%</u>	<u>100.00%</u>
TOTAL	100.00%	100.00%

Manpower

B & W is the only company that does not use domestic personnel in the military market. B & W and RJR both have combined Military and Vending personnel. All companies use part time help, while all companies, except B & W, use full time/part time help.

This would indicate that total allocated hours for part time help gives

466613277

B & W good overall coverage and flexibility in that we can shift the hours to any location, based on our need. Overall manpower for B & W is adequate to meet our share targets, assuming current competitive activities. Any increase in our promotional effort, however, would require a small increase in part time hours for "set store sales".

The restructuring and integration of military and vending has now been completed. This will result in a stronger strategic thrust for both segments and better utilization of resources.

COMPETITIVE MANPOWER

	Military/Vending	Domestic Personnel	Full Time/	Part Time
<u>Company</u>	<u>Personnel</u>	<u>20+% Spent in Mil.</u>	<u>Part Time Help</u>	<u>Help</u>
B & W	56(M/V)	0		108
RJR	30(M/V)	124	60	120
PM	35(M)	29	77	40
FL	9(M)	94	16	50
Amer.	13(M)	70	9	70
L&M	3(M)	76	15	60

Sales by Segment

B & W sales in 1982 were off -9.5% in commissaries and -7.7% in exchanges ... with total military sales down 9.3%.

All B & W brands are down in sales in both commissaries and exchanges vs. 1981.

B & W market share is also down in each segment for 1982.

466613278

Stock limitations of 55 brands in A & AF exchanges, 60 in Army Commissaries and 65 in Air Force Commissaries negatively impact ACV. We are constantly attempting to promote marginal brands so as not to be delisted. This takes a disproportionate share of time and effort. Although, we expect to maintain distribution levels, major competitors have targeted the commissary segment for increased promotional activities and commensurate spending rates.

Contributing factors to the sales turn down are:

- * - increase in generic sales
 - more overseas training (U.S. troops shipped over on temporary basis)
- * - extreme continuing competitive pressures, primarily in promotional area

A. Generic Sales (8 - 12%)

- as high as 17% in some commissaries
- 40% have generic king size as # 1 brand

that was not documented
Survey indicates generic buyer is "price" oriented (81%) and beginning to rationalize with "taste". B & W losing proportionately more sales than RJR and FM. Overall generic sales represent approximately 10% of total military sales - and rising, with most purchases coming from commissaries (78%). The rise in generic sales further endangers the distribution of marginal brands, (i.e. maximum brands stocked remains constant) which is an increasing threat to B & W.

B. Strategy

from
The best way to combat this leakage is to offer continuity promotional, "collectable type", activities (i.e. silverware, record club, etc.) to keep the purchaser coming back. The in and out VPR won't work long term because generic prices are everyday

466613279

low prices.

B & W ESTIMATED SHARE OF MARKET

BY SEGMENT

<u>Segment/B&W % of Bus.</u>	<u>1981 Est. Share</u>	<u>1982 Est. Share</u>	<u>Chg.</u>
Air Force Commissary/29.89	15.5%	14.5%	-1.0%
Army Commissary /27.20	17.3%	16.0%	-1.3%
A&AF Exchange /15.49	17.9%	15.7%	-2.2%
Navy Exchange /13.26	12.5%	12.5%	--
Marine Exchange / 2.42	18.0%	17.5%	-0.5%
Coast Guard Exchange/ 2.30	15.0%	15.0%	--

Promotions - Competitive

Competitive investment spending continues by RJR and PM for the military market. American and L&M also outspend B & W with Lorillard at about the same level.

A. R. J. Reynolds

- Main thrust is in commissaries
- \$3,000 to \$7,000 allocated quarterly for VPRs to each commissary based on local volume. Average per year spending this type promotion alone is about \$3,000,000.
- In addition, conducts national military sweepstakes quarterly. Uses VPRs in all buying segments to supplement sweepstakes promotion.
- Use \$2 store coupons (paydays) in selected outlets.
- Combination of incentive items and VPRs are also used in the exchange segment on a quarterly basis.
- Part time help is used regularly to install/maintain displays, stock and sample.
- Participates in all shelf agreements with exception of Army commissaries.

466613280

- Domestic programs are fully utilized in the military.

B. Philip Morris

- Promotional effort is almost equal in all military segments.
- Combination of 50¢ VPRs and incentive items (in large quantities) are used in all segments.
- Cost of incentive items are equal to \$1.50 per item.
- Conducts two military promotions per quarter in addition to using domestic sales programs.
- Conducts one military national (brand specific) sweepstakes yearly in the commissary segment.
- Conducts local (brand specific) sweepstakes using \$50 shopping spree.
- Brand funding of part time help, when necessary, to attach incentives, VPRs and for display work.
- Conducts sampling programs at random using part time help. Primarily conducted in commissaries and high volume exchanges.
- Participates in all carton/shelf agreements.

C. American

- Primary emphasis placed on Carlton and Lucky Strike Filter in all segments.
- Uses 2 free packs with a carton, \$1 off VPRs and 1 free pack with purchase of 1.
- Conducts monthly military sales programs in addition to utilizing domestic programs.
- With exception of AAFES, participates in all shelf contracts.
- Part time help is used in high volume outlets to attach VPRs and incentive items.

D. L&M

- Placed all emphasis on generics. Spending large amounts of money to introduce and promote these brands.
- Promote generics with 2 free packs, 50¢ and \$1 off VPRs and giving outlets free five case security displays.
- All other L&M name brands are reduced by 50¢ per carton on a regular basis in all segments.

466613281

BROWN & WILLIAMSON
1994 - 95 COLLECTION

ARCHIVE VARIANCE FORM

THE NUMBER (RANGE) 466613281 A,B,C,D & E IS

- () MISSING
() MISSING IN ALL SETS
() MISSING IN CLOSED AND REVIEW SETS

() DELETED

() CHANGED TO _____

() DELETED AND CHANGED TO _____

() NOT USED

() OTHER

(X) ADDED

DATE OF CHANGE

CLOSED SET 9-20-96
REVIEW SET 9-20-96

- Part time help is used to attach VPR and free packs.
- With exception of Navy Exchanges, participates in all carton contracts.

E. P. Lorillard

- Main thrust is on Newport (targeted against Kool) in all segments, with emphasis in exchanges.
- Use 75¢ VPRs to promote their brands on a quarterly basis. Supplemented by usage of large quantities of incentive items.
- Participate in all shelf display contracts/pay the most money for allocated space.
- Use part time help to attach VPRs/incentive items and maintain displays.
- Utilize all domestic sales programs.

Brown & Williamson Promotion Objective

Develop and implement, trial and continuity, promotions for individual brands, to both maintain distribution and efficiently generate additional sales.

Promotion Strategies

- Utilize specific military promotional programs that integrate advertising support, P.O.P., promotional incentives and store "set sales" to maximize the overall impact and effectiveness.
- Target promotions to competitive brand smokers.
- Develop promotion events that are targeted to various military segments (i.e. markets and retail locations).
- Spend against segments that offer the highest return or potential.
- Utilize promotions, as necessary, to maintain distribution on marginal brands.
- Maximize promotion effectiveness by providing funds for local opportunity plans.
- Utilize part time help in the implementation of local promotion events.
- Use national SMP promotions as secondary effort.
- ✓ - Spend against total brand with emphasis on parent to maximize return/sales.

466613281A

- Emphasis on the placement of permanent displays in high volume outlets to assure continuing exposure of promotion programs.

466613281B

1983 MILITARY
PROMOTIONAL CALENDAR

Promotion	January	February	March	April	May	June	July	August	September	October	November	December
National SMP	KOOL FAMILY SMP -Self-Liquidator				OPEN	VICEROY		OPEN			KOOL FAMILY SMP	
Military SMP	BARCLAY FAMILY -Comm. Store Sales/ 1. Items		VICEROY -Set Store Sales -Sampling Program -\$1.00 Off Coupons		BARCLAY T/O Aprs Store Sales	KOOL FAMILY -KOOL Music Concerts -In-Store Promotion -Contract VPR's -High Vol. Comm Store Sales		BELAIR -Sampling Program -\$1.00 Off Coupons -Media Coupon Drop		RALEIGH -Cons. Store Sales -\$1.00 Off Coupons -Sampling Program		
Military Secondary	VICEROY -Comm. VPR's -T/O Incent -Target Smp.		BARCLAY - T/O Incentives		KOOL -Music concert POP -Store Sales		ALL BRANDS -Set Consumer Sales (paydays) -\$1.00 Coupons -Reserve Exch. T/O Prom.		BARCLAY -Feature in Store Sales -\$1.00 Off Coupon	RALEIGH -Contract vpr's -\$1.00 Off Coupons	BELAIR -Store Sales -Sampling	ALL BRANDS -Comm Store Sales -Exch. T/O Promotion
Local Options/ Tertiary	YOUR OPINION -Utilize Incentive left overs from 4th Qtr. 82)		YOUR OPINION -Concentrate on left over material from VIC. & BARCLAY		YOUR OPINION -Concentrate on RALEIGH and BELAIR		YOUR OPINION -Concentrate on all styles in Exch.		YOUR OPINION -Follow up on KOOL Music		YOUR OPINION -Emphasis on all brand styles, X-mas promotions	

- National SMP program is the Domestic program funded by individual brands.
- Military SMP is a national military promotion funded by specific Brand Groups.
- Military Secondary is the national military program funded by Special Markets Department.
- Local Options/Tertiary is funded from local SMP funds and special allocations of funds and/or incentive items from Special Markets.
From time to time special distribution drives will be conducted in this promotional category and additional funding made available.

NOTE: This a a planning calendar for use, specific details and changes will be forwarded to you on a quarterly basis.

466613281C

SUPPORT DATA
1984 MILITARY
ACV OBJECTIVES

BRAND STYLE	PRESENT ACV					OBJECTIVE ACV				
	ARMY COMM.	AF COMM.	AAPES	NAVY EXC.	OVERALL	ARMY COMM.	AF COMM.	AAPES	NAVY EXC.	OVERALL
BCL K	89.4	88.6	41.5	92.0	73.6	90.0	90.0	43.5	94.0	82.0
BCL 100	88.8	91.0	40.1	85.4	72.6	90.0	92.0	43.5	90.0	76.0
BCL BOX	18.2	21.3	3.6	50.0	22.7	22.0	23.0	6.0	54.0	25.0
BCL MENT K	14.6	37.2	7.5	52.3	27.3	16.0	42.0	9.0	55.0	32.0
BCL MENT 100	37.7	56.3	7.5	54.3	37.7	42.0	62.0	10.0	55.0	45.0
BEL K	98.7	99.8	88.6	98.6	91.1	100.0	100.0	90.0	100.0	96.5
BEL 100	83.3	97.9	64.4	90.1	78.3	85.0	99.0	66.0	93.0	83.0
KOOL MILD	96.0	91.6	97.2	98.9	91.3	98.0	95.0	99.0	99.0	97.0
KOOL LTS K	41.7	51.9	65.0	79.4	55.4	45.0	54.0	68.0	83.0	56.0
KOOL LTS 100	63.6	80.0	14.9	77.7	56.4	68.0	85.0	16.0	80.0	60.0
KOOL ULTRA K	47.9	67.9	4.9	58.6	43.3	50.0	70.0	8.0	63.0	46.0
KOOL ULTRA 100	49.7	77.9	2.5	59.7	45.4	53.0	80.0	5.0	63.0	50.0
RAL LTS K	53.8	76.9	9.1	67.0	49.4	55.5	80.0	10.0	72.0	55.0
RAL LTS 100	59.0	68.3	1.8	56.0	44.9	63.0	72.0	4.0	60.0	48.0
VIC RL K	3.6	26.4	4.7	40.1	19.2	6.0	28.0	6.5	43.0	22.0
VIC RL 100	27.4	45.2	12.2	48.6	31.6	30.0	48.0	13.0	50.0	35.0

The overall B4 objective for ACV distribution is to selectively/strategically improve distribution based on individual brand style performance.

In every case, an effort will be made to stock one style of an individual low tar brand.

Funding to introduce/establish and maintain distribution will come from the Special Markets and LMP budgets.

466613281D

MEMORANDUM

TO: D. S. Johnston
J. A. Broughton
D. P. Christensen
G. A. Korfhage
R. Allen
J. F. Piegel

CC: E. Belau
P. E. McKeown
J. Acken (AMC)

FROM: R. A. Veatch

DATE: June 5, 1978

SUBJECT: Military Promotion Task Force

The following is a recap for the first phase of action taken by the Military Promotion Task Force, which was convened subsequent to the November Area Managers' Meeting held with the Brand Group. The task force was charged with analyzing the current military sales potential for Brown & Williamson, the current military cigarette market, the activities of competition and develop promotional objectives, strategies, and finally, programs that will raise Brown & Williamson above the competitive clutter with corresponding sales increases.

I. Background

Approximately one year ago, Roger Allen developed a comprehensive report on the military market for cigarettes. Among the key findings were the facts that Brown & Williamson brands have not kept pace with the total military cigarette market. It was further pointed out that the incidence of smoking is higher in the military than the civilian population. The report reinforced the fact that many military smokers can be classified as "starter smokers" and approximately 500,000 military personnel return to the civilian sector each year.

In summary, the report served as the warning mechanism that Brown & Williamson must reinforce its military marketing effort in order to take advantage of the potential involved.

At the time of the Area Managers' Meeting, Joe Piegel provided a review of what Brown & Williamson and competition are doing in the way of promotional support for their various brand styles. The majority of activity centers around cents-off stickers and/or tape-on items.

During his presentation, Mr. Piegel requested assistance from the the Brand Group to develop a range of and organization for military promotional activities. The prerequisite of the assistance was that it must move Brown & Williamson ahead of competition's efforts and provide for short and long term growth opportunities.

At the request of and with financial aid from, the Brand Group employed Action Marketing Limited to do a detailed analysis of the military market promotional potential, provide a series of activities and events that will organize Brown & Williamson's military efforts and give the company the potential for a leadership position in promotion.

II. Facts

A. Adult military market size:

Active Duty	=	3,285,000
Retired	=	2,325,000
Reservists	=	1,943,000
TOTAL	=	7,553,000
Smokers	=	3,211,200 or 42.5%

B. Annual military **exit** to domestic = 500,000 individuals plus dependents.

C. 1976 military cigarette sales = \$357MM or 25.5 billion units.

D. Cigarettes are third largest sales category in military.

E. Per capita cigarette sales and consumption is reported to be at 50% greater than for domestic market.

F. Total military cigarette shipments from 26.3 billion units in 1974 to 25.5 billion units in 1976. Brown & Williamson sales went from 5.5 billion units in 1974 to 4.5 billion units in 1976.

G. Total military market shift 1974-1976 = -3.04%. Brown & Williamson military market shift 1974-1976 = -15.09%.

H. Total civilian cigarette shipments from 556.2 billion units in 1974 to 571.3 billion units in 1976. Brown & Williamson civilian shipments went from 97.9 billion units in 1974 to 93.4 billion units in 1976.

- I. Total civilian market shift 1974-1976 = +2.71%.
Brown & Williamson civilian market shift 1974-1976 = -4.6%.

J. Brand ranking:

Brand	Military %	Rank	Civilian %	Rank
Marlboro	19.05	1	16.11	1
Winston	14.56	2	14.67	2
Salem	9.74	3	9.93	4
KOOL	9.49	4	10.01	3
Kent	5.14	5	4.95	6
Pall Mall	4.98	6	6.59	5
B&H	4.17	7	4.34	7
Camel	3.75	8	4.06	8
RALEIGH	2.87	9	2.07	13
Vantage	2.48	10	2.88	9
Merit	2.27	11	2.37	11
BELAIR	2.21	12	1.45	14
VICEROY	1.97	13	2.14	12
Tareyton	1.82	14	2.41	10

III. Recommendations

- A. Marketing and promotional objectives must be established by brand style for the military market, jointly by the respective brand managers and the manager of military sales.
- B. A yearly military promotion calendar should be established that will overlay the civilian SMP schedule (see exhibit D). SMP event must work on pack or carton rack.
- C. Customized military promotional events should be tested for use on a regional basis or national level if civilian SMP activity is not appropriate to the military market.
- D. A marketing information system must be developed that is sensitive to promotional activities on a localized basis.
- E. A Corporate budget of \$0.0M should be established for the second half of 1978 in order to test seven events (see exhibit D).

- F. A Corporate budget of 600.0M should be established for 1979 in order to hold five national military events and eight regional military events. Break-even is 15,113 converters or .5% share increase.
- G. The current level of military LMP funds be substantially reduced and the reduction be channeled into the military market promotion budget.
- H. Channel appropriate levels of media advertising against the military market that will support and reinforce the promotional activities.

IV. Next Steps

- A. Obtain Management commitment to military promotion program.
- B. Obtain sales and marketing management support of military promotion program.
- C. Develop sensitized evaluation system for military promotion program.
- D. Have Marketing Information do update of brand positions in military market.
- E. Establish brands' marketing and promotional objectives for military market.
- F. Provide corporate funding commitment for 1978-1979 and beyond.
- G. Develop and execute 1978 military test promotions.
- H. Develop actual 1979 military promotion calendar.

R. A. V.

/krg

EXHIBIT 1

SAMPLE 1979 MILITARY PROMOTION CALENDAR

<u>Month</u>	<u>SMP</u>	<u>National Military</u>	<u>Brand</u>	<u>Regional Military - Brand of Choice</u>
January	BELAIR	Free Movie	All	\$4.00 Coupon
February	BELAIR	Free Movie	All	50¢ Stick-On Coupon
March	ARCTIC L.	Free Rec. Eq.	ARCTIC & VRL	Beer Mug
April	ARCTIC L.	Free Rec. Eq.	ARCTIC&VRL	Beer Mug
May	VRL	Free Film	RALEIGH Lt.	Progressive Refund
June	VRL	Free Film	RALEIGH Lt.	Progressive Refund
July	ESL	Battle Game	KSI.	Shopping Spree
August	KSI.	Battle Game	ESL	75¢ Stick-On Coupon
September	Brand 'B'	Free Coffee	Brand 'B'	Double Bucks
October	Brand 'B'	Free Coffee	Brand 'B'	Double Bucks
November	Brand 'B'	Free Movie	All	Liquidator
December	Brand 'B'	Free Movie	All	Liquidator

NOTICE IF THE FILM IMAGE IS LESS CLEAR
 THAN THIS NOTICE, IT IS DUE TO THE
 QUALITY OF THE DOCUMENT BEING FILMED.

66505 3 1 3 2

EXHIBIT II

SAMPLE 1978 MILITARY PROMOTION TEST CALENDAR

<u>Month</u>	<u>Test I</u>	<u>Test II</u>
July	Free Film	Free Movie
August	Free Coffee	Free Movie
September	Beer Mug	34 Coupon
October	Progressive Refund	34 Coupon
November	Progressive Refund	Thanksgiving Shopping Spree

NOTICE IF THE FILM IMAGE IS LESS CLEAR
THAN THIS NOTICE, IT IS DUE TO THE
QUALITY OF THE DOCUMENT BEING FILMED.

66505 3 1 3 3

5-YEAR PLAN -- SPECIAL MARKETS

U. S. MILITARY - CONUS

SITUATION APPRAISAL

The military market will remain a very viable market with a consumer base in excess of 6.2 million people worldwide, or 2.63% of the total U. S. population. Department of Defense studies currently indicate that 51% of active duty personnel smoke and 83% are age 34 or younger. It is believed that the smoking incidence will decline in the future due to Department of Defense anti-smoking pressures.

B&W has the opportunity to reach a young adult segment and develop long-term franchised smokers. The military market serves as a feeder market with an estimated 500,000 individuals entering/exiting military service yearly.

In 1986, the Department of Defense initiated a program to reduce smoking in the military. Army and Air Force commissaries now permit only coupons to be used in the commissaries. All other forms of in-store promotional activities are prohibited. The Department of Defense's overall objective is to have a smoke-free military by the year 2000.

The Department of Defense program has negatively impacted our sales and promotional activities. While the restrictions will continue to be enforced, we believe that the program has peaked and no further major restrictions will be imposed. The future severity of these restrictions are directly related to the elected and appointed political figures (i.e., Secretary of Defense, Chairman of the Arms Services Committee, etc.).

The military market will continue to decline due to various factors. However, it still accounts for 2.6% of B&W's total sales. Overall, 1986 total military sales have declined 7.1% year-to-date June 1986 vs. June 1985. It is felt that this decline will continue over the next several years but not at the accelerated rate that it has this year.

Competitive investment spending will continue to increase in all segments, especially in the value added brands, which now account for 22.5% of total military sales.

Currently none of our competitors have any established full flavored products that have grown in market share during the last 12 months. The consumer has become less brand loyal and more price conscious. This trend is expected to continue. It is imperative that B&W establishes itself in the Black & White

464608344



A DIVISION OF LOECAS THEATERS, INC. • 666 THIRD AVENUE, NEW YORK, N.Y. 10016 • (212) 691-8500 • CABLE: LORILLARD

July 7, 1993

TO: Regional Sales Manager; Division Manager; and
Assistant Division Managers in:

Region 15 - San Diego Division only

FROM: Victor D. Lindsley - Newport Assistant Brand
Manager

SUBJECT: NEWPORT'S SAN DIEGO NAVAL STATION MILITARY PROMOTION

Newport's military promotions have been a great success. At the last military promotion alone, we were able to distribute over 20,000 Newport samples and hundreds of Newport premiums among a high concentration of targeted Newport smokers; a most captive audience. Well our next stop is San Diego Naval Station in California where Newport will help celebrate the San Diego Naval Fair. And it's going to be bigger and better than ever before.

The excitement begins at 1900 hours (7 p.m.) on Friday, Aug. 19, when Newport runs the first event of its "Alive With Pleasure" Military Challenge. The Newport program continues through August 21.

All events have been tailored specifically for the San Diego Naval Station and include a "Team Obstacle Course," a "Team Pit Stop Competition" and a "Tri-Athlon". A schedule of events is attached for your reference. In addition to the events, Newport samples and premiums will be distributed throughout the weekend.

Although no sales force activity is required, please come on out to the San Diego Naval Station and see the Newport Military Challenge in action.

Victor D. Lindsley

/be
Attachment

85280378

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
INITIALS: AW DATE: 09/21/13

BISHOP, LIBERMAN, COOK, PURCELL & REYNOLDS

~~CONFIDENTIAL~~

MEMORANDUM

To: Robert H. Lewis
From: David E. Satterfield, III
Date: May 30, 1986
Subj: Packet relating to cigarette merchandising policy in military commissaries.

Enclosures:

(1) From the Packet - (a) Notice to the trade # 86-15 - Department of the Army; (b) Air Force document dated April 14, 1986; and (c) Message from Air Force Commissary Service, Kelley Air Force Base.

(2) Copy of DOD Directive 1010.10, dated March 11, 1986 (Brackets and underlines added to identify portions relating to cigarettes).

Generally speaking, the actions set out in enclosure (1) focus primarily upon activities which raise the visibility of cigarettes and other tobacco products offered for sale in Commissaries, with special emphasis upon advertising and special service-oriented sales promotions.

It should be noted also that enclosure (2), issued by Deputy Secretary of Defense Taft, has not yet been implemented by the Army, Navy, Marine Corps, or Air Force. Its effective date is June 1, 1986; however, neither the Army, Navy, Marine Corps, or Air Force has implemented it as of this time. You will note that it was forwarded to Asst. Sect. Mayer, ASD(HA)Health; Asst. Sect. Cox, ASD(FM&P) Force Management and Personnel; and Asst. Sect. Webb, ASDT(RA) Reserve Affairs, for further implementation within 90 days.

I have been informed that the documents in enclosure (1) do not represent DOD action. Instead, they are the voluntary product of the Joint Services Commissary Committee, composed of commissary representatives from each service.

87704554

Memo to Robert Lewis
May 30, 1986
Page 2

Based upon conversations with individuals who were privy to the activity of the Joint Service Committee, the decision to act emanated from knowledge of recent developments in Congress, the decision of the Secretary of Defense, and the existence of DOD Directive 1010.10. It would appear that the Committee decided to take certain voluntary actions which it was certain would result eventually from the smoking education and no smoking promotions program indicated in Directive 1010.10.

Apparently they sought to forestall the inevitable with the expectation that their effort would preserve and maintain the marketing level of cigarette sales in commissaries by reducing their visibility as specialty or unusual products, outlawing service-oriented promotions of the sale of cigarettes vis a vis general public promotions, and voluntarily setting their own standard for a single displayed warning.

By way of clarification, it should be noted that stocking tobacco products in "gondola runs" means stacking them on the open shelving which extends along either side of customer aisles, just as other items offered for sale are stored. The prohibition against storing tobacco products at "end caps" refers to displays at the butt-end of aisle gondola shelving along customer cross aisles. Apparently these locations are considered special and used for promotional items. These guidelines also prohibited tobacco advertising, which was considered essential to lowering the visibility of tobacco products but which, it was felt, would not adversely affect the level of sales.

I was confused by the language dealing with "moving language advice" to cigarette purchasers [See item B. on page two of enclosure (1)(c)]. This would merely inform purchasers in those states where it is applicable of limitation on the number of cigarettes which can be taken off base, free of state tobacco taxes.

It was made clear that the Joint Committee was attempting to remove the high visibility of tobacco products, which they feared would invite harsh future DOD action which would have the potential of crippling cigarette sales in all commissaries.

Considering the present circumstances, especially the attitudes of some high-level DOD officials, it is easy to understand the purpose and objective of the Joint Services Commissary Committee. Their exercise of this kind of initiative just might accomplish their goal and prevent greater uncontrolled damage in the long run.

87704555

Memo to Robert Lewis
May 30, 1986
Page 3

I am sure you agree that the sensitive nature of remarks by others dealing with motivations which led to the Joint Committee's unanimous action, and especially indications upon which I have constructed what I believe was the purpose and intent of the members of the Joint Committee, demand confidentiality. Obviously, there are those in the TI organization and in the industry who need to know, and should know, what this is all about. I would hope that they will realize that the need to know how this came about does not extend beyond those at the highest policy levels. Should some of this information reach the wrong hands or become general knowledge, there can be no doubt that the ultimate result will be far more drastic.

87704556



A DIVISION OF LOEWS THEATRES, INC., 7330 BACKLICK ROAD, SPRINGFIELD, VIRGINIA 22153, TELEPHONE 451-1216

November 18, 1980

To: Mr. A. J. Stevens
 From: L. J. Clark, Jr.
 Re: Lorillard supplying cigarettes to the White House Military Office

Dear Mr. Stevens,

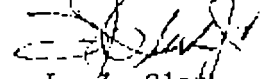
This letter is in regards to our telephone conversation on November 11, 1980 relating to Mr. Cliff Sharrock of the Military Office in the White House. Mr. Sharrock has not been contacted by Mr. Reagan's transition group at this time, but he wants to be in a position to advise them if this program is available. Lorillard is the only tobacco company Mr. Sharrock has contacted at this time.

Mr. Sharrock advised me that Philip Morris has a contact that has close relations to Mr. Reagan's transition team. As you are aware, Philip Morris in addition to Lorillard supplied cigarettes to the military office of the White House and Air Force One.

Mr. Sharrock said that he will need a letter of reply on our position in this matter. The letter should be addressed to: Mr. Cliff Sharrock, Military Office, White House, Washington DC, 20006.

I recommend that we consider supplying cigarettes to the White House as it will afford excellent exposure of our products to new consumers of our cigarettes.

Yours truly,


 L. J. Clark, Jr.

cc: P. J. McCann
 A. L. Everett, Jr.

85174104

BISHOP, LIBERMAN, COOK, PURCELL & REYNOLDS

MEMORANDUM

To: Samuel Chilcote

From: David B. Satterfield, III

Date: February 21, 1985

Subj: Report of meeting with Harry Walters, Administrator of the Veterans Administration, and members of his staff to discuss a proposed VA directive to ban the sale of cigarettes in all VA Canteens.

At my request I met this morning at the VA Central Office with Harry Walters, Administrator; Dr. John W. Ditzler, Chief Medical Director; and Robert E. Coy, Deputy Chief Counsel; of the Veterans Administration.

You will recall, this meeting grew out of events during the past two months which began with my discovery last December of a proposal by the director of the Veterans Administration Medical Center, Allen Park, Michigan for approval of a pilot program to eliminate for a period of one year the sale of tobacco products in its Canteen. It also proposed a study to assess the effects, especially financial, of that experience. The danger in implementation of such a program is evident. It could serve as justification for an agency wide ban not only in the Veterans Administration but in the Armed Services as well.

You will recall that when I reported this to you I also informed you that I had initiated an indirect inquiry in order to ascertain how the VA Central Office had reacted to the proposal. Initially that reaction was ~~slowly~~ ~~at first~~ the earmarks of a dying issue. I was aware of the fact that Congressman Rowland, a member of the House VA Committee, had initiated a direct inquiry to the VA about the proposal.

You will recall that in early January I discovered that the matter had suddenly come to life, no doubt because of strong advocacy by Dr. Ditzler, the Chief Medical Director of the VA. I was informed that Dr. Ditzler had decided to elevate the pilot program to an outright ban on the sale of cigarettes in all VA Canteens. I learned too, that the VA planned to state in its response to Congressman Rowland the view that it

87696913

BISHOP, LIBERMAN, COOK, PURCELL & REYNOLDS

has the legislative authority to order such a ban administratively.

Because I was aware of the fact that such a directive could only be issued by the VA Administrator, I met with you to discuss the situation and to recommend that TI take appropriate steps to attempt to dissuade the Administrator from giving favorable consideration of the proposal. It was decided then, that I should contact Harry Walters, the Administrator, who I know, to ascertain what he knew about the proposal and perhaps, discuss it with him.

When I talked to Mr. Walters on the telephone I learned that the matter had been forwarded and that he had the proposal under active consideration. I, therefore, requested a meeting with him to discuss the matter, and to inform him of the cigarette industry's position with respect to it.

He responded favorably, and set our meeting for 10:30 on February 19th.

During my meeting with Walters, Ditzler and Coy, I presented the points which I felt Walters should consider. Generally, they addressed the following:

- The proposal would affect the sale of a legal product which is entitled to the same protection under the U.S. Constitution and federal laws dealing with trade of all legal products. I specifically referred to the 18th Amendment experience
- I discussed my personal feeling about the VA as a veteran and as a member of the VA Committee of the House for 16 years and Chairman of its subcommittee on Medical Facilities and Benefits. I stated my deep concern about the fact that by this action this revered service would assume a new role as an activist governmental agency at serious potential risk of irreparable harm to it.
- I questioned the claim of the VA that it now has legislative authority to impose this ban administratively and pointed out that there are strong legal arguments to the contrary. Then, without threat, I observed that this could produce a legal challenge by someone.
- I referred to the hardship this ban would impose upon patients who exercise the right to smoke, a right that Dr. Ditzler has recognized, especially patients who are paraplegics, who are receiving long term nursing care and those who occupy VA Domiciliaries.
- I discussed also the impact which termination of 23%

BISHOP, LIBERMAN, COOK, PURCELL & REYNOLDS

of total canteen sales would have and the effect which the loss of large cigarette profits would have on Canteen finances.

I have a more detailed recap of these discussions in my file which is available to you should you desire to read it.

After complementing Dr. Ditzler for making a recommendation which he considered to comport with his official duties and making it clear that he would always receive recommendations from the Chief Medical Director in matters which the Director felt related to health, Mr. Walters observed that he tended to take the broader view of the matter. That he would have real concern about banning the sale or use of a legal product. He referred to prohibition and the disaster which that experiment produced. He made it clear that he did not look with favor upon anything which touched upon such a prohibition, especially of a legal product. He did add, however, that he could change his mind later, but stating again that this is his present thinking.

I interpreted his remarks to be a statement of his decision not to approve a directive banning the sale of cigarettes in VA Canteens. I felt that it was the better part of judgment to accept his statements at face value and not to seek greater clarification at that time in the presence of Dr. Ditzler and Mr. Coy. I do believe, however that we should explore the advisability and possibility of ways to elicit his views for the record.

To that end, I contacted Congressman Rowland to inform him of the outcome of my meeting with Mr. Walters. I did so because I knew that Walters was scheduled to appear before the House VA Committee on the VA Budget and that Congressman Rowland had in mind raising the issue with him. After our conversation Congressman Rowland decided that he would ask his question only if a suitable circumstance arose during the hearings. That opportunity did not present itself because of limited time due to a Joint Session to hear Margaret Thatcher.

I am discretely exploring the possibility of a letter from Congressman Montgomery, Chairman of the Committee, to Mr. Walters to inquire about this matter and to request his views with respect to it. Obviously that course of action must be explored with great caution and we must have a better feel for the situation in the committee than we have at this time before we can make a final determination whether to proceed or not.

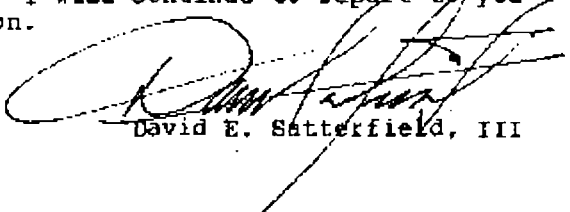
It is interesting to note, that in my first telephone conversation with Mr. Walters he indicated that someone in the

BISHOP, LIBERMAN, COOK, PURCELL & REYNOLDS

Central Office had led him to believe that this was not a unique proposal, that other government hospitals have already acted and that this proposal was intended to place the VA in step with the action of other Departments and Agencies. I informed him that I did not believe that to be a fact and that I would address that aspect of the matter at our meeting which I did.

That observation took on added meaning in our meeting when Dr. Ditzler referred to the discussion of a similar recommendation made last fall at a meeting of Armed Services Physicians. His comment leads to a clear impression that something may be afoot at the medical level in the Armed Services. I have the feeling that Dr. Ditzler had hoped that his action would be in consonance with similar actions in the Armed Services or, if not, that it might act as the catalyst for action there.

I reported this to you immediately and am now pursuing my assignment to talk with the Secretary of the Army, a former colleague and personal friend, and to quietly find out through personal acquaintances in the Navy what, if anything, may be occurring in that sector. I will continue to report to you whenever I have information.



David E. Satterfield, III

II. Minority studies/targeting

Title: Attitude Study
Among Lower
Income Blacks
Brand: Newport
MRD #: 5543/1284
Date Completed: February, 1985

BACKGROUND AND PURPOSE

Blacks are playing an increasingly important role in the growth of Newport. They currently represent 38% of the Newport Parent franchise (up from 30% in 1983) while only accounting for 8% of total smokers and 18% of menthol smokers.

This market segment has also increased in proportion for Newport Lights (11% vs. 3% YAG).

These trends and the fact that the Switching Study is not designed to provide an analytical sample of very low income Blacks made it necessary to conduct a separate tracking study among this audience.

Attitudes and behavioral patterns of these smokers, especially as they related to Newport were the focal points of this research.

METHOD

Two waves of tracking were conducted between 1983 (May 19-June 1) and 1984 (October 25-November 14). Each wave contained approximately 315 interviews. Study eligibility included being Black, 18-34 years of age, having a family income not in excess of \$10,000 and smoking at least 10 cigarettes per day.

Interviews were divided equally between 1983 and 1984.

Respondents were intercepted in central locations in the following geographically dispersed markets:

- Atlanta (1983 wave only)
- Detroit
- Jackson, Mississippi
- Los Angeles
- Memphis
- Chicago
- New York City
- Washington, D. C.

85129486

- 2 -

CONCLUSIONS

- Newport has shown sizeable growth among the low income 18-34 Black audience. Kool and Benson and Hedges exhibited signs of decline while Salem and Marlboro remained stagnant.
- Kool still remained the dominant brand among these smokers, followed by Newport, although the distance between the two lessened dramatically. Kool continued to be the number one source of business for Newport.
- Newport's rate of growth was balanced across the major age segments. However, the brand captured a larger increase among males rather than females. (Kool's decline was most prominent among males and 25-34 year olds).
- Demographically, Newport continued to be the youngest brand relative to competition and appeared to have become more male. (There was some indication of a younger skew occurring among the Kool and Salem franchises). Kool remained the most male and Salem the most female.
- In line with the brand's growth was a corresponding increase in favorable brand attitudes toward Newport among competitive smokers as well as. Additionally, attribute rating's shifts tended to be the most favorable for Newport, followed by Salem while Kool showed little, if any change.
- From a product-related standpoint, Newport displayed leverage over Kool for not being harsh tasting while Kool's point of difference was it's stronger taste (a strong tasting cigarette was however less important to smokers than is not harsh tasting). In comparison to Salem, Newport was more likely to be viewed as having the right amount of taste while Salem was perceived as cooler, and having a more minty taste, although the latter characteristic was not an important dimension to smokers.

85129487

- 3 -

- Imagery-wise, Newport was least likely to be viewed as a brand for older smokers while being equally appealing to males and females. Conversely, the image of Kool and Salem was more balanced in terms of age while Kool was seen as the most male and Salem the most female.
- The majority of these smokers indicated brand loyalty. However, Newport smokers seemed to show more loyalty for their brand than Kool and Salem smokers.
- Finally, advertising awareness for Newport rose as did the levels for Virginia Slims and Salem.

MARKETING IMPLICATIONS

- The research corroborated our beliefs about Newport's vitality and stressed the potential that is there for the brand among this smoker segment.
- Priority should continue to be given to these smokers as they represent an increasing piece of business.
- Efforts against this group must be maintained (and enhanced) if we are to hold our position and grow.
- Tracking should continue in 1985 and beyond to update the brand's performance. This program will continue to enhance our information among Blacks and provide a more complete picture.

85129486

Lorillard

MEMORANDUM

February 12, 1985

TO: Jan J. Staub
FROM: Scott R. Benson
RE: CIGARETTE PREFERENCES AMONG BLACKS

The Corporate Segmentation Study included an array of characteristics which respondents were asked to rate using a 5 point "agreement" scale in terms of their appropriateness for an ideal cigarette.

I looked at the "top two box" responses to these characteristics among Black and non-Black smokers and found some meaningful differences.

SUMMARY

Aside from the fact that Blacks are much more inclined to prefer cigarettes with a menthol flavor (which we all know), they are also much more likely than Whites to prefer leading, well-known brands, brands smoked by friends (peer influence), cigarettes that come in a modern-looking package and packages that are feminine looking (this latter preference was obviously attributable to the ratings among Black females).

The other side of the coin is that Blacks are less likely than Whites to prefer light tasting cigarettes and cigarettes low in tar. Economy also tends to be slightly less important to these smokers.

John
S. R. B.

/mn
Att.

cc: E. P. Farrell
S. T. Jones
L. R. Moroz

85127373

CIGARETTE PREFERENCE
(Percent Agree Completely/Agree A Lot)

Base:	Black (219) %	Non-Black (1462) %	Difference*
Has a lot of menthol	36	15	+21
Has a light menthol flavor	32	18	+14
Has a moderate amount of menthol	44	21	+23
Has a strong menthol flavor	35	14	+21
Doesn't have too much menthol	40	35	+ 5
Is a leading brand	53	33	+20
Is a well-known brand	51	36	+15
Is the best value for the money	59	53	+ 6
Is economical	46	52	- 6
Feels strong when I inhale	31	23	+ 8
Has a flavor with a little bite to it	35	21	+14
Has a lot of tobacco flavor	43	47	- 4
Has a full bodied tobacco flavor	55	54	+ 1
Has an enriched flavor	65	56	+ 9
Has a longer length	39	36	+ 3
Is regular size	45	44	+ 1
Has a mellow flavor	69	58	+11
Has a light taste	36	44	- 8
Has a package which attracts attention	30	17	+13
Comes in an attractive package	34	24	+10
Comes in a modern looking package	42	26	+16
Has only a temporary aftertaste			
Doesn't make my breath smell	63	60	+ 3
Is low in tar and nicotine	40	49	- 9
Has the lowest tar and nicotine content	34	37	- 3
Has a brown filter tip	34	23	+11
Is a brand my friends smoke	24	9	+15
Comes in a box	27	28	- 1
Has a feminine looking package	29	13	+16
Is comfortable on my lips	56	53	+13
Has a soft filter tip	46	41	+ 5
Has a satisfying taste	85	86	- 1

85127374

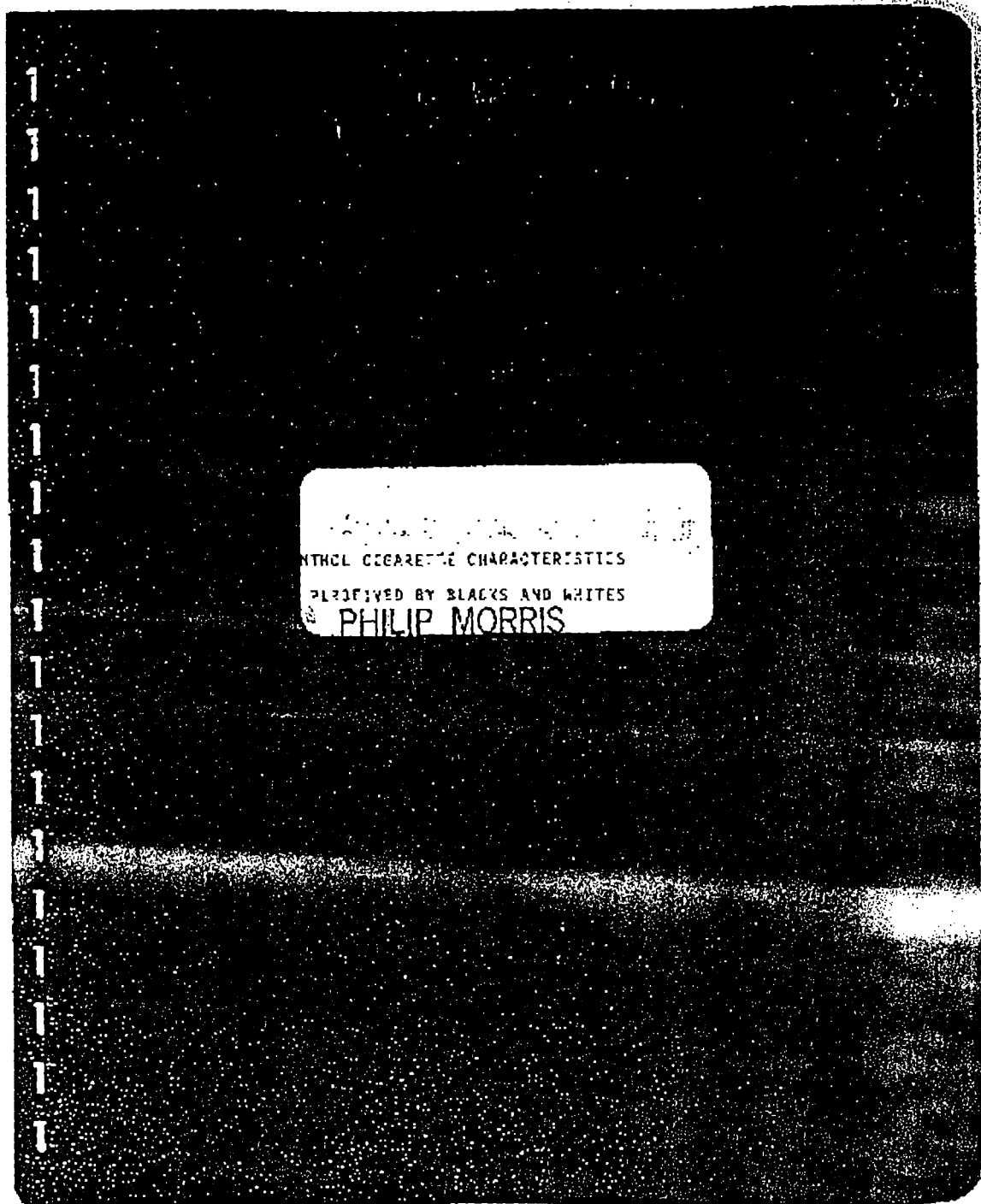
CIGARETTE PREFERENCE

(Percent Agree Completely/Agree A Lot)

	<u>Black</u>	<u>Non-Black</u>	<u>Difference*</u>
Base:	(219)	(1462)	
	%	%	%
Feels refreshing when I inhale	72	61	+11
Has a natural taste	66	62	+ 4
Doesn't burn too fast	61	63	- 2
Doesn't have a harsh taste	70	70	+ -0
Has a white filter tip	34	28	+ 6
Has a high filtration filter	40	39	+ 1

* A + sign means difference is in favor of Black smokers.

A - sign means difference is in favor of Non-Black smokers.



1000362480

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
INITIALS: W DATE: 09/27/13

Accession No. 75-128

Copy No. _____

Issued To _____

PHILIP MORRIS U.S.A.
RESEARCH CENTER

CHARGE NO. & TITLE: 1600 - Smoker Psychology

TYPE REPORT: ☐ ANNUAL ☐ SEMIANNUAL ☐ COMPLETION ☒ SPECIAL

DATE: July, 1976

PERIOD COVERED:

REPORT TITLE:

MENTHOL CIGARETTE CHARACTERISTICS

AS PERCEIVED BY BLACKS AND WHITES

PHILIP MORRIS
~~CONFIDENTIAL~~

WRITTEN BY

P. E. MartinB. W. Jones

&

T. R. Schori

APPROVED BY

M. R. [Signature]

DISTRIBUTION:

H. Wakeham
R. Seligman
W. Gannon
T. Osdone
R. Thomson
R. Fagan
F. Deylor

L. Meyer
H. Dandel
W. Claflin
M. Johnston
F. Ryan
R. Bowes

C. Levy
T. Budde - NY
A. Udow - NY
Day File (2)
Central file (2)
Indexer

000362481

KEYWORDS:

Alpine control vs. 2 levels of nicotine and 2
levels of menthol models

S U M M A R Y . . .

Two panels of black menthol smokers and a panel of white menthol smokers were sent cigarettes to evaluate in their homes. They received two packs of each of five menthol cigarettes, representing two nicotine levels, two menthol levels and an Alpine-like control. Each panelist rated all five cigarettes on acceptability, strength and menthol level relative to a typical menthol cigarette.

- No one cigarette was found to be generally more acceptable than the rest, but the higher levels of menthol were negatively related to acceptability. The high-menthol, high-nicotine cigarettes were generally the least acceptable.
- Menthol delivery level was positively associated with the strength rating.
- Nicotine delivery level was not associated with the strength rating.
- The black panelists were less sensitive than white panelists to differences in menthol delivery levels.

1000362482

I N T R O D U C T I O N . . .

Philip Morris' phenomenal success in developing and marketing regular filter cigarettes has not been equally successful in the 85 mm menthol market. A great deal of R&D effort has been devoted to the problem. Results from some of our previous studies indicated that it would be advantageous to investigate the effect of changes in nicotine and menthol levels upon subjective ratings by consumers.

We felt it was important to determine whether black smokers and white smokers responded differently to these changes, since the black menthol smoker is an especially important segment of the menthol population. The latest tracking study, 1975, estimates that 55% of the black smoking population smokes menthol cigarettes, yet blacks are notably underrepresented among Alpine smokers and overrepresented among KOOL smokers.

Black smokers have become available through the Richmond Product Placement Panel. It is not a nationally representative sample, but one which could perhaps give us clues.

The first part of the investigation was designed to determine how variations in the nicotine and menthol deliveries of the Alpine-like model influenced subjective responses of black and white smokers. All panelists smoked an Alpine control and four experimental Alpine blend cigarettes, the latter being targeted to deliver 0.7 and 1.1 mg nicotine at 0.45 and 0.65 mg menthol. Ballots were completed with ratings of acceptability, strength and level of menthol. The second part of the study was a replication of the first test using a larger sample size of only black menthol smokers.

1000362480

CIGARETTES . . .

The experimental cigarettes were designed to be variations of Alpine blend cigarettes targeted to deliver 0.7 and 1.1 mg of nicotine at 0.45 and 0.65 mg of menthol in the smoke; (comparable to the Alpine menthol level at the lower end and slightly higher at the other and on either side of Alpine's nicotine level.) Analytical data of the cigarettes used in the tests are shown below. (See Appendices A1 and A2 for complete analytical data.)

TABLE 1

<u>MN-3 (1631 & 5502)</u>	<u>Alpine</u>	<u>Experimental Cigarettes</u>			
Tar (mg/cigt.)	13.0	13.4	13.8	12.1	12.9
Tar per puff	1.49	1.50	1.55	1.44	1.51
Nicotine (mg/cigt.)	0.92	1.08	1.12	0.84	0.82
Nicotine per puff	0.11	0.12	0.13	0.10	0.10
Menthol (mg/cigt.)	0.46	0.48	0.76	0.44	0.62
Menthol per puff	0.0528	0.0539	0.0863	0.0523	0.0729
<u>5506</u>					
Tar (mg/cigt.)	12.3	14.9	14.7	13.5	12.8
Tar per puff	1.52	1.62	1.73	1.57	1.58
Nicotine (mg/cigt.)	0.70	1.17	1.12	0.83	0.71
Nicotine per puff	0.09	0.13	0.13	0.10	0.09
Menthol (mg/cigt.)	0.36	0.36	0.80	0.48	0.62
Menthol per puff	0.0444	0.0391	0.0941	0.0592	0.0756

Although targeted values were not achieved, it was believed there were still sufficient differences in nicotine and menthol levels to use the cigarettes.

1000362

Test Procedures

The first test, MH-3, was in two sections: 1601, a National POL¹ menthol panel of 350 smokers, and 5502, an RP³ black menthol panel of 250 smokers. After the results were analyzed a replication, 5505, was sent several months later to an additional 465 RP³ black menthol smokers. In both of the RP³ tests, 85 mm and 100 mm menthol smokers were used.

Each panelist in all of the tests received 10 packs of cigarettes--2 packs of each of the five coded cigarettes (the control and four experimental Alpines). The panelist was instructed to smoke the cigarettes in any order he chose as long as he completed the scales for one set of cigarette codes before smoking the next. In both sections of MH-3 presentation was partially balanced (two presentations) in order to minimize the effect of any panelist tendency to follow ballot order; in the replicated test, 5506, a complete balance was achieved (120 presentations) with the use of individual sheets for each cigarette. The panelist was asked to rate each of the cigarettes on 3 scales: acceptability², strength³, and menthol level⁴. Ballot samples are located in Appendices B1 and B2.

Data Analysis

In all of the following discussions, it must be emphasized that we are comparing data from a National POL panel, demographically distributed, with data from a state-wide RP³ panel. It is one of our recommendations that the same racial information be made available in the POL panels, particularly in regard to menthol panels. Our reasons have already been stated in the introduction.

¹Myron Johnston estimates that only 3% of the total returns, including menthol tests, in POL are from non-white smokers.

²1=dislike extremely to 3=like extremely

³1=extremely weak to 3=extremely strong

⁴1=extremely low to 3=extremely high

1000362485

Another important consideration in interpreting the data is that the cigarettes in both tests were similar but not identical. In particular, the cigarettes in the replicated test (RP³-5506) had greater ranges between the highest and lowest deliveries in tar/cigarette, tar/puff, menthol/cigarette, and menthol/puff. (See Table 1.) Therefore, the two tests were first treated separately: PX-3 as one test (with separate subgroups for the National PCL test 1601, and the RP³ test, 5502); and the RP³ test 5506 as the other study.

The ratings for the three scales for each of the cigarettes were analyzed by means of the one-way analysis of variance with repeated measures on subjects. The Duncan Separation of Means Test (the Duncan Multiple Range Test) was applied when appropriate (F prob. $< .05$) to determine which of the means were significantly different from the others. Various correlations were run between the mean ratings and analytical data in the strength, menthol level and acceptability sections.

Analysis of the Strength Data

Tables 2a & 2b are summaries of the strength data for both tests, showing the mean ratings and the probabilities from the analysis of variance for the total panel and various subgroups. The results of the Duncan Separation of Means Test are shown, either in the body of the table when the means are in proper relationship to one another, or as a footnote.

In all but a few cases, panelists judged the strengths of the cigarettes as being different ($p < .05$). Interestingly, the amount of menthol appears to have been more determinative of strength ratings than the amount of nicotine. One would infer that the panelists were responding to the inherent harshness of the menthol which has often been reported as a peppery feeling in the mouth and throat, and that this sensation overrode any effect that other properties of the smoke may have had.