

Demonstrative 10: Documents Relevant to the Role of Brand Image in Cigarette Marketing

U.S. Exhibit 17,564

Image	Exhibit Number	Bates Number	Document Title	Document Date	Quote or Example
	U.S. Ex. 45,353	2080929994-0053A	Marketing Overview	Contains 1999 data	<p>Defines brand equity as "... a set of assets (and liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product or service." (at 9997)</p> <p>"A Brand's image and emotions it evokes plays a major role in how consumers will <u>perceive</u> and <u>respond</u> to a brand" (emphasis in original). Philip Morris lists four aspects of brand identity: "Brand as Product (Attributes, Quality, Uses); Brand as Person (Personality, Customer Relationships); Brand as Symbol (Brand Heritage, Visual Imagery); Brand as Organization." [emphasis in original] (at 9999, 0000)</p>
	U.S. Ex. 26,080	1000273741-3771	"Smoker Psychology Research - Presented to the PM Board of Directors" by Dr. Helmut Wakeham	November 26, 1969	<p>Helmut Wakeham stated:</p> <p>"Incidentally, another study on this subject demonstrated rather dramatically that the menthol coolness ascribable to our competitor's Kool cigaret [sic] is attributable to its name and brand image rather than the taste of the smoke, <u>per se</u>. When Kool cigaret [sic] was compared to our Marlboro Menthol with the brand identity concealed, menthol smokers, including regular Kool smokers, could not tell the difference. When these same smokers smoked these same cigarets [sic] in their regular packages, most of the menthol smokers chose the Kool cigarette to be the 'cooler' smoking and the Marlboro to be less menthol tasting and more tobacco tasting. [emphasis in original] (at 3745)</p>
	U.S. Ex. 21,566	500686301-6313	Younger Adult Smokers	October 23, 1980	<p>"In fact, I believe the younger adult smokers are even more influenced by brand name than other smokers. Smokers of Marlboro Lights and Camel Lights are not so much smoking fuller flavor low tar brands as they are smoking Marlboro and Camel." (at 6301)</p>

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	U.S. Ex. 21,877	680116947-6968	Viceroy Agency Orientation Outline	1976	Brown & Williamson, aware that brand image was a bigger factor in the perception of cigarettes than were the physical constituents of the cigarette, described the results of blind taste tests in which Winston smokers chose Winston over Viceroy only 55 to 45%, Marlboro smokers chose Marlboro over Viceroy 65 to 35%, Viceroy smokers chose Winston over Viceroy 53 to 47%, and Viceroy over Marlboro 51 to 49%. Brown & Williamson concluded, as I do, that “We firmly believe that smoker’s taste perception is heavily influenced by advertising: i.e., they perceive what they are led to expect.” (at 6955, 6956)
	U.S. Ex. 23,905	2041448063-8214	Untitled Presentation	1996	Philip Morris stated, “Consumers will choose brands based on equity rather than price alone.” (at 8066)
	U.S. Ex. 20,160	1003285497-5502	The Decline in the Rate of Growth of Marlboro Red; Inter-office correspondence from Myron Johnston to Dr. R. B. Seligman	May 21, 1975	<p>“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...” (at 5497)</p> <p>“It is my contention that income elasticity is inversely proportional to income level. That is, the lower the income of a specific population group, the greater will be the depressing effect on cigarette sales of a decline in real income ... Marlboro smokers, being on the average considerably younger than the total smoking population, tend to have lower than average incomes...Furthermore, many teenagers who might otherwise have begun to smoke may have decided against it because of the adverse economic conditions....</p> <p>“I think price elasticity, like income elasticity, has a greater effect on lower income people than on those with higher incomes. ...Marlboro smokers, being younger, tend to have lower incomes. Thus, Marlboro sales are probably more responsive to price changes than are sales of brands which appeal to older segments of the population.” (at 5500)</p>

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	U.S. Ex. 26,750	2022249717-9721	Teenager Smoking and the Federal Excise Tax on Cigarettes	September 17, 1981	Reviews a study of the National Bureau of Economic Research on “The Effect of Government Regulation on Teenage Smoking” “This is by far the best study I have read concerning the effects of the anti-smoking commercials, and the only study I know of that attempts to determine the price elasticity of cigarettes among different groups. Because of the quality of the work, the prestige (and objectivity) of the NBER, and the fact that the excise tax on cigarettes has not changed in nearly 30 years, I think we need to take seriously their statement that ‘...if future reductions in youth smoking are desired, an increase in the Federal excise tax is a potent policy to accomplish this goal.’” (at 9718)
	U.S. Ex. 22,927	2022216179-6180	Handling an excise tax increase	September 3, 1987	“You may recall from the . . . Lewin and Coate data, that the 1982-1983 round of price increases caused two million adults to quit smoking and prevented 600,000 teenagers from starting to smoke.” (at 6179)
	U.S. Ex. 22,347	503011370-1378	NBER Models of Price Sensitivity by Age/Sex	September 27, 1982	“Teenagers and younger adult males are highly price sensitive.” (at 1370) “But, the loss of younger adult males and teenagers is more important to the longer term, drying up the supply of new smokers to replace the old. This is not a fixed loss to the industry: its importance increases with time. In ten years, increased rate per day would have been expected to raise this group’s consumption by more than 50%.” (at 1371)
	U.S. Ex. 46,121	2703200030-0032	Untitled Presentation	April 2001	Gap between Marlboro and the cheapest discount cigarette was \$1.11, a 47% gap.
	U.S. Ex. 46,167	2703811633-1665	Premium Price Vulnerability Study	September 2001	Document shows that there was about a 70-cent gap between the price of premium and discount brands, with Marlboro the highest priced premium brand. (at 1638)

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	U.S. Ex. 45,906	2501174579-4584	Marlboro Worldwide Creative Issues and Guidelines	1993	“...it is essential...to be delivering outstanding, well targeted advertising, primarily to build brand and advertising awareness and to provide the brand with an aspirational value that allows it to command its premium price.” (at 4580)