

1 time due to extreme brand loyalty and rate per day increases.” 507241613-1838 at 1617 (U.S. Ex.
2 20,774).

3 This is significant because it shows that R.J. Reynolds knew the majority of starters were
4 teenagers. It coined the term FUBYAS – “First Usual Brand Young Adult Smokers” – as a
5 substitute for saying new smoker. But the key to success R.J. Reynolds is setting out is clear. Get
6 the young entrants, have brand loyalty work in your favor, and have them smoke more as they grow
7 old, that is the way to build a successful brand.

8 **Q. What conclusions do you draw from the R.J. Reynolds documents above?**

9 A. They show that R.J. Reynolds recognized that attracting teenagers to its brands – before they
10 were smoking a competitive brand – was key. R.J. Reynolds also recognized that the majority of
11 people who would eventually be smokers were already “taken” by one brand or another by the time
12 they reached age 18. As just mentioned, less than one-third of smokers start after 18, so to tap the
13 market a tobacco company had to follow a principle R.J. Reynolds suggested in 1984: “attract a
14 smoker at the earliest opportunity. . .” 502033136-3157 (U.S. Ex. 49,017).

15 **Q. Did other tobacco companies hold similar views about the importance of the teenager?**

16 A. Yes. Philip Morris recognized that success with teenagers today positioned the brand well
17 for the future. In a March 31, 1981 research report entitled “Young Smokers: Prevalence, Trends,
18 Implications, and Related Demographic Trends,” Myron Johnston stated “[t]oday’s teenager is
19 tomorrow’s potential regular customer, and the overwhelming majority of smokers first begin to
20 smoke while still in their teens.” He also noted the origin of the “success of Marlboro Red . . . [it]
21 became the brand of choice among teenagers who then stuck with it as they grew older. . .”

22 1000390803-0855 at 0808 (U.S. Ex. 22,334).

23 **Q. What is the importance of this document?**

3:46:56 1 laughing at the fact that I was walking around
3:47:02 2 disconnecting my oxygen mask so I could smoke. I
3:47:08 3 commented to him that I see none of you from the ad
3:47:12 4 agency or R.J. Reynolds smoking. I said, Why?
3:47:22 5 Dale Zane looked at me and said, We don't
3:47:24 6 smoke the [REDACTED] We just sell it. We reserve the
3:47:30 7 right to smoke for the young, the poor, the black and
3:47:32 8 the stupid.

3:47:44 9 Q Do you recall his saying anything else at
3:47:46 10 that time?

3:47:54 11 A Something to the nature that nobody should
3:47:54 12 be smoking, but it was not directed to me because of
3:48:02 13 the oxygen. Something -- and I could be wrong in my
3:48:08 14 recollection, if it came from him or Amele Dospenso
3:48:16 15 because at that point we were no longer allowed to
3:48:22 16 smoke while hooked up to oxygen.

3:48:22 17 Q And I take it the reason you were taking
3:48:28 18 oxygen was it must have been because of the altitude
3:48:34 19 of Mount Evans Colorado?

3:48:36 20 A As I believe it to be, yes.

3:48:38 21 Q You were up in the mountains, I take it?

3:48:40 22 A Plus being a heavy smoker and being at the
3:48:44 23 altitude that I was.

3:48:44 24 Q I mean, somebody had brought oxygen along.
3:48:48 25 I assume that you hadn't requested that they bring

fightwithFACT.com

INTERIM COURT REPORTING
(800) 308-DEPS (3376)

MARKETING INNOVATIONS, INC.

SCARBOROUGH HOUSE, BRIARCLIFF MANOR, N.Y. 10510, USA • PHONE (914) 762-3030

CONFIDENTIAL
PURSUANT TO COURT ORDER

BROWN & WILLIAMSON TOBACCO CORPORATION

PROJECT REPORT

September, 1972

PROJECT: Youth Cigarette - New concepts

MARKETING INNOVATIONS' SUGGESTIONS:

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

COLA-FLAVOR

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

APPLE FLAVOR

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

SWEET FLAVOR CIGARETTE

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

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

021635

fightwithFACT.com

170042014

TABLE 2C

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 2002-2005 (DOLLARS IN THOUSANDS)*

	2002	2003	2004	2005
Newspapers	\$25,538 0.2%	\$8,251 0.1%	\$4,913 0.0%	\$1,589 0.0%
Magazines	\$106,852 0.9%	\$156,394 1.0%	\$95,700 0.7%	\$44,777 0.3%
Outdoor	\$24,192 0.2%	\$32,599 0.2%	\$17,135 0.1%	\$9,821 0.0%
Transit	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Point-of-Sale	\$260,902 2.1%	\$165,573 1.1%	\$163,621 1.2%	\$182,193 1.4%
Price Discounts	\$7,873,835 63.2%	\$10,808,239 71.4%	\$10,932,199 77.3%	\$9,776,069 74.6%
Promotional Allowances – Retailers	\$1,333,097 10.7%	\$1,229,327 8.1%	\$542,213 3.8%	\$435,830 3.3%
Promotional Allowances – Wholesalers	\$446,327 3.6%	\$683,067 4.5%	\$387,758 2.7%	\$410,363 3.1%
Promotional Allowances – Other	\$2,767 0.0%	\$2,786 0.0%	\$1,323 0.0%	\$1,493 0.0%
Sampling Distribution	\$28,777 0.2%	\$17,853 0.1%	\$11,649 0.0%	\$17,211 0.1%
Specialty Item Distribution – Branded	\$49,423 0.4%	\$9,195 0.1%	\$8,011 0.0%	\$5,255 0.0%
Specialty Item Distribution - Non-Branded	\$174,201 1.4%	\$254,956 1.7%	\$216,577 1.5%	\$225,279 1.7%
Public Entertainment – Adult-Only	\$219,016 1.8%	\$150,889 1.0%	\$140,137 1.0%	\$214,075 1.6%
Public Entertainment – General-Audience	\$34,089 0.3%	\$32,849 0.2%	\$115 0.0%	\$152 0.0%
Sponsorships	\$54,247 0.4%	\$31,371 0.2%	\$28,231 0.2%	\$30,575 0.2%
Endorsements & Testimonials	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Direct Mail	\$111,319 0.9%	\$92,978 0.6%	\$93,836 0.7%	\$51,844 0.0%
Coupons	\$522,246 4.2%	\$650,653 4.3%	\$751,761 5.3%	\$870,137 6.6%
Retail-Value-Added – Bonus Cigarettes	\$1,060,304 8.5%	\$677,308 4.5%	\$636,221 4.5%	\$725,010 5.5%
Retail-Value-Added – Non-Cigarette Bonus	\$24,727 0.2%	\$20,535 0.1%	\$14,343 0.1%	\$7,526 0.0%
Company Website	\$940 0.0%	\$2,851 0.0%	\$1,401 0.0%	\$2,675 0.0%
Internet – Other	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Telephone	\$679 0.0%	\$760 0.0%	\$346 0.0%	\$59 0.0%
Other**	\$112,879 0.9%	\$117,563 0.8%	\$102,369 0.7%	\$99,025 0.8%
Total	\$12,466,358 100.0%	\$15,145,998 100.0%	\$14,149,859 100.0%	\$13,110,958 100.0%

fightwithFACT.com

* Because of rounding, sums of percentages may not equal 100 percent.

** Expenditures for audio-visual are included in the "All Others" category to avoid disclosure of individual company data.