



CAMEL REGULAR HISTORY

INTRODUCTION - 1913

- RJR's first cigarette
- First nationally distributed cigarette
- Why the name "CAMEL"?
 - . Enhance Turkish theme/tobaccos
 - . Easy to pronounce
- Advertising campaign - "The CAMELS Are Coming"

CHRONOLOGICAL DEVELOPMENT

- Nation's best selling cigarette by 1918.
- Broke with "I'd Walk a Mile for a CAMEL" in early 1920's.
- Leadership lost to Lucky Strike in 1930.
- Introduced the first moisture-proof, cellophane wrapped package in 1933.
- Beginning in 1933, CAMEL began sponsorship of "The CAMEL Caravan" radio show.
- Regained industry leadership in 1935.
- First RJR Brand on TV in 1948, sponsoring CAMEL News Caravan with John Cameron Swayze.
- Set domestic volume record of 105 billion in 1952. Record still holds.
- Filter introductions in the 1950's began erosion of NF cigarettes.
- Lost leadership to Pall Mall in 1959.
- Steady decline for past 13 years. Seventh largest brand in 1973, selling 24 billion units accounting for 4.3% SOM.

CAMEL REGULAR BRAND REVIEW

I. HISTORICAL

CAMEL REGULAR BACKGROUND

In 1913, R. J. Reynolds Tobacco Company introduced its first cigarette, CAMEL. The cigarette was named CAMEL because its blend was of Oriental flavor and the name was easy to pronounce.

CAMEL was the first cigarette to combine flue-cured, burley and Turkish tobaccos, and the Brand quickly became the nation's largest selling cigarette by 1918.

The introduction of CAMEL was accompanied by an unprecedented advertising campaign of \$1,500,000, and national newspaper advertisements proclaimed "The CAMELS Are Coming!" This campaign, which quickly made Reynolds one of the nation's first major advertisers, was followed by the well-known slogan, "I'd Walk a Mile for a CAMEL," in the early 1920's.

CAMEL was the first nationally advertised cigarette brand and remained the market leader until 1930 when it was overtaken by Lucky Strike. It regained first place in 1935.

CAMEL'S sales continued to climb through the '30's with the introduction of the humidor pack in 1933--the first moisture-proof, cellophane-wrapped cigarette package. It was during this era that CAMEL made its debut on radio with the sponsorship of "The CAMEL Caravan", and by 1938 this radio program featured Benny Goodman and other big band greats.

CAMEL was also the first of Reynolds' brands to appear on television in 1948. Featuring John Cameron Swayze, CAMEL cigarettes sponsored the "CAMEL Newsreel Theatre," one of the first TV network news programs. One year later this program became the "CAMEL News Caravan."

CAMEL maintained a position of dominance until the early 1950's when filters revolutionized the cigarette industry. While experiencing steady declines for the past 12 years, the Brand is still the sixth largest brand in the U.S. at a 4.6% share of market.

CREATIVE THEMES

1936 - Wind

1937 - Digestion

1938 - Lift

1942-1952 - Health - "T" zone (taste and throat), more
doctors smoke CAMELS.

1952-1956 - Mildness

1956-1965 - Real cigarette - best smoke.

1966 - "Men in Industry" (smoke CAMELS)

1967 - "Walk a Mile" (whistling - hole in shoe)

1969 - "Touch of Turkish" (turns on taste)

1970 - "Double Exposure"

1971 - "Good Reason" - Today a man needs a good reason to
walk a mile.

CAMEL REGULAR PRINT DAR SCORES

<u>Date</u>	<u>Campaign</u>	<u>Ad</u>	<u>Recall</u>	<u>RJR Avg.</u>
1967	Walk a Mile	Morroco (IP)	7	9
1968	Walk a Mile	Yellowstone (BC)	20	16
1970	Touch of Turkish	(BC)	5	11
1971	Double Exposure	Maine Rocks (BC)	11	11
1972	Good Reason	Binoculars (BC)	6	11
1972	Good Reason	Crushed Pack (IP)	15	6

MEDIA EXPENDITURES

- . Advertising expenditures for the Brand were at \$9.2MM in 1968; reduced in 1969 in the beginning of CAMEL REGULAR non-broadcast to \$3.4MM; and decreased to \$1.5MM in 1970. The Brand has remained at the \$1.6MM spending level through 1973.

- . Advertising expenditures per M cigarettes was at a level of \$.25 at the end of CAMEL REGULAR broadcast in 1968; reduced to \$.11 in 1969; and is now at the \$.07 level.

CAMEL REGULAR ADVERTISING EXPENDITURES

1965-1973

<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
\$12.3MM	\$8.8MM	\$8.3MM	\$9.2MM	\$3.4MM	\$1.5MM	\$1.6MM	\$1.6MM	\$1.6MM

CAMEL REGULAR ADVERTISING EXPENDITURES/M CIGARETTES

1965-1973

<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
\$.25	\$.20	\$.20	\$.25	\$.11	\$.05	\$.06	\$.06	\$.07

MARKET POSITION

Volume Losses

CAMEL REGULAR has experienced volume losses of 6.2% and 6.5% respectively for the past two years, which compares favorably to the 1966-1970 average yearly losses of 10.4%.

Share Losses

At a 4.6% SOM level, the Brand is currently losing at the rate of .5 share points per year. 1972 volume and SOM is approximately half that of seven years ago in 1965.

CAMEL REGULAR VOLUME % CHANGE (AVERAGE WEEK)
1960-1972

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Volume % Change	+2.7	+0.6	-3.5	-6.1	-11.8	-6.3	-9.0	-10.4	-9.1	-13.5	-9.9	-6.2	-6.5

SHARE OF MARKET BY BRAND AND BY CATEGORY

<u>Brand</u>	<u>1960</u> %	<u>1961</u> %	<u>1962</u> %	<u>1963</u> %	<u>1964</u> %	<u>1965</u> %	<u>1966</u> %	<u>1967</u> %	<u>1968</u> %	<u>1969</u> %	<u>1970</u> %	<u>1971</u> %	<u>1972*</u> %
CAMEL	13.9	13.5	12.9	11.9	10.8	9.8	8.7	7.9	7.1	6.4	5.7	5.2	4.6
Lucky Strike	8.8	8.3	7.9	7.1	6.2	5.5	4.8	4.1	3.7	3.2	2.8	2.4	2.1
Chesterfield Regular	3.1	2.7	2.3	1.9	1.4	1.2	1.0	.8	.6	.5	.4	.4	.3
Reg. Category	28.5	26.7	24.5	22.4	19.7	17.6	15.5	13.6	12.3	10.8	9.4	8.4	7.5
Pall Mall	14.3	14.7	14.6	14.4	14.6	13.8	12.5	11.1	10.7	9.7	8.6	7.9	7.2
Chesterfield King	2.5	2.4	2.3	2.2	2.1	1.9	1.7	1.5	1.3	1.3	1.3	1.2	1.1
King Size Category	19.3	19.7	19.7	19.2	19.0	17.8	16.1	14.2	13.5	12.3	11.1	10.1	9.2
Non-Filter Category	47.8	46.4	44.6	41.6	38.7	35.4	31.6	27.8	25.8	23.1	20.5	18.5	16.7

*January-October 1972

II. CURRENT

FINANCIAL SUMMARY

1972-1973

. Share	4.3%
. Volume	-5.1%
. Promotion	+4.2%
. OPBT	-18.9% (-11.6% more realistic)
. Agency Expense/M Cigarettes	7.0 cents
. Total Promotion/M Cigarettes	17.2 cents

FINANCIAL SUMMARY*

1972-1973
(000)

	<u>1972</u>	<u>1973</u>	<u>Difference</u>	
			<u>\$ Change</u>	<u>%</u>
SOM	4.6%	4.3%		
Net Sales	\$249,211	\$236,580	-12,631	-5.1
Marginal Contribution	72,935	62,416	-10,519	-14.4
Agency Expense	1,607	1,628	+21	+1.3
Sales Promotion, etc.	2,255	2,420	+165	+7.3
Special Events	<u>73</u>	<u>52</u>	<u>-21</u>	<u>-28.8</u>
 Total Promotion	 \$ 3,935	 \$ 4,100	 +165	 +4.2
 Operating Profit Before Taxes	 \$ 55,552	 \$ 45,077**	 -10,475	 -18.9
 Total Adv. & Promo./M Cigarettes	 15.7 cents	 17.2 cents	 +1.5	 +9.6

*Nov. 10, 1973 Comptroller's Forecast
Sept. 1972 Sales Forecast

**1972-1973 loss in operating profit is inflated due to Nov. 1962 projected increase in variable costs of approximately \$5MM (primarily due to flue cured and burley leaf costs increases). 1973 operating profits will come closer to the \$50MM figure (reflecting a \$6.6MM decline from 1972) as outlined in CAMEL REGULAR'S Annual Plans.

DEMOGRAPHICS

CAMEL REGULAR'S profile is male (86%), old (51% over 50 years old) and downscale (38% under \$8M). Compared with the category the CAMEL REGULAR franchise has a higher male skew, is older and slightly more rural.

	Total Cigt. Smokers ²	Non-Filt. Category	Camel Regs.	Lucky Strike Reg.	Chest. Non-Filt.	Pall-Mall Non-Filt.
Total U. S.	30242	4932	1283	632	469	1671
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Men	35.1	76.0	85.7	85.0	62.3	71.2
Women	44.9	24.0	14.3	15.0	37.7	28.8
<u>Volume Total</u>						
Light	33.9	26.2	23.8	25.9	21.5	26.4
Average	34.1	35.9	35.8	41.5	36.5	34.8
Heavy	32.0	37.9	40.5	32.6	42.0	38.8
<u>Men</u>						
Light	15.8	18.8	19.7	20.3	11.1	16.8
Average	19.3	27.1	30.4	35.4	22.8	24.4
Heavy	19.9	30.1	35.6	29.3	28.4	30.0
<u>Women</u>						
Light	18.1	7.4	4.1	5.7	10.4	9.6
Average	14.8	8.8	5.4	6.0	13.6	10.4
Heavy	12.1	7.8	4.8	3.3	13.6	8.8
<u>Age</u>						
Total						
18-20	4.9	0.7	0.9	1.1	-	0.6
21-24	6.7	2.1	3.2	2.2	1.1	2.0
25-34	25.7	18.0	16.2	24.4	7.2	25.4
35-49	29.7	32.6	29.2	36.4	30.9	37.8
50 & Over	32.9	46.5	50.5	35.9	60.8	34.2
<u>Men</u>						
18-20	3.1	0.6	0.9	0.9	-	0.5
21-24	3.5	2.0	3.1	2.1	0.9	1.7
25-34	13.8	14.7	14.9	22.0	4.9	19.4
35-49	15.6	23.2	24.2	29.6	19.0	25.0
50 & Over	19.1	35.5	42.7	30.4	37.5	24.5
<u>Women</u>						
18-20	1.8	0.1	0.1	0.2	-	0.1
21-24	3.2	0.2	0.1	0.2	0.2	0.3
25-34	11.9	3.3	1.3	2.4	2.3	6.0
35-49	14.1	9.3	5.0	6.8	11.9	12.8
50 & Over	13.8	11.1	7.8	5.5	23.2	9.6
<u>Family Income</u>						
Less than \$3,000	3.9	6.9	5.2	5.1	4.1	5.4
\$3,000-\$4,999	8.6	12.2	11.3	8.9	12.8	11.6
\$5,000-\$7,999	17.1	19.3	21.0	19.1	17.3	19.1
\$8,000-\$9,999	14.9	15.3	14.4	18.7	16.8	15.9
\$10,000-\$14,999	31.3	27.3	28.1	28.5	25.6	29.1
\$15,000 & Over	24.2	19.1	20.0	19.8	23.5	18.7
<u>Occ. of Principal Wage Earner</u>						
Professional, Executive	31.5	23.3	25.0	22.9	24.9	24.7
White collar, clerical	14.9	12.1	12.4	12.8	13.4	11.9
Skilled labor	24.9	27.1	27.3	30.5	25.6	29.4
Unskilled labor	14.9	18.9	18.6	17.1	16.8	19.0
Farmer	3.2	4.5	4.8	5.7	1.5	2.6
Retired, Miscellaneous	10.5	14.2	12.0	10.9	17.7	12.4
<u>Census Region</u>						
New England	6.2	6.2	6.6	8.7	7.2	5.2
Middle Atlantic	20.0	21.6	19.6	22.9	30.9	22.3
East North Central	21.4	22.8	21.4	23.1	24.9	24.0
West North Central	8.2	8.0	8.1	8.5	4.7	7.3
South Atlantic	14.3	13.4	14.3	14.2	11.1	13.8
East South Central	5.5	5.1	5.6	3.6	3.8	4.3
West South Central	8.7	7.7	7.8	5.9	4.5	7.4
Mountain	3.8	3.8	4.6	3.2	2.3	3.7
Pacific	11.9	11.4	11.7	9.8	10.4	12.0
<u>City Size</u>						
2 million or more	31.5	31.0	26.0	35.9	40.5	35.5
500,000-2 million	26.6	24.1	24.8	23.3	28.6	23.9
50,000-500,000	16.2	16.2	16.4	15.5	14.5	16.6
2,500-50,000	11.7	11.2	12.8	10.3	6.4	10.5
Rural	13.9	17.6	20.1	15.0	10.0	13.5
<u>Education</u>						
Grade School	8.2	16.2	16.8	11.9	15.4	12.1
High School	53.3	56.4	56.6	57.8	58.0	58.5
College	38.1	27.0	26.1	30.1	26.4	28.9
Not Reported	0.5	0.4	0.5	0.3	0.2	0.5

¹These data show the percent of the category's/brand's business by each demographic group. Thus, this is an indication the relative size of each demographic group and its value to the particular category/brand. These data should not be considered exact since the NFO data is not completely representative of the total U. S. population. For details, see an M&D representative.

²April, 1972. Total Smokers = 30,242.

MARKETING PLAN

OBJECTIVES

1. To increase our share of both the regular and non-filter category while slowing the decline rate in total CAMEL business.
2. To maintain the well-established loyalty of our existing franchise while attempting to increase our appeal among adult male smokers of competitive brands, especially among younger adult males.

STRATEGY

1. We will continue to present the Brand as providing the highest quality tobacco, honest taste, and the best in smoking enjoyment, traditional to our name and in a strictly masculine mold. We believe this will be compelling to all male smokers regardless of age or particular brand smoked.
2. Also, we will continue our investigation of more aggressive postures which are compatible with CAMEL'S established image but which appeal more directly to competitive smokers in a contemporary, enticing format. This should be more meaningful to younger adult male smokers and should be positively perceived by loyal CAMEL REGULAR smokers.

RATIONALE

1. Advertising outlays since 1970 have been the same at approximately \$1.5MM. Given steady gains in share of both the regular and non-filter category over this period, matched concurrently by an upward trend in our index rate of switchers gained (+18 index pts.), we conclude that our marketing strategy behind the Brand has been quite successful and that spending levels have been adequate. Since improvement in these areas should continue, the 1973 plan is an extension of this strategy. Further encouragement is the recent decline in our long-term business losses.
2. In light of exceptionally high and traditional loyalty to CAMEL REGULAR among existing smokers and the long-term problem of a declining base of these smokers, alternative campaigns with primary emphasis on attracting new smokers and switchers from other brands will be actively pursued.

ADVERTISING COPY PLAN

OBJECTIVES

1. To communicate effectively that CAMEL REGULAR is a distinctly masculine cigarette continuing to provide the highest quality tobacco, rich taste, and incomparable smoking satisfaction.
2. To increase the appeal of the CAMEL image among younger adult male smokers.

STRATEGY

1. Advertising copy will reassure CAMEL smokers and clearly convey the CAMEL promise to competitive male smokers through an extension of "Good Reason" campaign executions. The format will be intrusive and appeal should be high across the spectrum of filter and non-filter adult male smokers.
2. While we believe this campaign will be attractive to younger adult male smokers, an alternative campaign positioned more offensively against this group will continue to be developed and tested. The alternative campaign speaks directly to more recent generations of adult male smokers by modernizing the CAMEL image in terms they value and most readily identify. Ultimate implementation of the campaign will depend on the careful analysis of various test results and the anticipated reactions of our hard-core, current smokers.

RATIONALE

1. The "Good Reason" campaign capitalizes on the great equity developed for the Brand in the "Walk A Mile" slogan which first appeared in 1967. A 15% recall score for the most recent execution tested, relative to a norm of 6%, suggests high potential for campaign impact with copypoint recall suggesting good communication effectiveness. Given the ability to develop equally successful executions in 1973, we can expect the current impetus behind our category gains to continue.
2. Net losses in the CAMEL REGULAR franchise account for the continued and long-term decline in CAMEL business. If business declines are ever to be stopped or if a business reversal is to be expected, net gains in new and competitive smokers must be achieved. This dictates an offensive posture designed to have strong appeal to younger adult male smokers, particularly to those smokers who have evidenced a preference for non-filter cigarettes.

"MEET THE TURK" CAMPAIGN

OBJECTIVES

The objectives of "Turk" advertising are to appeal to adult male smokers of competitive NF and NFF brands, primarily smokers 35 and younger, while continuing to convey to current smokers that CAMEL REGULAR'S honest taste and rich tobacco quality are preferred by men of independent character who seek ultimate pleasure in the cigarette they smoke.

Support for this promise will be:

- The self-directed life style and complete integrity of the user image projected by the "Turk".
- Awareness of the uncompromising and unpretentious qualities of CAMEL REGULAR.
- Payoff copy bridging the two: "He smokes for pleasure. He gets it from the blend of American and Turkish tobaccos in CAMELS."

Executions will identify the traditional CAMEL image of honesty and independence with a contemporary value system of particular appeal to the young adult market.

TESTING

The campaign is currently being portfolio tested to determine consumer attitude shift after exposure to the advertising as well as to obtain diagnostic information to determine attitudes toward the execution and images projected. Recall testing has been scheduled to measure overall impact and internal sales point communication. Portfolio testing is also being proposed for a "Meet The Turk" execution for CAMEL FILTER to determine whether the campaign premise will be as viable on CAMEL FILTER.

MEDIA PLAN

OBJECTIVE

To efficiently reach the largest male non-filter audience with the greatest frequency possible.

STRATEGY

Support the Brand with full-page 4-color ads in 18 male-oriented magazines and T.V. GUIDE (6 insertions in monthlies, 12 insertions in weeklies).

RATIONALE

A national advertising media program consisting of male-oriented magazines helps to maintain acceptable reach and frequency levels (reach 52.6%, frequency 3.8%) against our target while at the same time assisting to position the Brand as a distinctly masculine cigarette. The recognized quality of a majority of these magazines lends additional support to our quality promise.

SALES PROMOTION PLAN

OBJECTIVES

1. To maintain adequate retail inventories to support consumer demand.
2. To remind consumers on a routine basis of the CAMEL promise.

STRATEGY

1. To provide support to the Corporate "pay plan" and vending program to enable the Brand to maintain its current distribution.
2. To provide adequate supplies of P-O-S material that effectively communicate the "Walk A Mile" slogan.
3. To reinforce the CAMEL promise by a media promotion that is particularly relevant to the Brand.

RATIONALE

Limits on Sales Force time preclude a major consumer promotion in 1973. However, a promotional ad for a consumer premium which reinforces our campaign message and brand image is being planned.

CAMEL REGULAR

SALES PROMOTION 1973

	<u>Budget 1973</u>
P-O-S Items:	
Carton Cards	\$ 3,000
Decals	10,000
Shelf Talker	2,000
Fiber Tack Sign	8,000
V. M. Inserts	12,000
Sub-Total	<u>\$ 35,000</u>
Reserve	67,000
Special Events (IMSA)	52,000
Sub-Total	<u>\$ 154,000</u>
Shelf Display	992,000
V. M. Display	538,000
Consumer Offer	69,000
Non-assignables	515,000
Military	82,000
Floor/Stacker Display	<u>127,000</u>
TOTAL CAMEL REGULAR	<u><u>\$ 2,477,000</u></u>

PROBLEMS/OPPORTUNITIES

ACTION

Declining Sales and Profits

See Below.

Young-Adult Male Conversion

"Meet The Turk" Research
Media Promotion
Current Creative

Declining Advertising Awareness

"Meet The Turk" Research
Tie-In Product on CF Displays

No Sales Promotion Period

Media Promotion