

WILLIAM ESTY COMPANY

INCORPORATED

ADVERTISING

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NEW YORK, N. Y. 10017
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March 8, 1973

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Mr. J. O. Watson
Marketing Department
R. J. REYNOLDS TOBACCO COMPANY
Winston-Salem, North Carolina 27102

Re: NFO Preference Share Data
- "Youth" Market -

Dear Jack:

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, and it is for that reason that we highlight them here prior to their "official" release.

A. General Comments (Exhibit I)

1. 13.1% of total respondents 14-20 were smokers; this compares to a national average of about 30% for all ages.
2. The progression of smoking incidence begins at 3.7% for 14-15 and moves up to 23.1% for 18-20 (28.3% for 21-24).
3. Men (15.0%) are a better developed smoking group than women (10.9%) in this age group.
4. Smoking incidence skews to the under-\$5,000 income groups.
5. The New England (20.5%) and Mid-Atlantic (16.3%) regions have the highest 14-20 smoker development. There is a definite skew also to major metropolitan areas over 500,000.

B. WINSTON-Marlboro Preference Share (Exhibit II)

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.
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.

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B. WINSTON-Marlboro Preference Share (Exhibit II)
[continued]

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.

C. Preference Share Trend by Age Segment (Exhibit III)

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 a phenomenal 51.0%. It drops off steadily to 33.5% among 18-20 and 21.3% among the 21-24 group.
2. Meanwhile, WINSTON's preference share steadily increases with passage through these age segments, ranging from 13.3% in the 14-15 segment up to 14.8% in the 18-20 group and 18.2% in the 21-24 segment.
3. Kool picks up preference share through the 18-20 segment then drops back to national levels beyond 21-24 age group. SALEM improves steadily up to national levels by the time the 21-24 age group is reached.

Discussion

Many manufacturers 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 shown 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 also appear that maturity and broadened experience have a definite affect on the reduction, over time, of Marlboro's astounding popularity among the 14-15 age group.

The fact that WINSTON is only one of 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. Other major brands like Camel, Kent, Pall Mall, Viceroy, L&M, et al. are definitely far below WINSTON's "popularity" among

Why?
Can't use
this data
to support the

Marlboro's popularity declines as smoker gets older - just that right now as base is still so popular among older 40, 41, 42 is not!

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Discussion [continued]

young smokers.

Next Steps

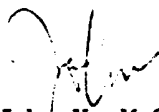
Our recent strategic reviews (updated 2/8) focus sharply on the real need to become more aggressive against young adult males in major metro markets. A media recommendation has already been made to execute this strategy. Creative work is in progress.

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.

Let's discuss.

Sincerely,


John H. McCain

JHMcC/cr

Attachments

cc: Mr. R. E. Simms
Mr. S. C. Wooten, Jr.

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