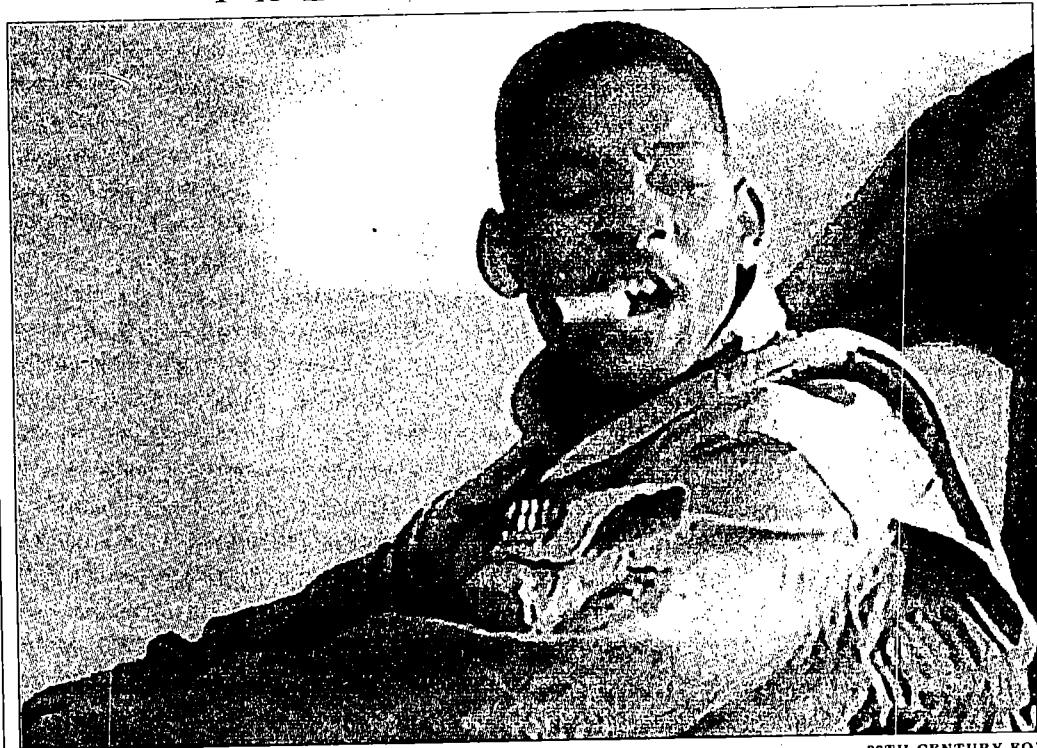


Baltimore, Maryland

50 cents

THE CIGAR CAPER



20TH CENTURY FOX

Tough image: Before "Independence Day" hero Will Smith can save the world, he needs his cigar. The product appears in the movie in about 12 scenes, or once every 12.5 minutes.

Cigar-chomping Hollywood heroes

■ **Glamour:** The industry pays well-connected brokers to put their product into the hands of the hottest actors.

Second in a series

By ALEC KLEIN
SUN STAFF

Aliens blow up the White House. The human race teeters on the brink of annihilation. What does a brash young hero need as he sets out to save the day?

"Oh damn, wait a minute, wait a minute, wait, wait, we got to find some cigars," exclaims actor Will Smith in "Independence Day."

If you were among the

more than 60 million people who watched the movie — one of the most financially successful ever made — you witnessed a persuasive promotion for cigars.

Operating behind the scenes, cigar manufacturers paid Hollywood brokers to feature their product in the movie — a type of stealth marketing that Congress thought it had stamped out.

The result: The movie industry has fanned the resurgence in cigar smoking in America today. Actors lighted cigars in 51 of 133 movies with a domestic box-office draw of at least \$5 million in the most recent film survey by the American Lung Association.

Disclosures in the late 1980s that tobacco companies were paying to get their

products in movies prompted hearings on Capitol Hill and the threat of legislation — until the industry relented, vowing to stop the practice, an almost unregulated business known as product placement.

But those promises came from cigarette companies that made direct payments to moviemakers. Today, cigar companies are employing middlemen, product-placement firms, to do the job. The impact, critics contend, is the same nevertheless: The images on screen, they say, are swaying young — and underage — consumers to smoke.

"It's a very subliminal form of advertising, and very powerful, and it has tremendous influence on kids," said tobacco expert Stanton A. Glantz, professor of medicine at the University [See Cigars, 10A]

Another Unabom deal is rejected

After a bizarre week, Justice considered Kaczynski's new offer

'A lose, lose, lose situation'

Case's unusual twists clearly complicated plea negotiations

NEW YORK TIMES NEWS SERVICE

SACRAMENTO, Calif. — After a week when Theodore J. Kaczynski reduced his trial to chaos, Justice Department officials in Washington considered a new offer by him to try to avoid the death penalty by pleading guilty to the Unabomber crimes.

But by the end of the week-end, officials opposed to a plea deal had rejected it. The talks, however, showed that both sides in the trial were struggling to find a way to end the case after a week in which Kaczynski apparently tried to hang himself with his underwear and then demanded to represent himself.

The strange events increased pressure on the Justice Department to justify a rigorous and expensive trial in an effort to obtain the death penalty for a defendant whose mental competency is in question. And prosecutors were left to contemplate facing an unpredictable Kaczynski acting as his own lawyer.

"There is no glory in this for anybody," said one person who was involved in the talks. "This is a lose, lose, lose situation for everybody." Kaczynski is to undergo court-ordered psychiatric tests this week.

One person at the Justice

rs sailors

Left behind

Young defense fund



"It's a very subliminal form of advertising, and very powerful, and it has tremendous influence on kids."

Stanton A. Glantz, professor of medicine and tobacco expert

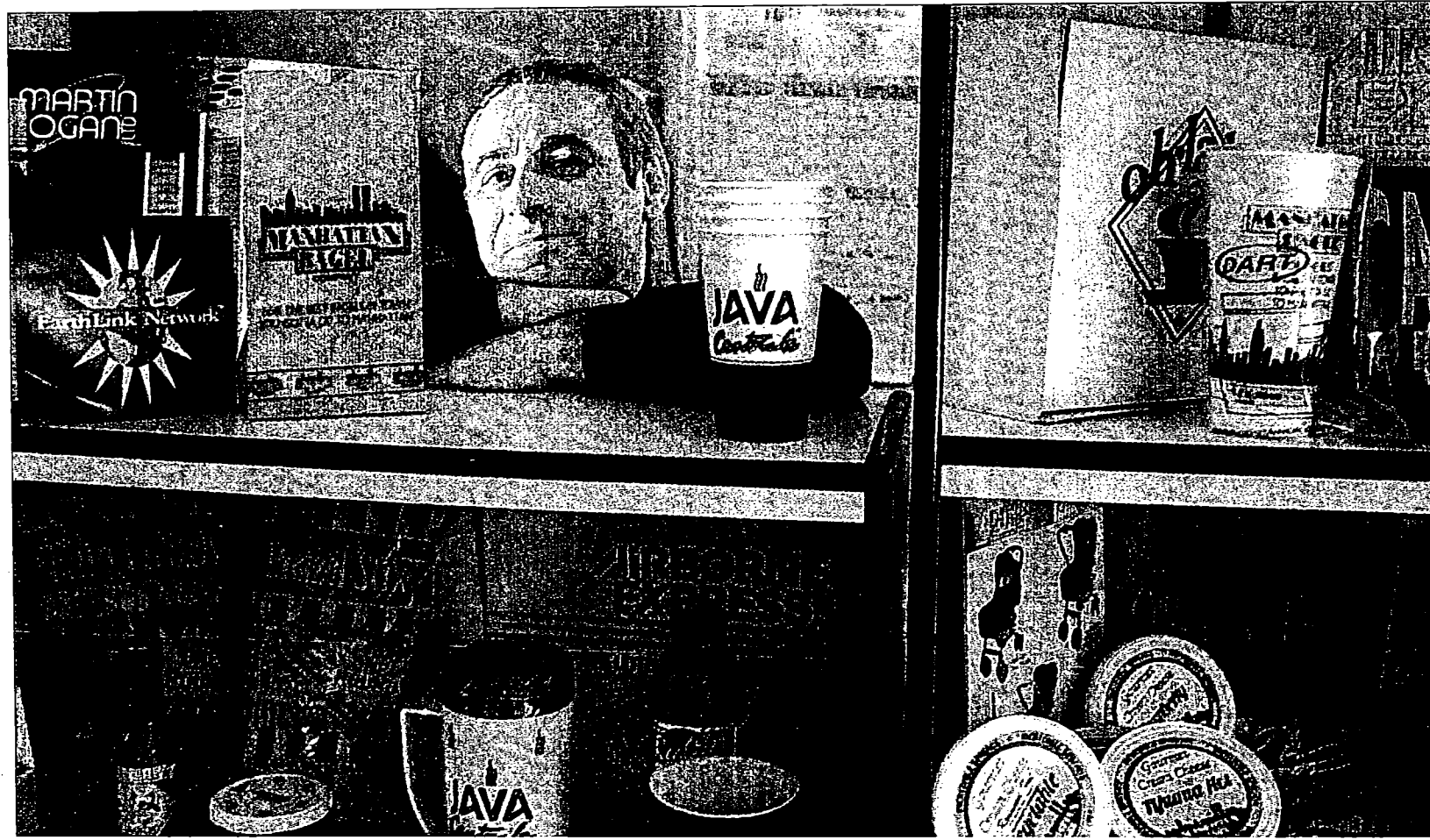
Cigars land leading roles

[Cigars, from Page 1A]

of California, San Francisco. "It's a very pernicious form of advertising and promotion. This stuff has become so controversial and has been buried very deep. And everyone's denying it."

No coincidences

Manufacturers want the public to believe that the proliferation of cigars on the silver screen is mere happenstance. Among them is



and interviews.

Among them: "An Alan Smithee Film," a forthcoming movie; "Party of Five," a popular young-adult television show on the Fox network; "Lost on Earth," a USA cable network television show; "Savage With Muscles," an independent children's feature film starring Hulk Hogan; and "Wedding Bell Blues," an independent movie with Paulina Porizkova.

Other tobacco companies have gotten in on the act. General Cigar hired product-placement firm Keppler Entertainment Inc., which supplied two of the nation's top-selling premium cigars, Macanudo and Partagas, for Sylvester Stallone and Whoopi Goldberg to use in "An Alan Smithee Film," according to Hollywood production crew members and Keppler documents.

The product-placement firm underscored the value of its work in a 1996-1997 internal report to its client. For example, a television commercial would have cost General Cigar \$450,000 for a 30-second spot when the popular show "Friends" aired. Keppler stated. But at a fraction of the cost through product placement, nearly 43 million viewers saw cigars smoked by stars Courteney Cox, Elliott Gould and Matt LeBlanc.

Keppler also furnished Macanudos and Partagas for the

Manufacturers want the public to believe that the proliferation of cigars on the silver screen is mere happenstance. Among them is Tampa-based J.C. Newman Cigar Co., one of the nation's oldest and largest private cigar makers.

"We don't promote our products through movies," said company Chairman Stanford J. Newman.

But the company's internal documents contradict him. On June 9, 1995, his son, President Eric M. Newman, expressed interest in Hollywood in a letter to Jay May, president of Feature This!, a Los Angeles product-placement firm. "I enjoyed speaking with you today regarding the possibility of our Cuesta-Rey cigars receiving exposure in some up-coming movies," he wrote on corporate letterhead.

Almost four months later, the company, then named M&N Cigar Manufacturers Inc., took further steps. "Enclosed please find the following cigars to be used in specific movies which we discussed [yesterday]," Lynda A. Rhea, the president's administrative assistant, wrote May on Oct. 3. "Please keep us up to date on the production of these movies and any pictures of our product being shot in the film would be much appreciated."

Eric Newman was not available for comment, but when asked about the discrepancy, Stanford Newman said he did not know of his son's efforts to get the company's cigars into the movies. "First I've heard of it," he said. "I'm very much against that, and if it was from our company, it was an error. I'm against anything involved with children" as potential viewers of cigars on screen.

Two prominent movies May supplied with J.C. Newman's Cuesta-Rey cigars were "Independence Day" and another hit, "The First Wives Club."

Even though the Cuesta-Rey name was "greeked out" — industry parlance for obscuring product identity — the exposure was a boon for the industry. Cigar makers could not have come up with better promotions than the cigar-smoking Will Smith and the conversion of Jeff Goldblum, who played the part of the genius in "Independence Day."



Placement broker: Jay May, owner and president of Feature This!, a Los Angeles product-placement company, with some of the items he promotes for his clients. May says he has placed cigars in the Fox network's "Party of Five" as well as other television shows and movies.

Product placement: a measure of success

In 1996, a Hollywood broker won exposure for General Cigar in these television shows

Production	Network	Stars	Product	Date of exposure, time and value	Nielson rating	Cost per 30-second spot	Placement setting
Jeff Foxworthy	NBC	Jeff Foxworthy	1 box Partagas, 1 empty box Partagas	10/28/96 45 seconds, \$210,000 value	9.3/15 - 21,650,400 viewers	\$140,000	Empty box on desk in Jeff's office, box and cigars used hands-on by cast in warehouse
Friends	NBC	Matthew Perry, Matt LeBlanc, Lisa Kudrow, David Schwimmer, Jennifer Aniston	1 Macanudo cigar	4/12/96 9/19/96 Continuous 30 seconds, \$450,000 value 2 seconds, \$15,000 weekly	18.4/31 - 42,835,200 viewers	\$450,000	Smoked by Courteney Cox and Elliott Gould Smoked by Matt LeBlanc in opening credits
John Larroquette	NBC	John Larroquette	2 Macanudo boxes, 1 Macanudo cigar	9/25/96 Continuous 45 seconds \$210,000 weekly	8.3/13 - 19,322,400 viewers	\$140,000	On newsstand and in pocket of main character

SOURCE: A private memo from Keppler Entertainment Inc. to its client, General Cigar

month after the candy's cameo appearance in "E.T."

The product-placement industry took off, too.

After Tom Cruise slipped on a pair of Ray-Bans in "Risky Business" in 1983, sales of the sunglasses jumped 55 percent. And when Pierce Brosnan's James Bond hopped in a BMW Z3 roadster in "GoldenEye" in 1995, the car's first-year production was sold out by the time it hit the market.

Cigarette companies got in on the ground floor. In 1979, Philip Morris paid \$42,500 to have Marlboro cigarettes appear in "Super

A sampling of movie credits



go through product-placement firms' lists of consumer products, picking out what they want.

Consumer companies — other than cigarette manufacturers — directly pay studios or moviemakers to feature their product on screen. Often, the only exchange of money is from the consumer company to the product-placement firm, whose job it is to get the product on screen. The annual fee can be \$50,000 or more. Using its connections in the entertainment industry, the product-placement firm guarantees its client a certain number of "hits" or appearances

to sign on a cigar account."

His pitch is simple. "Let's start with costs," Rasnick said. "You want to buy a 30-second spot on 'Seinfeld'? It's about 550 [thousand dollars]. ... Our fee is considerably less.

"The second difference is, what percentage of the viewing public zips or zaps commercials on television? I'm guessing it's 25 [percent] to 30 percent. But nobody zips or zaps the show because they're smoking a cigar. You have an audience that's more captive and interested. It's product awareness. ... It's an implied endorsement."

Conflicting reports

When it comes to cigar endorsements on screen, some manufacturers are unapologetic. A few cigar makers insist they do not need to seek out product placement firms. They say they are being courted directly by studios.

But studios distance themselves from tobacco product-placement transactions. They insist they have nothing to do with deals made between consumer companies and product-placement firms.

At Paramount Pictures, Melissa Robinson, executive director of production resources and promotion, said that no cigar product placement was involved in "The First Wives Club," whose promotional poster featured Bette Midler, Goldie Hawn and Diane Keaton holding cigars.

"That wasn't a product placement," Robinson said. "That was a creative decision."

But May of Feature This! said he supplied Cuesta-Rey cigars to the film after receiving a request from Octavio Molina, the property master in charge of props.

Asked about the discrepancy, Stephanie Turkin, Paramount's supervisor of production resources and promotion, did not dispute that May wanted cigars to be

ly 43 million viewers saw cigars smoked by stars Courteney Cox, Elliott Gould and Matt LeBlanc.

Keppler also furnished Macanudos and Partagas for the television shows "Cybill," "Third Rock From the Sun," "Baywatch," "Cosby," "Mad About You," "Suddenly Susan," "Spin City," "Jeff Foxworthy" and "Murphy Brown," according to company documents.

In addition, Keppler has supplied General Cigar's products to several movies, including "GoldenEye," "Smoke," "The Associate," "She's the One" and "Fools Rush In."

When asked about General Cigar's ties to Hollywood, Chief Executive Officer Edgar M. Cullman Jr. said the company is ending its relationship with product-placement firms. "It raises the questions as you're raising them now," he said. Referring to the influence of movies on under-age smokers, he said, "We as an industry are dead set against" it.

Even so, signs of a letup are few. And concerns persist.

Critics say the practice should be outlawed, or at the very least, the Federal Communications Commission should have rules requiring producers to include a product-placement disclosure statement at the end of their films, just as television shows are required to list their sponsors.

"I'm disappointed in Hollywood," said Ed Mierzwinski, consumer program director of the U.S. Public Interest Research Group. "There is no reason that screenwriters that get paid a million dollars a movie to write a script need to insert tobacco products into story lines."

Some in Hollywood acknowledge there's a problem.

"It's a huge gray area," said Curtis Wilmot, producer of "Bless Me Father," a coming-of-age film using cigar product placement. "Ultimately, it's all about money. There really aren't any hard lines."

What is clear, however, is the power of images. "To a very large degree, I think Hollywood certainly starts these trends and perpetuates these trends around the world because people want to be like these celebrities," Wilmot said.

identity. The exposure was a boon for the industry. Cigar makers could not have come up with better promotions than the cigar-smoking Will Smith and the conversion of Jeff Goldblum, who played the part of the genius in "Independence Day."

Minutes into the film, he scolds his cigar-smoking father, saying, "Smoking is not healthy." But by the time Goldblum engineers the planet's rescue, he is savoring a cigar.

"So this is healthy?" his father asks.

Goldblum takes a victorious puff and retorts, "Oh, I could get used to it."

The moviemakers made much of their high-tech special effects, but it may have been the waft of cigar smoke that left an enduring impression. Cigars appeared in about 12 scenes, or once every 12.5 minutes, in "Independence Day," which grossed more than \$1 billion internationally.

A long history together

Other consumer products made an enduring impression on moviegoers years ago. As early as the 1930s, historians say, MGM studio had its own product-placement office, and by 1942, Humphrey Bogart elevated smoking to artistic expression in "Casablanca." But it wasn't until the early '80s hit "E.T." that the product-placement industry came into its own.

Hollywood lore has it that Mars Inc. turned down the idea of having an extraterrestrial movie character munch its M&M candy, which led director Steven Spielberg to Hershey Foods Corp., maker of Reese's Pieces. Sales rocketed more than 65 percent within a

Pierce Brosnan's James Bond hopped in a BMW Z3 roadster in "GoldenEye" in 1995, the car's first-year production was sold out by the time it hit the market.

Cigarette companies got in on the ground floor. In 1979, Philip Morris paid \$42,500 to have Marlboro cigarettes appear in "Superman II," and four years later, the Liggett Group paid \$30,000 to have its Eve cigarette appear in "Super-girl." In 1984, American Tobacco supplied more than \$5,000 in props to have Lucky Strike appear in "Beverly Hills Cop." And four years later, Philip Morris and the Liggett Group paid \$350,000 to place Lark cigarettes in the James Bond movie "License to Kill."

Then came the questions. In 1990, the Federal Trade Commission began investigating tobacco manufacturers and their Hollywood tie-ins. Then-U.S. Rep. Thomas A. Luken, an Ohio Democrat, led the charge by holding congressional hearings and discovering what had been suspected all along: Cigarette companies were paying to have their products placed in movies.

"By their insidious influence, the tobacco companies place their products in attractive and suggestive settings, in ads at sporting events, and even in the movies that our young people go and see," then-Rep. Bob Whittaker, a Republican from Kansas, said in a plea for action. "At every turn, smokers are portrayed as vigorous, successful, and most inaccurately, in good health. This is especially damaging when the smoker viewed by a youngster is a role model, such as a leading movie actor or actress."

Under pressure, the Tobacco



"Independence Day":

Product-placement firms won a prominent place in the successful film for premium cigars

"The First Wives Club":

Another industry win, with the featured actors sporting cigars for the title shot

Institute, the industry's lobbyist, announced voluntary restrictions on companies' marketing practices in December 1990 — including the end of paid tobacco product placements in films.

The FTC nevertheless required cigarette manufacturers to report annually whether they spent any money on product placements in movies. Cigar makers were not included in that agreement.

In the middle

Meanwhile, product-placement firms have multiplied in Los Angeles and evolved into a multimillion-dollar industry.

Product-placement companies sift through screenplays, earmarking opportunities to showcase their clients. Moviemakers, in turn,

money is from the consumer company to the product-placement firm, whose job it is to get the product on screen. The annual fee can be \$50,000 or more. Using its connections in the entertainment industry, the product-placement firm guarantees its client a certain number of "hits," or appearances, in the movies or on television. The firm then distributes the product to studios free of charge.

Stipulations are common: The product can't be shown in a negative way. It can't be held by the "bad guy" even if he or she is a celebrity. And sometimes, the actor must actually hold the product.

"It's a win-win-win situation," May said. "The client wins because it gets exposure. The production wins because it defers their cost. And I win because I get paid for bringing everyone together."

That formula worked for UPP Entertainment Marketing, a major product-placement firm in Burbank, Calif., when it represented American Tobacco cigarettes. But federal scrutiny of cigarettes ended that.

"They don't want to deal with more congressional hearings," said Steven Rasnick, UPP's vice president of sales.

Cigars, however, have given Rasnick another opening as he looks to land a client. "Around 1995, cigars began becoming popular again," he said. "Maybe it was to fill the void created by cigarettes. If actors don't want to smoke cigarettes, maybe they think it's cool to smoke cigars instead. So along around '96, I started to see a lot of generic-looking cigars, nonidentified branded cigars on screen, and I realized this is a huge opportunity

he supplied Cuesta-Rey cigars to the film after receiving a request from Octavio Molina, the property master in charge of props.

Asked about the discrepancy, Stephanie Turkin, Paramount's supervisor of production resources and promotion, did not dispute that May supplied cigars to the film. But she said, "We weren't involved in it." As a policy, she said, the studio forbids tobacco product placements, but does not stand in the way if a product-placement company, such as May's, supplies cigars to a set. "That's fine that he dealt directly with the production and prop master," she said.

Twentieth Century Fox, which released "Independence Day," also said that cigar product placement was not used in the film. "None whatsoever. ... Nothing with cigars," said Dean Bender of Bender, Goldman & Helper, the Los Angeles public relations firm representing the studio.

Feature This!, however, said it supplied J.C. Newman's Cuesta-Rey cigars at no charge for use in the movie at the request of the filmmaker's property master in charge of props. General Cigar Holdings Inc. also furnished cigars for the movie through another product-placement firm, according to cigar company executives.

Asked about the discrepancy, the studio's public relations firm said Fox executives were not available for further comment.

Supply of stogies

Feature This! has supplied cigars made by J.C. Newman and Caribbean Cigar Co. for several other films and television shows, according to company documents

ready aren't any hard miles. What is clear, however, is the power of images. "To a very large degree, I think Hollywood certainly starts these trends and perpetuates these trends around the world because people want to be like these celebrities," Wilmot said. "What happens is, people are so taken in by the visuals when they see it happening on the screen, and you say to yourself, 'I want to live in that fantasy world, and I want to be like those people.'"

In this series

Yesterday: In one of the 20th century's great but shadowy marketing campaigns, cigar makers laid the foundation for a powerful myth that cigars are cool, sexy and as harmless as afternoon tea.

Tomorrow: Contrary to popular belief, cigars are not a safe alternative to cigarettes. But cigars have dropped off the regulatory radar screen.

Reprints

A full-color reprint of "The Cigar Caper" series will be available from SunSource for \$7.95 plus tax (\$8.35 total). To order, call 410-332-6800. Or go to SunSpot, The Sun's Web site, at www.sunspot.net/news/.

No coincidences

"Friends" aired, Keppler stated. But at a fraction of the cost.

PHOTOCOPY
PRESERVATION



Rebirth of cool: At the opening of the Havana Club in Baltimore in the spring, Maria Queral of Lutherville holds the symbol of chic for the '90s. NANINE HARTZENBUSH/SUN STAFF PHOTOS

The shaping of an illusion

■ **Resurrection:** How the cigar industry manipulated the media, infiltrated Hollywood and escaped the government's watchful eye despite the health consequences.

First in a series

By ALEC KLEIN
SUN STAFF



Mastery: Nick Reed demonstrates his skill with a cigar. The 16-year-old son of a doctor and nurse says of smoking, "I just wanted to figure out why people like this so much."

Nick Reed is well-versed in cigars, an able judge of hue, texture and aroma. In the backyard of his home in an affluent New York suburb, he displays a mastery of technique. Cut off the tip, ignite the end, pause between puffs. Effortlessly, Reed tilts back his head and emits a swirl of smoke shaped like a doughnut — the billowy end product of one of the 20th century's great but shadowy marketing campaigns.

He is 16. Cigar makers at about the time Reed was born conceived a long-range plan to conquer new smokers — women, the young and the wealthy — and laid the foundation for a powerful myth that cigars are cool, sexy and

as harmless as afternoon tea. In a remarkable turn-around for an industry whose customers were dying off only a generation ago, the image of cigars today has even ensnared teen-agers, a taboo audience that manufacturers say they have not courted. Among the ways marketers resurrected the cigar

They lacked the credibility of the media. News reports they understood were more likely to sway the public than paid advertisements.

While the consumer of the '80s may harbor built-in skepticism when he reads an advertisement in a magazine or sees a commercial on TV, said an in- (See Cigar 10A)

THE



SUN

Baltimore, Maryland

PHOTOCOPY
PRESERVATION



"We'll especially focus on ... the increase in cigar sales among baby boomers or Yuppies."

from a 1985 internal memo of the Cigar Association of America Inc.

Cigar's heady rise to power

[Cigars, from Page 1A]

ternal memo of the Cigar Association of America Inc. in 1983, "he accepts and believes the public relations message because it reaches him in the form of news and information."

For nearly two decades, cigar makers have manipulated the media into promoting their product, planting news stories and letters to the editor and zeroing in on sympathetic journalists.

Today, cigars are in such vogue that industry ploys may no longer



Cigar Industry

Public Relations Program

azines, radio and television. While the

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an advertisement in a magazine or sees a commercial on TV, he

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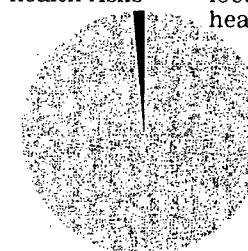
him in the form of news and information.

Cigars and the media

Stories in national magazines,
from 1992 to May 1997

1 focused on
health risks

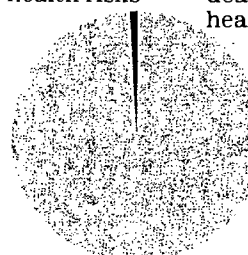
67 didn't
focus on
health risks



Stories in major U.S. newspapers,
from 1994 to May 1997

37 dealt with
health risks

3,957 didn't
deal with
health risks



hind the Cabbage Patch dolls phenomenon and authors of a media handbook for the cigar industry, manufacturers also targeted regional and national newspapers.

With the *New York Times*, marketers employed deception.

"As a cigar smoker, I like to linger after a meal, relaxing and enjoying a fine cigar, appreciating my smoke as I would a special glass of wine. Unfortunately, increasing numbers of cigar smokers, fearful of confrontations with nonsmokers, think twice before lighting up. Or they passively retreat to relax with their cigars alone," wrote Jonathan M. Weisberg in a June 7, 1984, letter to the editor. "This is regrettable."

Weisberg did not identify himself as an employee of the Richard Weiner agency. But the firm did not fail to highlight his letter in a report to its client, the Cigar Association of America.

"Agency wrote and placed a 'Letter to the Editor' entitled 'A Man and His Cigar' by Jonathan M. Weisberg. Letter, extolling the virtues of a postprandial cigar. ... Circulation: 963,400."

Asked about the letter, Sharp of the Cigar Association acknowledged that Weisberg's affiliation with the industry should have been disclosed.

SOURCE: Baltimore Sun research

LAMONT W. HARVEY : SUN STAFF

be necessary. The same media that have relentlessly scrutinized the cigarette industry have embraced cigar smoking as a glamorous trend. A database survey of recent newspaper and magazine coverage shows that articles on cigars rarely focus on their hazards.

The industry has also used Hollywood to entrance the public. In a hidden form of advertising, manufacturers have paid Hollywood brokers to get stars to wield cigars on television and in the movies. Fearful of the impact on young viewers, Congress stamped out this practice nearly a decade ago when cigarette manufacturers were caught in the act. But the remedy did not cover cigars.

Meanwhile, federal authorities have been so preoccupied reining in the cigarette industry that cigars have slipped by unscathed.

Unlike cigarettes and smokeless tobacco, the cigar carries no U.S. surgeon general warning label. Neither are its ingredients disclosed to federal health authorities. Cigars have even escaped scrutiny as the government hammers out a comprehensive settlement to tighten regulations on cigarette manufacturers.

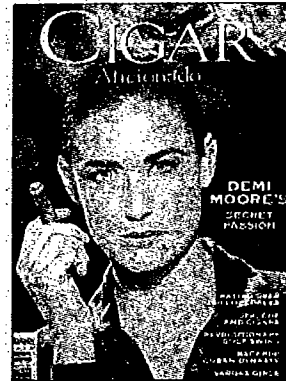
As a result, the cigar industry, a billion-dollar business catering to an estimated 12 million smokers in the United States, has obscured a simple truth: Cigars contain higher concentrations of tar and nicotine than cigarettes. And, health authorities say, cigars are just as deadly.

"It's the most sophisticated campaign I've seen in a long time," said tobacco expert John Pierce, professor of cancer research at the University of California, San Diego. "It's so sophisticated that no one saw it coming."

In a triumph of image making, the cigar, once a tired old prop of gangsters and grandfathers, has migrated from smoke-filled back rooms to the chambers of the well-to-do and the counters of the 7-Eleven. Everyone, it seems, is lighting up: conservative commentator Rush Limbaugh, pop singer Madonna, hockey great Wayne Gretzky, movie star Demi Moore,

Game plan: A 1983 internal memo of the Cigar Association of America Inc. reveals the industry's plan to use the news media's credibility to boost the cigar's image and to reverse declining sales.

How cigars appear in magazines



Top shelf: Cigar Aficionado has helped elevate cigars to the level of fine wines in some consumers' minds.



Avoidance: Annapolis Quarterly killed an article about health hazards of cigars, fearful of angering advertisers.



Sales job: Gold Coast featured cigars in a cover story at the recommendation of its advertising staff.



Promoter: The Sun glamorized cigars with this fashion illustration in the newspaper's Distinction magazine.

PHOTOCOPY PRESERVATION

Henkel said, could be as great as that achieved by advocates of women's rights, the disabled and both sides of the abortion debate. "By the deft use of the media," he said, those groups created a movement that shaped "the destiny for the many." The cigar industry, he said, could do the same.

The plan was bold, practical and, at its core, cynical. The hand of cigar manufacturers would remain unseen.

But reached 18 years later, Henkel insisted that he was not trying to manipulate the media, although he acknowledged that even presidents of the United States try to create the illusion of a groundswell of support. Of his public relations efforts, he said, "I don't believe it was cynical. I was trying to explain how these things happened."

But when told how the industry carried out his instructions after he left as a consultant in the early 1980s, Henkel added, "It sounds like they made their own interpretation of what I recommended."

Fruits of labor

What Henkel recommended is not, at first, self-evident in a typical cigar factory in Little Havana, a Miami barrio. Cuban immigrants hunch over mahogany tables, rolling tobacco between supple hands. The air is thick with the pungent odor of leaf.

But just off the factory floor, a door opens into an office where the fruits of Henkel's vision are stuck to the wall on pink and yellow notes:

CHICAGO TRIBUNE ARTICLE

60 MINUTES

CNBC POWER LUNCH

These are a marketing director's dream: the London Times, Wall Street Journal, public broadcasting, Oprah Winfrey, Sports Illustrated, Fortune, Newsweek.

"It just doesn't stop," said Gayle M. Ritt, until recently marketing director for Caribbean Cigar Co.

The importance of media attention was first identified in internal industry memos. "Objective: Keep

The newspaper would not have run the letter, said Nancy Nielsen, vice president of corporate communications for the New York Times Co., if it had known of Weisberg's connections.

Cigar makers, however, knew how to get their message into the news media. "Associated Press and United Press International released on their wires to the nation's major television and radio stations and newspapers a story agency wrote on 'Good Guys Smoking Cigars on TV.'" said a Cigar Association memo in 1984.

The industry also targeted those most potentially receptive to its cause — cigar-smoking journalists.

Among several named in industry memos was one from the Fresno Bee in 1987: "Cigar smoking columnist Dennis Pollock gave some cigar smoking tips in his October 9 column. The article announced Cigar Lovers Day and credited the CAA [Cigar Association of America] in its efforts to encourage cigar etiquette."

Pollock, reached for comment, was surprised to learn that he was identified in an industry document. "I have mixed emotions," he said, "when I see what I wrote used for promotional uses."

The industry relied on more traditional promotions as well. In Baltimore, marketers created their own event as part of the opening of the H.L. Mencken House. From May 31 to June 11 in 1984, models hired by the cigar industry fanned out across the city, wearing sashes bearing the slogan "Relax. Enjoy a Cigar." Men dressed as the cigar-chomping journalist of the Evening Sun handed out 15,000 promotional lapel pins, rewarding those wearing them with \$5 bills. The Sun covered the event, highlighting the cigar gimmick.

Marketers' dream

From such promising promotions, cigar makers have attracted what other marketers fantasize about — wealthy customers clamoring for their wares. Consider Jerry Gross, an insurance executive from Malibu, Calif., appealing to an impassive clerk in a dank Miami



NANINE HARTZENBUSCH : SUN STAFF

Spokesman: The campaign was "an abject failure," says Norman F. Sharp, president of the Cigar Association of America Inc.

figure out," he said, "why people like this so much."

Making of a myth



thorities say, cigars are just as deadly.

"It's the most sophisticated campaign I've seen in a long time," said tobacco expert John Pierce, professor of cancer research at the University of California, San Diego. "It's so sophisticated that no one saw it coming."

In a triumph of image making, the cigar, once a tired old prop of gangsters and grandfathers, has migrated from smoke-filled back rooms to the chambers of the well-to-do and the counters of the 7-Eleven. Everyone, it seems, is lighting up: conservative commentator Rush Limbaugh, pop singer Madonna, hockey great Wayne Gretzky, movie star Demi Moore, Hollywood heavy Arnold Schwarzenegger, super-model Claudia Schiffer. Even President Clinton dabbles.

The mood in the industry is as giddy as in a speakeasy during Prohibition: In the past five years, U.S. sales of cigars rose 26 percent to 4.49 billion, led by expensive premium cigars, which nearly tripled to 270 million. Cigar bars, cigar diners and cigar clubs are popping up from coast to coast.

Cigar makers put forth a widely accepted explanation for their renaissance. They say that a spontaneous movement took hold with the spread of black-tie cigar events. That the launching of *Cigar Aficionado* magazine, the industry bible, offered a rallying cry. That there was a backlash against political correctness.

"It took everyone by surprise," said Norman F. Sharp, president of the Cigar Association.

But an in-depth examination, including thousands of internal industry documents, shows that the cigar boom was not an accident.

It was the result of an image so seductive that it enticed young smokers like Nick Reed, the son of a doctor and nurse.

He doesn't have a habit, yet. But a youthful curiosity overcomes his better judgment. "I just wanted to



NANINE HARTZENBUSCH: SUN STAFF

Spokesman: *The campaign was "an abject failure," says Norman F. Sharp, president of the Cigar Association of America Inc.*

figure out," he said, "why people like this so much."

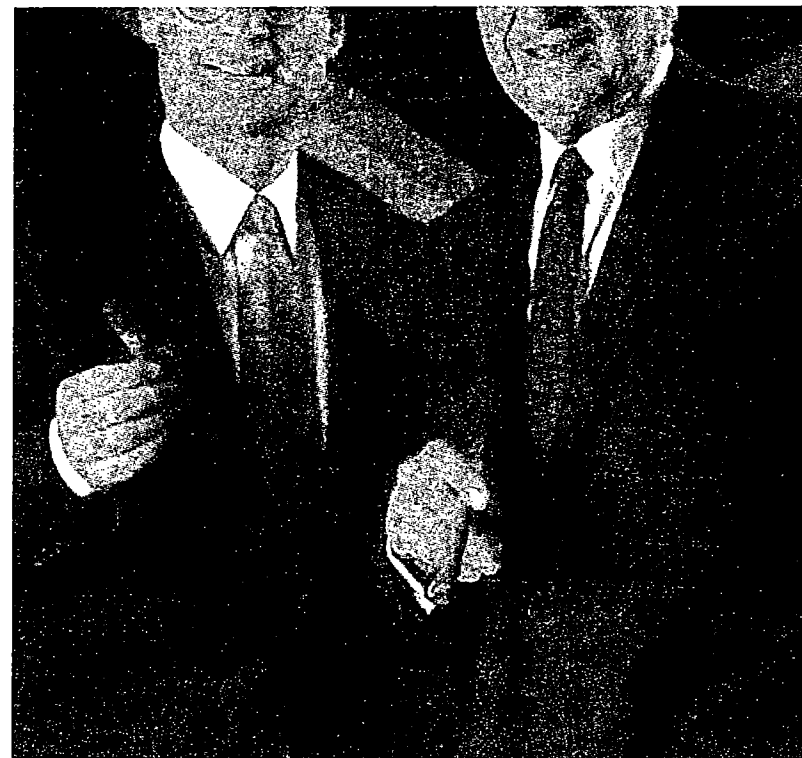
Making of a myth

Nearly two decades ago, cigar manufacturers did not concern themselves with young smokers. They had enough trouble figuring out why adults didn't like cigars. Overall sales had been dropping an average of 5 percent a year since their height in 1964.

"We were very concerned about the inextricable, relentless decline in the cigar industry, and we felt we had to try something," recalled Edgar M. Cullman Jr., chief executive officer of General Cigar Holdings Inc., a market leader in premium cigars.

With their survival at stake, industry chieftains formed a public relations committee in 1980 under the umbrella of the Cigar Association of America, a conglomeration of foreign and domestic manufacturers, leaf dealers and suppliers, and convened in New York for strategy sessions at the old Third Avenue headquarters of Culbro Corp., then parent company of General Cigar. Other times, they met at the Madison Avenue offices of their publicist at the time, Carl Byoir & Associates Inc.

Among those in attendance was Cullman, regarded as one of the group's sharpest minds, a Yale-educated executive and scion of the family who created another tri-



CULBRO CORP. 1995 ANNUAL REPORT

Industry leaders: *Edgar M. Cullman Jr. (left) and his father, Edgar M. Cullman Sr., of General Cigar. They are part of the family responsible for the creation of another marketing success, the Marlboro Man.*

umph of tobacco marketing, the Marlboro Man.

Joining Cullman around the table were other industry leaders: Stanford J. Newman of J.C. Newman Cigar Co., James Brown of Consolidated Cigar Corp., Thomas Arthur of Havatampa Inc. and John C. McCormick of Swisher International Inc.

The problem was all too familiar. As public relations specialist Robert T. Henkel told the assembled leaders of the industry in a private meeting in 1980, "The image of the cigar industry has to do with smoke-filled rooms — traditionally cited as the spawning areas where all sorts of nefarious schemes are hatched, where secretive conclaves, political machinations, skulduggery and other con-

temptible acts are devised."

Henkel's solution, financed by Cigar Association dues and outlined in his speech, was a public relations message disguised as news and entertainment. Stories would focus on cigars as a status symbol, associating them with women and youthfulness and highlighting cigar-smoking celebrities as "role models for cigar smokers to emulate."

"How will we do all this?" Henkel told the group. "We will write news stories, develop feature articles, take photographs, produce radio and television news tapes. ..."

Also, a grass-roots movement launched by the industry would create the illusion of public support for the cigar. The potential,

But just off the factory floor, a door opens into an office where the fruits of Henkel's vision are stuck to the wall on pink and yellow notes:

CHICAGO TRIBUNE ARTICLE

60 MINUTES

CNBC POWER LUNCH

These are a marketing director's dream: the *London Times*, *Wall Street Journal*, public broadcasting, Oprah Winfrey, *Sports Illustrated*, *Fortune*, *Newsweek*.

"It just doesn't stop," said Gayle M. Ritt, until recently marketing director for Caribbean Cigar Co.

The importance of media attention was first identified in internal industry memos. "Objective: Keep cigars 'in the news' through placement of positive stories," stated a Cigar Association memo early in the campaign. "Target Audience: News media."

Success came quickly and in an impressive venue. A two-minute script produced by the Cigar Association was aired as part of a nationally televised news preview of the Super Bowl at the Pontiac Silverdome in 1982.

"And when it's over, the victors will gather for the traditional ritual of slapping each other on the backs and pouring champagne — usually on each other's heads," a reporter said on camera. "And they'll pass out the cigars that have come to be a symbol of manly success."

The industry calculated its cost savings. "How can those results be translated? In dollars — to the bottom line," a Cigar Association memo noted the next year. "For example: A 30-second TV commercial during the Super Bowl would have cost \$400,000. ... However, we decided upon multiple exposures through TV news features which cost just \$30,000. They reached 40 million viewers, resulting in a cost-effectiveness of 75 cents per thousand viewers — or less than one-quarter the cost of advertising."

Under the Richard Weiner Inc. public relations agency, a force be-

hired by the cigar industry fanned out across the city, wearing sashes bearing the slogan "Relax. Enjoy a Cigar." Men dressed as the cigar-chomping journalist of the *Evening Sun* handed out 15,000 promotional lapel pins, rewarding those wearing them with \$5 bills. *The Sun* covered the event, highlighting the cigar gimmick.

Marketers' dream

From such promising promotions, cigar makers have attracted what other marketers fantasize about — wealthy customers clamoring for their wares. Consider Jerry Gross, an insurance executive from Malibu, Calif., appealing to an impassive clerk in a dank Miami factory.

"I'm begging you, two bundles, please, please."

The object of his desire is La Gloria Cubana — cigars so popular that the factory limited customer orders. Gross' solution? He travels across country three to four times a year to stock up.

The industry could not have asked for more. "To make it an upper-end type of product, socioeconomically — that was kind of the primary strategy," said a former public relations specialist who worked on the industry campaign.

"PR is one-sided, and we would play down any negatives and attach all the positives to it."

What worked for vineyards worked for cigar makers — an unspoken yet widely understood elite appeal. "Create the 'Cigar Smoking' experience," suggested a 1983 memo, "similar to the 'Wine' experience — the tradition of the grower, the roller of cigars, the boxing, the care of cigars, the smoking of cigars."

Women, too, became a target audience, one the industry believed could "help get cigars again accepted as part of elegant entertaining," according to a Cigar Association memo in the mid-1980s. Sharp, the industry spokesman, said manufacturers were only trying to make cig-



Federal Trade Commission

Facsimile Transmittal Sheet

John Co
Ligals

To:	<i>Thomas Friedman</i> <i>Domestic Policy Council</i> Fax number: <i>456-7431</i>	Total number of pages sent (including this cover sheet): <i>3</i>
From:	<i>Lorraine Miller</i> Congressional Relations Federal Trade Commission Washington, D.C. 20580 Telephone: (202) 326-2195 Facsimile: (202) 326-3585	Sending Organization Code: <i>0309</i>
		Date: <i>2/9/98</i>
		Time: <i>12:15p</i>
Subject:	<i>F.Y.I.</i> <i>FTC Requires Cigar Data</i>	
Note:		

FTC news

Federal Trade Commission Washington, D.C. 20580 (202) 326-2180

FOR RELEASE: FEBRUARY 9, 1998

FTC REQUIRES CIGAR COMPANIES TO SUPPLY DATA ON CIGAR SALES AND ADVERTISING EXPENDITURES

Agency Action Represents the First Time Cigar Industry Supplies Information

The Federal Trade Commission has issued orders to several leading cigar manufacturers requiring them to file "special reports" on their sales and advertising expenditures. The Commission has collected and publicly reported similar information from the cigarette industry since the 1960s and from the smokeless tobacco industry since the mid-1980s. This is the first time the Commission has sought such information from the cigar industry. Studies of cigar marketing show strong increases in cigar sales and raise concerns about increasing use of cigars by high school students (14-19 year olds).

The FTC orders require the cigar manufacturers to report the total number of cigars sold, the total dollar volume of cigar sales, and the total dollar amounts expended on cigar advertising, merchandising, and promotion in 1996 and 1997. The orders also require a breakdown of different categories of advertising and marketing expenses for each cigar brand marketed, including any payments for placement of cigar products in movies. These categories of information are similar to the categories of information that the cigarette and smokeless tobacco manufacturers are required to report to the Commission, and which is reported on an aggregate basis by the Commission to Congress. However, unlike cigarette and smokeless tobacco data, the cigar orders require that advertising and promotional expenses be allocated by brand, rather than by the cigar varieties within each brand.

The FTC orders also require the cigar manufacturers to provide information on the characteristics of each different variety of cigar marketed within each brand. These product characteristics include: product size, product style, individual cigar weight, the types of tobacco

-more-

(Cigars--02/09/98)

used, the method of curing the tobacco, and the addition of any flavorings. In addition, the orders require that manufacturers report the total units sold and total dollar sales for each cigar variety. This information should be useful in determining the sales trends for different cigar types and sizes, the FTC said.

The orders -- referred to by the Commission as Orders To File Special Report -- were sent to Consolidated Cigar Corporation, Swisher International, Inc., General Cigar Co., Inc., Havatampa Incorporated, and John Middleton Incorporated. The Commission indicated that the data will be disclosed in aggregate form only, and that privileged or confidential commercial or financial information will not be disclosed without a company's consent.

The Commission's vote to issue the orders was 4-0, with Commissioner Mary L. Azcuenaga not participating.

Copies of the "Orders To File Special Report" will be available shortly from the FTC's web site at <http://www.ftc.gov> and also from the FTC's Consumer Response Center, Room 130, 6th Street and Pennsylvania Avenue, N.W., Washington, D.C. 20580; 202-326-3128; TTY for the hearing impaired 202-326-2502. To find out the latest news as it is announced, call the FTC NewsPhone recording at 202-326-2710.

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(FTC File No. 972 3100)
(cigar)