

## The History of Marlboro

### The Early Years

Back in 1954 the cigarette industry was dominated by non-filter brands such as Camel, Lucky Strike, Chesterfield and Pall Mall. In fact, the non-filter segment accounted for 90% of all cigarettes sold in the U.S. during the early fifties.

Marlboro, on the other hand, was one of those non-filtered cigarettes that made up part of the other 10% of volume at the time. It was an extremely mild cigarette liberally blended with Turkish tobaccos and had been in existence since 1924. Positioned as a women's cigarette, the Marlboro of old came with a choice of ivory or red "beauty tips", that, among other things, helped to mask lip-stick traces.

Advertising for the brand claimed that Marlboro was as "Mild as May", and that, smokers need never feel "oversmoked" with a Marlboro. The brand held less than one quarter of one percent market share. At the time, there were only six other filter brands available: L&M, Parliament, Tareyton, Viceroy, Winston and Kent.

### Enter the Red Roof and Leo Burnett

In 1954, Philip Morris saw an opportunity to enter the filter segment with a new Marlboro blend. It was stronger, more flavorful and cork-tipped - all appealing to male consumers. The new Marlboro came wrapped in a revolutionary new package: the now famous flip-top box. It was bold, masculine and eye catching with its red *and white stripe* design. The flip-top box was the first major change in packaging in over 40 years. After test marketing, Philip Morris knew they had a winner, and immediately patented its design.

To reintroduce this cigarette, Philip Morris chose a new advertising agency: the Leo Burnett Company of Chicago. At the time, Leo Burnett was a considerably small agency, especially when compared to the larger shops on Madison Avenue in the Big Apple. Philip Morris executives loathed the Madison Avenue agency-types. They wanted a company with more grassroots. They had seen work produced by small agency in Chicago called the Leo Burnett Company, and although Leo was already a legend in the advertising community, it was his this work and Leo's humble, midwestern charm that attracted Philip Morris.

One of the first contributions Leo made to the Marlboro business was to recommend a change in the product's packaging to the now infamous "red roof" design known throughout the world. It was a risk to suggest changes to packaging (removal of stripe, capitalization of branding) - afterall, PM was only looking for advertising for the brand. But his suggestions were an instant smash with the folks at Philip Morris. That very same day, Leo met with Philip Morris executives, who, at his request, had spent the night in Chicago, to unveil our very first ad for Marlboro, created in less than 24 hours out at Leo's farm.

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The ad featured a cowboy, chosen because he instantly connoted a recognizable masculine symbol. The ad seemed to have all the elements of a big idea-going for it - an appeal to the largest segment of the smoking population - men - with the heroic figure of the cowboy, and the bold new packaging. Copy introduced the brand as a new entrant from Philip Morris that "delivers the goods on flavor." It was an instant success. In fact, Leo and PM executives were so pleased with this first attempt that it ran, virtually unchanged, as the very first Marlboro ad from Leo Burnett.

### **Sales Begin To Take-Off**

In less than 30 days, Marlboro became the number one brand in greater New York. It passed all other brands - a notable achievement considering that Philip Morris, at the time, was the smallest company in the cigarette business.

Although the very first ad featured a cowboy, the "you get a lot to like" campaign in 1955-56 also featured many different kinds of men: they were strong and masculine, worked at interesting, action-filled occupations, and wore tattoos that hinted at romantic pasts.

With growing public awareness and acceptance of the Marlboro Men, sales took-off, from a mere 18 million cigarettes in 1954 - to 6 billion in 1955 - to more than 20 billion in 1957, when Marlboro sold three times as many cigarettes *in a day* as in the *entire year* of 1954.

Through the late fifties the campaign evolved several more times from "Where's there's a man, there's Marlboro" in 1957 to the "Settle Back" series, in which our Marlboro Men were seen relaxing and enjoying their cigarettes. For a time, ads even featured athletes like Paul Hornung of the Green Bay Packers, with PM one of the first sponsors of professional football.

Within just a few years, the creative concept of the Marlboro Man and what he stood for had been firmly established. He had attracted millions of smokers to the cigarette that "delivers the goods on flavor". And because the product lived-up to that promise, Marlboro was well on its way to becoming the greatest success story in tobacco and marketing history.

### **The Marlboro Man Finds An Identity & A Home**

By 1962, however, the Agency found ourselves asking just who was this Marlboro Man. At the time he was represented by a mixture of diverse and appealing types, but as such, we desired a single, simpler expression of masculinity. The solution was found in the American Cowboy...the very first and original Marlboro Man.

In a world that was becoming increasingly complex and frustrating for ordinary folk, the cowboy represented an antithesis: a man, whose environment was simplistic and relatively pressure-free and whose lifestyle represented the American ideal.

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And in 1963, Leo felt the need to give this man a home: a greater, vast place: Marlboro Country. He showed up in New York, in Yankee Stadium and against backdrops of other great American landmarks. We wanted to say that wherever men smoked for flavor, *that was* Marlboro Country.

The final refinement in the evolution of the campaign was to put the cowboy in his own true world - the American West. This natural world was as rugged and dramatic as he was. And against this backdrop, he became even more believable and more heroic.

#### Sales Continue to Soar, Despite The Absence of Television

Spurred by this powerful and appealing combination of elements, Marlboro sales grew at an even faster pace during the 1960's. From the introduction of Marlboro Country in 1963, the average increase for the rest of the decade was more than 10 percent per year.

The strength and staying power of the Marlboro idea was again demonstrated when cigarette advertising was banned from television in 1971. Prior to the ban, television had been the major medium for most cigarettes, including Marlboro. Without TV, some brands suffered. But the Marlboro Man and Marlboro Country were so firmly established that a smooth transition from broadcast to print and outdoor was accomplished.

In the place of memorable commercials came a continuing series of powerful portraits, sweeping vistas and action-filled moments-in-time.

#### Marlboro Extends Its Line-Up

"Marlboro Country" had become part of America's mental geography. With this consistent presentation of a single-minded image, the Marlboro Man had been established with the American smoker...and Philip Morris had built a solid foundation upon which they could expand and line-extend in order to take advantage of changing consumer tastes and attitudes.

So in 1966, full flavor Marlboro Menthol was launched in a King-sized soft pack using Marlboro Country photography of a greener, lusher nature to reinforce the menthol benefits of a cool, fresh, smooth smoke.

In 1967, along came Longhorns 100s (later called Marlboro 100s). A new, longer length, full flavored brand with a gold "red roof" design.

As we moved into the early seventies, full flavor demand began to somewhat stabilize due to consumer's interest in tar and nicotine content. Spurred by consumer demand and local threats of the implementation of "tar and nicotine" taxes, Marlboro launched its most successful line extension ever - Marlboro Lights. A low tar companion for the cigarette that stands for flavor.

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With the introduction of Marlboro Lights, the brand's character expanded into slightly softer, more gentle imagery, all the while utilizing the familiar, consistent themes of the roof, the cowboy and the country.

#### Marlboro Becomes the #1 Selling Cigarette

During this time the brand grew significantly and 1975 Marlboro overtook Winston to become the #1 brand in the U.S. and by 1982 Marlboro Lights had established itself as the #1 selling low tar cigarette.

#### Marlboro Racing Hits The Circuit

In 1986, Marlboro Racing began, proving that the Marlboro concept could be successfully extended into other equities consistent with the theme of heroic masculinity. Racing, as well as other promotions began to add more value to the trademark, and have helped to further expand the world of Marlboro in consumer's minds. In 1990, Marlboro left Patrick racing to team-up with Roger Penske to form Marlboro Team Penske. They began competing on the Indy Car tracks, creating excitement for the brand by becoming one of the most-recognizable and successful teams in the series.

#### Line Extensions Continue

Over the years, Marlboro continued to use line extensions to support and address more changes in consumer's tastes and attitudes, creating "new news" for the brand...and fueling it growth.

In 1988, Marlboro launched yet another line extension in the Menthol category, but this time with a Lights product to capitalize on the fast growing low tar segment. New advertising for the Marlboro Lights Menthol brand was still in brand character and yet was distinctive enough to separate and break-through the clutter to announce to consumers that there was, yet again, another new product in the marketplace. The advertising featured dramatic photographs of horses charging through water in lush green areas of Marlboro Country.

By 1990, *Financial World* magazine was touting Marlboro as the most valuable brand in the world.

#### Discount Brands Begin To Emerge

The 1980's and 90's were a time a big change in the U.S.; a decade of extravagance led to a decade of economic concern and value consciousness. Private label products, never that popular among American consumers, became acceptable and even preferred, thus leading to price promotion from many brand-name products across many categories.

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### Marlboro Launches Largest Value-Added Program - Adventure Team

Although Marlboro still had the lion's share of the cigarette market (62% of PM's cigarette volume), it began to experience heightened competition from the discount segment in the late 80's. In an effort to combat these aggressive pricing tactics, PM responded to these pressures by adjusting the value equation and leading a renewed investment in retail visibility and "mega" consumer promotions. With that, a value-added continuity program called the Marlboro Adventure Team (MAT) was launched.

MAT's primary objective was to reduce outswitching by rewarding loyal Marlboro smokers with high-quality MAT 'gear' in exchange for package UPC's, or MAT 'miles' as they are known to consumers. Marlboro smokers also entered a sweepstakes to win a once-in-a-lifetime, action and recreation trip through Marlboro Country.

MAT was hugely successful, yet despite its efforts, market conditions in early 1993 dictated the need for an even more aggressive measure to regain valuable category share points (valued at approximately \$500MM per point).

### Marlboro Friday - PM Slashes Price

In January, 1993, Marlboro volume continued to erode to a 22.0 share (off by 4 points). PM was forced to take action. On the marketing front, the MAT was well on its way to becoming the largest and most successful consumer promotion ever launched. However, MAT was evidently not enough for consumers to justify the 93% price gap between Marlboro's premium price and the lowest-priced discount brands. Smokers continued to leave the franchise and trade-down to discounts, leaving PM no other options than to reduce the price gap between Marlboro and discounts to a more reasonable and acceptable consumer threshold of between a 40% and 45% price differential.

On April 2, 1993, in what has become known as "Marlboro Friday", PM announced price cuts of almost \$.40 per pack on the entire Marlboro line. Other premium brand manufacturers followed Marlboro's lead and reaction on Wall Street was swift and widespread as PM and other tobacco manufacturers' stock nose-dived. The effects of the Marlboro price reduction were more widespread than anyone had anticipated. In fact, the effects were so severe that several other non-tobacco related packaged goods' manufacturers' stock prices also began to fall. The future of premium brand products, the media predicted, was sure to be dying.

### Onward and Upward and Another Milestone

Fortunately, the price cuts were effective. Consumers quickly returned to Marlboro, given that it was easier for them to justify the more modest price gap. Marlboro was able to recover lost premium brand share, resume share growth (thereby maintaining Marlboro's equity and scale) and achieve steady and long-term profit growth. In fact, as March '95, Marlboro is currently at its highest share in the history of the brand at 30.7 pts. In addition, discount share has declined (including PM's discount brands), allowing PM to enjoy stable growth on its more profitable premium brands.

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### Marlboro Launches Country Store & Others

The success of the MAT program and overwhelming positive consumer response led to yet another continuity program: The Marlboro Country Store, which again gave consumers the opportunity to own a piece of Marlboro Country by collecting miles. Currently in its second phase, the success of this program has proven to maintain consumer loyalty and has virtually ensured the continuation of similar programs for years to come.

Together, these tremendously successful promotions, along with others such as the Marlboro Van and "Best of the West" sweepstakes, have helped to expand the image of Marlboro and of Marlboro Country, creating a world that's bigger than it was before, while remaining true to the core values that firmly established the brand...freedom, independence and masculinity.

### Yet More Line Extensions

True to its commitment to satisfy consumers changing tastes, Marlboro continues to explore new areas to expand its business. To that end, PM developed **Marlboro Mediums** in 1991, offering low tar conscious consumers (who desired a more masculine image than Lights) a choice between Marlboro and Marlboro Lights. Ads for Mediums focused on using cowboy gear and props as a backdrop for a new, arresting and masculine red roof designed package. Finally, Marlboro also offers **Marlboro Ultra Lights** on a limited basis in three markets. Because of Ultra Lights possible lack-of-fit within the more masculine portfolio of Marlboro products, the brand will most likely not roll-out nationally.

### Marlboro Dominates

To give you an idea of just how dominant Marlboro is, and the magnitude of its leadership, Marlboro is two and a half times larger than its nearest competitor - Winston. It is the most valuable brand in the world.

In fact, if we look at the top ten packings, all of the non-menthol Marlboro packing's: Reds (full flavored), Golds and Lights, King Size and 100s, all individually rank within the top ten. It simply doesn't matter how you slice-up the industry, Marlboro is the #1 brand...

- Among Full Flavor smokers
- Among Lights smokers
- Among Box smokers
- Among Soft pack smokers

As you might expect, Marlboro has the largest share of male smokers. What you may not expect, nor understand completely at this time, is that it also has the lion's share of female smokers. It just goes to show how universally appealing the brand image is.

Additionally, not only does the brand appeal across the sexes, it also transcends age. Marlboro is the brand of choice among today's young, legal age adult smokers - the future of the franchise.

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### The Future Of The Brand

The marketing and advertising of Marlboro cigarettes is a constant challenge. Consumers have come to expect "new news" from the brand, and Philip Morris and Leo Burnett keep right on delivering.

Marlboro's ongoing evolution and expansion of a single idea has resulted in the most successful, enduring and recognizable campaign in the history of advertising. It has kept the brand alive, vital, and aspirational, while remaining compelling and relevant thorough the years.

Alex, the obvious question you may be asking yourself is, "what's left to possible do"? To that end, we have to be mindful of the legacy that been passed on to us. We continue to explore and expand our boundaries and as a recent PM executive put it "never get stuck in the hoof prints". Anything goes in terms of exploring and seeking our new ideas - so long as they are in brand character and fit a strategic purpose - and there is always a new level to which we can rise. If you doubt that, there are some very exciting and innovative new concepts currently in development, all of which I'll share with you once your on-board.

### In Closing

So this is its story. It's a text book case of how a good product, a good package, a good advertising campaign, a good read on market trends and an aggressive commitment to excellence and innovation on the part of Philip Morris and Leo Burnett can build a brand from less than a quarter of one percent market share to the best selling consumer packaged good in the world.

But more than that, the Marlboro Man has become a symbol of the American Ideal...a man that other men would like to be like - a kind of man that women would like to be with. He is the quintessential "man's man" and similarly, Marlboro Country is not just a geographical location, it's a state of mind.

Marlboro is more than just another cigarette brand - it has become part of the American culture. It has a personality all its own and smoker's see the brand as their friend - a badge they're proud to wear and lay down on the bar.

As a leading national magazine was quoted to say, "Smoking Marlboro is kind of a psychic down payment on achieving the American Dream".

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MARLBORO PACKING HISTORY

- 1955 Marlboro introduced nationally in flip-top box with cork-tipped "selectrate" filter.
- 1958 Marlboro introduced in soft pack.
- 1958 Marlboro re-engineered to improve filtration.
- 1962 "Marlboro Country" ad slogan is introduced in selected markets.
- 1963 "Marlboro Country" advertising campaign makes its national debut.
- 1965 Cigarette Labelling and Advertising Act requires Surgeon General's Warning on cigarette packaging.
- 1966 Marlboro menthol cigarettes introduced in soft pack.
- 1967 Marlboro 100's launched nationally in Gold soft pack.
- 1967 Marlboro 100's introduced in the flip-top box.
- 1970 Marlboro 100's Red pack test marketed in Seattle and Spokane.
- 1970 Ventilation was added to the Marlboro 100's product.
- 1970 Cigarette companies voluntarily agree to display "tar and nicotine" data in all advertising.
- 1971 (Jan. 2) Cigarette TV and radio ban goes into effect.
- 1972 FTC requires clear and conspicuous disclosure of the Surgeon General's Warning in all advertising.
- 1972 Marlboro Lights introduced in soft pack.
- 1972 Marlboro ends the year as the world's best-selling cigarette.
- 1972 Marlboro 100's Red soft pack test marketed in Oklahoma.
- 1973 The CAB orders commercial airlines to separate smokers and non-smokers.
- 1975 Marlboro becomes number 1 in U.S. in addition to best seller in the world.
- 1975 Marlboro Menthol Lights test marketed in Green Bay and Grand Rapids.

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