

VIII. YOUTH MARKETING

Young people are critical to the continued success of the tobacco industry, and youth smoking is a particularly challenging problem in Texas. A 1991 report found in the industry archives noted the *American Journal of Public Health* reported that Texas teens buy about \$38 million in cigarettes each year. These purchases contribute more than \$8 million in state and \$4 million in federal cigarette taxes. The '91 report set the number of underage smokers between the age of 12-18 at approximately 200,000 – second only to California [youth/tx_history.PDF/p.2]. Therefore, we believe youth marketing deserves a section of its own. We demonstrate in previous sections that a “youth” theme runs though most tobacco advertising – as we were unable to uncover a single tobacco advertisement or program designed for the nation’s senior citizens.

In the early 90s, Jack Dillard, director of PM U.S.A. Government Affairs overseeing the Texas region, summarizes the company’s public position regarding youth smoking:

“Philip Morris strongly supports the current state law prohibiting the sale of cigarettes to minors. In 1989, we advocated the passage of legislation in Texas which raised the legal age for purchasing cigarettes from 16 to 18 years of age. We firmly believe that a decision to smoke, or not to smoke, is a choice which should be made only by adults. [youth/youth_access_speech.PDF/p.1]

Health advocates question the sincerity of Dillard’s statement as nearly nine of ten smokers take up the practice while in their underage teen years. Tobacco industry research compares beginning smokers for both males and females by brand family. Their studies show that, in the mid-50s, few smokers selected Marlboro to be their brand of choice. By 1980, over 40 percent of beginning female smokers were joining the Marlboro family; nearly 50 percent of male smokers were choosing Marlboro as their initial brand [see promotions/beg_smoker_female.PDF & promotions/beg_smoker_male.PDF].

While industry spokespeople such as Dillard claim the companies do not target kids, there is no alternative explanation for the growing popularity of Marlboro. Philip Morris continues to support activities where a large percentage of participants are teens and young adults. As soccer exploded among the nation’s kids, Philip Morris became a major sponsor of soccer events. Social research shows Hispanics pay more attention to advertisements run in Spanish; Philip Morris quickly produced sexy, youthful ads in this native language. Tejano music captures a unique culture found only in Texas and the surrounding southwest. This music encompasses all generations. Philip Morris became heavily involved with the promotion of Tejano music.

As shown in the previous section, industry research shows music is the most direct way to the heart and souls of youth – whether in the U.S. or around the globe. While the tobacco industry claims they do not target individuals under the legal age to smoke, the historical record plays a different tune.

A. The Fountain of Youth

Elizabeth Butson gave a corporate presentation at the Philip Morris EEC Marketing Conference in 1984. The theme of her talk was “The Challenge of Staying Younger Than We Are.” Philip Morris, as a company, seeks the *Fountain of Youth*. For the Marlboro brand, it is critical to retain a “youthful” image. Butson adds”:[youth/fountain_of_youth_84.PDF]

“So far so good. We can all sleep well. The Marlboro demographics in the U.S. look very good. In fact, for a 29-year old brand, they look fantastic. A quick look at some key markets shows us that the profile is very good in international markets as well...” [p.1]

“This means that our star product, Marlboro, its packaging, its advertising, is still relevant to the market. It appeals to young people. We must be doing something right...” [p.3]

“Will the Marlboro Cowboy, the way we know and love him, be as appealing to young people as he is today? Or will the young males and females of the next generation look for something more erotic, less symbolic? Less Perfect?” [p.3]

“All I am saying is that because of changing values in our society, it is important that we stay in tune with the youth market. This is an important market. We have to reach for it with all our products, not just for Marlboro.

For this reason, it is critical that we remain fresh, contemporary. That we keep looking for new ways to communicate our message.

Is today’s youth different than ours? The answer is yes.

A basic difference for example is that today’s youth is mainly audiovisual and computer literate.

Young people react more to music and images rather than print. They are perceptive, discriminating and sensitive to information. They look for credibility as well as status...” [p.4]

“Since the number of working mothers has increased, young people participate in family shopping and often influence their parents buying habits. They form brand loyalties early [underlined in original].

My 13-year old son the other day told me that if I bought Cascade instead of the A&P dishwasher detergent my glassware would be spotless. He will only use Heinz Tomato Ketchup and Hellmann’s Mayonnaise. He will only wear Nike sneakers. He and his peers believe in the quality of the product through its advertising and reach out for branded products rather than unbranded products. They believe in quality advertising. They don’t like repetitious commercials. They believe in image and information.

Several studies in the U.S. indicate that 40-50% of young people stay faithful to the brands they selected in their teens, at least 5-6 years of their adult life. This is a long time to hold on to a consumer.

Research also indicates that 2 out of 3 young people make brand decisions before they are 16.

Smart marketers, therefore, are tapping the youth market in order to establish buying habits and brand loyalties which will be carried forward into adult years.” [p.5]

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"What then turns on young people in terms of advertising? Sex, technology, surrealism, but most of all music..." [p.6]

[Provides examples of ads]

"And last but not least, I'd like to talk to you about the effective way of using music to reach the youth market.

Music tickles the senses. Music gets young peoples attention. It sets the brand apart. It helps remind the name and promise. It sets the right atmosphere. It gives continuity to advertising. It attracts young audiences. It has no cultural boundaries. It has universal appeal. Top hits in this country are likely to be top his in other world markets.

The use of music to sell a product is nothing new. The Marlboro music certainly set the brand apart. It was unique and memorable..." [p.7]

"Today, Marlboro stripped from television and radio in most major markets has used country music effectively in the U.S., Germany, and Switzerland.

In the U.S., the year round tour includes some of the hottest music stars, the most sophisticated video projection system and a local talent competition. Ronnie Milsap, Barbara Mandrell, Ricky Skaggs, and other top stars are featured..." [p.8]

"Important as it always has been, music is even more important today [emphasis in original], especially when we are thinking of the youth market. This is why major advertisers are turning to radio, cable TV and concert sponsorships to reach their audience.

In the U.S.A., 99% of the youth market tunes in to radio. This percentage must be just as high in other world markets..." [p.9]

"In the U.S., FM radio is the most efficient medium to reach young people, since they listen to FM 75% of the time. Kraft, Chrysler, Johnson & Johnson, Jovan are among the many advertisers using this medium effectively. When Coca-Cola was recently offered to sponsor a music hour on television for \$1.5 million, they refused and opted for 12 \$50,000 90-minute concerts on radio..." [p.10]

"In the Latin American region, Lark in Ecuador successfully completed a national popular song festival. The 'Palmares Lark,' patterned after the Oti Festival, with regional amateur winners competing in front of a live audience, a jury and prime unpaid TV coverage..." [p.13]

"Before we close I am going to take a couple minutes of your time to show you as the finale a Chesterfield music video which has been recently put together by our Charles Steward office for use in Europe and Latin America. The material is provided by the record companies and the brand identification can be individually tailored, according to each market's needs. This video can be used in disco and clubs for a reasonable fee. In an era where traditional media is less and less available to us, Chesterfield video time is a new way for us to put our message across. It is visually exciting. It is contemporary. It appeals to the youth market." [p.17]

"And now, sit back and relax. Pretend you are back at school and tune in.

It may be the least painful and certainly entertaining way of staying younger than we actually are – after all, we are in the business of selling pleasure and entertainment. So enjoy!" [p.18]

B. Brand Success

A 1973 CONFIDENTIAL letter to R.J. Reynolds from the advertising agency of William Esty Company provides a comprehensive description on the youth smoking issue:

"As you know, the October 1972 NFO provides demographic data on 14-20 year-old smokers. There are a number of significant WINSTON-Marlboro preference share trends apparent in this data...

1. The top 5 brands (Marlboro, Kool, WINSTON, SALEM, Tareyton) account for 78.7% of the total 14-20 market. The remaining 45 brands account for only 21.3% and all have a preference share of 1.7% or below. [Underlined in original]

2. While Marlboro preference share is 38.5% versus WINSTON's 14.2% among 14-20 year-old smokers, in another focus, Marlboro's share is about equal to the share of the next 4 leading brands. [Underlined in original]

3. Only Marlboro, WINSTON and Kool enjoy preference shares in this age group higher than those in the total national sample of all smokers. All other brands perform poorly against this group in terms of preference share...

The most intriguing aspect of the performance of these three brands is the progression of preference share through the 14-15, 16-17, 18-20 age segments.

1. Marlboro's share among the 14-15 segment is phenomenal 51.0%. It drops off steadily to 33.5% among 18-20 and 21.3% among the 21-24 group...

Many manufactures have 'studied' the 14-20 market in hopes of uncovering the 'secret' of the instant popularity some brands enjoy to the almost complete exclusion of others (as show above). Creating a 'fad' in this market can be a great bonanza. To date, success, if it comes, has often been a function more of luck than of prior marketing perception.

The progression of Marlboro preference share from 50% at 14-15 to 21% at 21-24, while an indication of that brand's great popularity among young people, is also a clear signal of the 'in' status the brand enjoys among them. This has been confirmed in the recent series of group sessions we conducted. However, it does appear that maturity and broadened experience have a definite affect of the reduction, over time, of Marlboro's astounding popularity among the 14-15 age group. [Handwritten: *Why? Can't use this data to support that Marlboro's popularity declines as smoker gets older – just that right now Marlboro isn't as popular among older types (unreadable)!*]

The fact that WINSTON is only one of the three significant contenders in the 14-20 age segment is also a strong indication that we definitely do not have an 'old' image among these smokers...

Conclusion

While WINSTON's position among the young adult age group can certainly be improved, all the data we have in hand does not paint as black a picture versus Marlboro (or 45 other brands) as we may sometimes feel due to our current preoccupation with the 'youth' market." [youth/NFO_preference_share_youth.PDF/p.1-3]

C. The Decline of Marlboro Red

Earlier in this report, we demonstrated the importance of Marlboro cigarettes to the general welfare of Philip Morris, as the brand is the company's "crown jewel." When the U.S. economy suffered a recession in the early 1970s, sales of Marlboro took a corresponding downturn. Philip Morris executives conducted indepth research looking for solutions to the trend. The following document shows Philip Morris ruled out the hypothesis that "nicotine reductions" were causing the problem. In their opinion, the decline in Marlboro sales stemmed largely from the diminishing number of Americans, ages 15-19 [see youth/red_decline.PDF].

"The Decline in the Rate of Growth of Marlboro Red [underlined in original]

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

In view of my fields of interest, it should come as now surprise that I chose to investigate the economic and demographic factors that could be responsible for the decline in Marlboro's rate of growth. Indeed, I treated these factors in my 1975-80 Economic Forecase. It was my contention that Marlboro's phenomenal growth rate in the past has been attributable in large part to our high market penetration among younger smokers and the rapid growth in that population segment. I pointed out that the number of 15-19 year-olds is now increasing more slowly and will peak in 1976, and then begin to decline. I also hypothesized that Marlboro would be particularly vulnerable to the recession.

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

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

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

Demographics

It has been well established by the National Tracking Study and other studies that Marlboro has for many years had its highest market penetration among younger smokers. Most of these studies have been restricted to people age 18 and over, but my own data, which includes younger teenagers, shows even higher Marlboro market penetration among 15-17 year-olds. The teenage years are also important because those are the years during which most smokers begin to smoke, the years in which initial brand selections are made, and the period in the life-cycle in which conformity to peer-group norms is greatest" [p.1].

"It seemed reasonable to believe, therefore, that there should be a relationship between the number of 15-19 year-olds and Marlboro sales during the period of Marlboro's rapid growth. I started running some correlations and found some interesting relationships, all significant at better than the .005 level:

1. The correlation between Marlboro sales and 15-19 year-olds as a proportion of total population is .993. Projected into the future, this shows Marlboro sales peaking in 1976 and then beginning a decline.
2. The correlation between Marlboro sales and the 6 of 15-19 year-olds is .996. Projected, this shows Marlboro sales peaking in 1976 and then declining" [p.2].

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3. "The correlation between Marlboro share of market and 15-19 year-olds as a proportion of total population is .9997. Projected, this shows a 12.08% share of market for 1975, a peak of 12.21% in 1976, and then a decline.
4. The correlation between Marlboro market share and the number of 15-19 year-olds is .99985. Projected, this shows Marlboro market share peaking at 12.92% in 1976 and then declining" [p.2].

"...I began investigating year-to-year changes in the relationship of Marlboro sales and teenagers. Again, I found some interesting results:

1. The correlation between percent change in the number of 15-19 year-olds and the change in Marlboro market share is .963. This shows Marlboro market share peaking at 13.34% in 1978 before beginning a decline.
2. The correlation between change in the number of 15-19 year-olds and the change in Marlboro market share is .971 and shows Marlboro peaking in 1978 at a 13.40% share of market and then declining.
3. The correlation between percent change in the number of 15-19 year-olds and the present change in Marlboro sales is .987. A projection of this relationship shows Marlboro sales peaking at 94 billion units in 1979 before declining.
4. The correlation between change in the number of 15-19 year-olds and the percent change in Marlboro sales is .998 and also shows Marlboro peaking at 94 billion units in 1979.

While these correlations are certainly more favorable for Marlboro's future than the correlations of time-series data, they also show that heavy reliance for sales on an age group that is declining in number is dangerous" [p.2-3].

Myron Johnson continues his analysis of the future of Marlboro. He rhetorically poses the following, "The question, then, is why things fell apart in 1974?" Johnson answers by demonstrating the recession that plagues the nation also contributes significantly to the company's woes. He notes the recession does not explain the problem entirely:

"This [the recession discussion] still leaves some of the gap to be accounted for, and does not explain why Marlboro market share is below the regression line. In my economic forecast, you may recall I said that Marlboro was particularly vulnerable to the effects of the recession because the highest unemployment rates are among the younger age groups, precisely the groups in which Marlboro's market penetration is highest. In the first quarter of 1975, the unemployment rate of persons 16-19 years-old was 20.4 percent, the highest it has been since the Bureau of Labor Statistics began compiling rates by age in 1948" [p.3].

"...Marlboro smokers, being on the average considerably younger than the total smoking population, tend to have lower than average incomes. Thus, I would expect a disproportionately larger number of Marlboro smokers to quit smoking or reduce daily consumption. In addition, young smokers are less habituated than older smokers, and can therefore probably quit or cut down more easily than an older smoker. Furthermore, many teenagers who might otherwise have begun to smoke may have decided against it because of the adverse economic conditions" [p.4].

Mr. Johnson recognizes the recession will inevitably end and predicts that as the nation's economy improves, so will sales of Marlboro. He cautions:

"Because of the decline in the number of young people, however, I expect Marlboro's rate of increase to continue to decline" [p.5].

More importantly, Johnson points out what he considers to be "a much more serious factor" concerning the future sales of Marlboros

"Changing Brand Preferences of Young Smokers

A much more serious factor is the apparent decline in Marlboro's popularity among the young, as reported in the College Student Smoker Survey. Since this survey did not also sample the 70 percent of 18-22 year-olds who are not enrolled in college, we do not know if the results of the survey are projectable to the total population aged 18 to 22. One suggestion that it is not projectable is the reported incidence of smoking: The College Student Smoker Survey shows a decline in the incidence of smoking for both sexes from 1968 to 1974, but data for 17-18 year-olds from the National Clearinghouse, as well as data from the National Panel, show that college students are less likely to smoke than people of the same age who are not in college. Thus, the decline in incidences of smoking may well be true only of college students. It may also be true that the decline in Marlboro's popularity among 18-22 year-olds is also only a college phenomenon.

Nonetheless, there is cause for concern, partly because college students do constitute a significant share of the Marlboro market, and partly because college students' behavioral and attitudinal patterns tend to carry over to non-college youth with a one-to-three year lag, as noted in various Yankelovich studies. Thus, the decline in the popularity of Marlboro Red among younger smokers will probably continue and, thus, further reduce its rate of growth [underlined in original, p.5].