

# The American Tobacco Co.

... which is more than two-thirds Lucky Strike: a story of advertising, which is nine-tenths George Washington Hill. How the biggest of the Big Three has handled its end of a blooded but bloodless roughhouse and from it is paying stockholders some \$27,000,000.

George Washington Hill succeeded his father as President of the American Tobacco Co. in 1925, he has spent more money advertising a single brand than any man in business history. In the last year to date—1931—he spent \$100,000,000 in advertising. All told he has poured out over \$100,000,000 making the American Tobacco Co. a Lucky Strike cigarette.

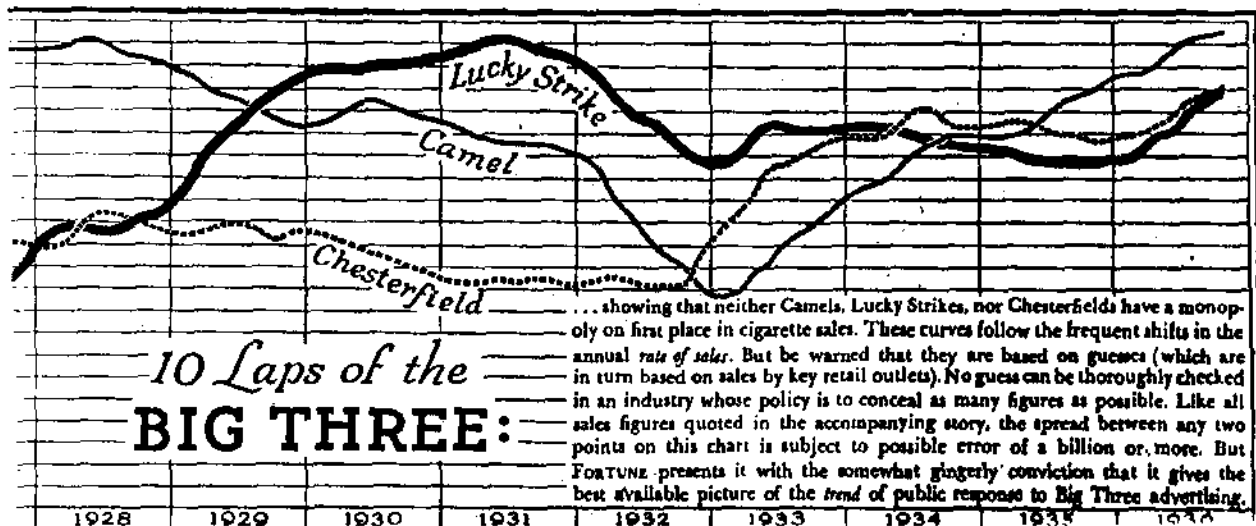
Lucky Strike is Jaggett & Myers (Chesterfield) Reynolds (Camel) have not been doing Mr. Hill's decade. Chesterfield paid some \$90,000,000 in advertising during that period, and Camels \$80,000,000. But Mr. Hill has not only not lost but has outsold and outearned his stable foes. Not in every year, of the three years 1933 to 1935 both Camels and Camels outspent Luckies, but in the lead last year, are still leading in current sales. George Washington Hill, however, is once more the spender. A few months ago he was spending \$350,000 a week into radio advertising alone; and even on its present schedule, his sweepstakes program "Parade" (you pick the three winners of songs of the week and win prizes) is standing him around \$100,000 a week for time, talent, mailing and revenue stamps on his prizes.

He watches the money roll out with glee. Not merely because he knows that the more it costs him the more potential customers his contest is exciting but because the signs all tell him he has created another advertising chef-d'œuvre. People are talking, sales are responding, there's excitement in the air at 111 Fifth Avenue. For that feeling George Hill will pay almost any number of millions.

Mr. Hill loves to spend money, but that is not the reason he spends it. At least, if it were he could not get away with it long. He has stockholders like any other President, and they are not so humble but that a group of them sued the company after he had received an \$842,000 cash bonus in 1930, plus \$1,000,000 worth of stock, which suit resulted in his giving back the stock and in the "modernization" of the officers' profit-sharing plan. But generally speaking, the stockholders applaud Mr. Hill's prodigality on the very good grounds that it seems to boost the company's net. When he outspent the world in 1931 he also hung up an all-time earnings record of \$46,000,000, more than any U.S. tobacco company has ever earned before or since. And now that he is off on his most conspicuous spree since that year, his admirers, stockholders, and rivals all look, not unreasonably, for another earnings sensation—not for 1936, but

1937. With bond interest of \$685,000 and preferred-stock requirements of \$3,160,000, Mr. Hill has to earn some \$27,000,000 if he wants to pay the 45,000 holders of his 4,700,000 shares of common stock their regular \$5 dividend without dipping into his \$65,000,000 surplus. He has had to dip for three years now, but he probably won't for 1936. And if Lucky Strike continues to gain at its current rate, Mr. Hill (who shares with his Vice Presidents a percentage, graduated downward from 10, of all profits over \$15,500,000) may well inspire another reformist flurry when his bonus for 1937 is announced.

Even when his Lucky Strike is not at the top of the Big Three Ferris wheel, Mr. Hill is running a big business and a merry one. The American Tobacco Co.'s total assets are some \$260,000,000. Its warehouses, scattered throughout the Southeast, are holding in a three-year sleep some \$120,000,000 worth of tobacco leaves. James E. Lipscomb Jr., American Tobacco's \$100,000-a-year head leaf man, has buyers in virtually every tobacco auction; it takes some 5,000 men to get his purchases of bright and burley and Maryland and Turkish from the farmer to the warehouse every year. American's sales department, whose 800 men and women are for the most part mere oilers of an automatic jobber-dealer distributing system and seldom





ALL-AROUND VICE PRESIDENT PAUL M. HAHN

... entered Mr. Hill's orbit as a partner in the Manhattan law firm of Chadbourne, Stanchfield & Levy. So useful was he to his client, especially in matters between American Tobacco and the Federal Trade Commission, that Mr. Hill got him on his own generous payroll in 1931.

reach consumers at all, nevertheless costs a good \$4,000,000 a year. American's English subsidiary, J. Wix & Sons, is probably the strongest of the competitors of the huge Imperial Tobacco Trust. In American's factories labor some 1,000 people, the largest operations being at the Lucky Strike plants in Richmond, Durham, and Reidsville. American owns enough rice paper to make 40,000,000,000 cigarettes, a year's supply, and in fact, alone among tobacco companies, it owns the factory that supplies its paper, the De Muiduit mill in Brittany.

The American Tobacco Co. makes and sells every nicotine product except snuff. There are nearly 500 items in the line, ranging from Boot Jack and Gold Rope and Old Honesty plugs to Roi Fan and Chancellor cigars to Egyptian Prettiest and Royal Nestor and Svoboda cigarettes. The formulas and processes by which all these brands differ from each other are in the safekeeping of Charles F. Neiley, Vice President of Manufacturing, one of Mr. Hill's three over-\$100,000-a-year men. On the accuracy of his controls depends the continued profit from such items as Nigger Hair, a smoking tobacco that will have sold some 425,000 pounds in the Milwaukee district this year with no promotion at all, simply because people there seem to like it. But Mr. Neiley's principal care is the famous toasting process. It was his proven mastery of that which reconciled Mr. Hill to the recent death of his predecessor, Charles A. Penn, originator of toasting.

Mr. Neiley's toasting of the Lucky Strike consists mostly in using higher temperatures in the heating to which all cigarette tobacco is subjected than other manufacturers do. American Tobacco's research chemists have collected evidence that the higher the temperatures, the less nicotine, ammonia, and various acids left in the tobacco. But most of the research has post-dated the toasting process, which began in 1916 and has not been materially changed since then, except for an ultraviolet-ray treatment. (Mr. Hill, himself a sun-lamp faddist, added that in 1930.) Mr. Neiley has process secrets and so have his rivals. But the one indubitable superiority in Mr. Neiley's secrets is that they have been



SALES VICE PRESIDENT VINCENT RIGGIO

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lumped into a telling phrase. And this of American Tobacco is a story of plants rather than factories or processes or factories or even salesmen. On those aspects of tobacco industry, *Fortune's* stories of holds (January, 1931) and Philip M. (March, 1936) may be consulted. Not to say that "It's toasted" is the key to American Tobacco.

**T**HE Lucky Strike cigarette account some 75 per cent of American Tobacco sales and some 65 per cent of its net. also by far the most leverable item in line. Mr. Hill could advertise the hell of his Blue Boar or Half & Half smokes; there is a good deal more money for advertising expense in it than there is in a package of L.ies; but the pipe smoker's market has been contracting steadily since 1925, and Mr. Hill never bought a trend. Or he could lay siege to the cigar market—which in he once did, with *Cremo* of hallowed memory, and learned a thorough lesson. For that market is not only declining but at same time behaving with the idiocy of an aging actress. the cigarette market, after a brief shrinking spell, has been swelling again since early 1933 at rate of some 9 per cent a year with no saturation point in view. (The English smoke 30 or per cent more cigarettes per capita than Americans do.) And Mr. Hill naturally concentrates great spending gifts on this market. Every now and then one his other cigarettes, like L.



ADMAN ALBERT D. LASKER OF LORD & THOMAS



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constructs at all, nevertheless costs a ... a year. American's English ... Wix & Sons, is probably the ... of the competitors of the huge Im ... Tobacco trust. In American's factories ... some 10,000 people, the largest opera ... being at the Lucky Strike plants in ... North, Durham, and Reidsville. Ameri ... owns enough vice paper to make 40 ... 20,000 cigarettes, a year's supply, and ... alone among tobacco companies, it ... the factory that supplies its paper, the ... mill in Brittany.

Mr. Neiley's toasting of the Lucky Strike consists mostly in using higher temperatures in the heating to which all cigarette tobacco is subjected than other manufacturers do. American Tobacco's research chemists have collected evidence that the higher the temperatures, the less nicotine, ammonia, and various acids left in the tobacco. But most of the research has post-dated the toasting process, which began in 1916 and has not been materially changed since then except for an ultraviolet-ray treatment. (Mr. Hill, himself a sun-lamp faddist, added that in 1930.) Mr. Neiley has process secrets and so have his rivals. But the one indubitable superiority in Mr. Neiley's secrets is that they have been

lumped into a telling phrase. And this story of American Tobacco is a story of phrases rather than factories or processes or farmers or even salesmen. On those aspects of the tobacco industry, FORTUNE's stories of Reynolds (January, 1931) and Philip Morris (March, 1936) may be consulted. Not toasting but "It's toasted" is the key to American Tobacco.

THE Lucky Strike cigarette accounts for some 75 per cent of American Tobacco's sales and some 65 per cent of its net. It is also by far the most leverable item in its line. Mr. Hill could advertise the hell out of his Blue Boar or Half & Half smoking tobaccos; there is a good deal more margin for advertising expense in either than there is in a package of Luckies; but the pipe smoker's market has been contracting steadily since 1925, and Mr. Hill never bucks a trend. Or he could lay siege to the cigar market—which in fact he once did, with Cremo of unhallowed memory, and learned a thorough lesson. For that market is not only declining but at the same time behaving with the coy idiocy of an aging actress. But the cigarette market, after a brief shrinking spell, has been swelling again since early 1933 at the rate of some 9 per cent a year, with no saturation point in view. (The English smoke 40 or 40 per cent more cigarettes per capita than Americans do.) And Mr. Hill naturally concentrates his great spending gifts on this market. Every now and then one of his other cigarettes, like Lord

an American Tobacco Co. makes and every nicotine product except snuff. There are nearly 500 items in the line, from Boat Jack and Gold Rope to Old Honesty plugs to Roi and Chancellor cigars to Sun Prettiest and Royal and Scoboda cigarettes. Similar and processes by all these brands differ from those are in the safekeeping of E. Neiley, Vice President of Manufacturing, one of Hill's three over \$100,000-a-year. On the accuracy of his work depends the continued sale of such items as Nigger, a smoking tobacco that has sold some 425,000 in the Milwaukee district with no promotion at all, simply because people there like it. But Mr. Neiley's chief care is the famous toasting process. It was his proven process of that which reconciled Hill to the recent death of his predecessor, Charles A. Penn, chief of toasting.



Dudley Lee  
**ADMAN ALBERT D. LASKER OF LORD & THOMAS**

Cigar vs. Cigaretts

...sincerely a few years back and Herbert Tareyton currently, will show a spontaneous spurt and win a little advertising as a reward. And this very month Mr. Hill's subsidiary, the American Cigarette & Cigar Co., is launching a new cigarette, the fifteen-cent Pall Mall, of which more later. But year in and year out, Mr. Hill both makes and spends his money on Luckies. People are told about Luckies because they smoke them. And vice versa.

**YOU** can hear any kind of story you want to in the tobacco business. The sales, costs, formulas, advertising appropriations, and manufacturing processes of the Big Three are such carefully guarded secrets that the tabulation of sales estimates alone has become a profession in itself, while the guesses and gossip on the other secrets are frequently fantastic. You can hear that the Big Three are collusive, with their perfect

record of unanimity on price as evidence. You can also hear that they will stoop to any weapon to hurt each other's business, with whispering campaigns about a leper in so-and-so's factory, etc., as evidence. You can hear that the toasting process is exactly the same process as Camel's and Chesterfield's; or you can hear that Luckies have to be toasted because the tobacco in Luckies is inferior. You can hear that all the Big Three require rebates from their advertising agencies; or you can hear that Mr. Hill pays his agency, Lord & Thomas, the full 15 per cent with the stipulation that one-third of it go directly into the pocket of Lord & Thomas's brilliant President, Albert D. Lasker, so that Mr. Lasker will be Mr. Hill's man. None of these stories is true. But they flourish for a reason that is significant. Not only the policy of reticence of the tobacco companies themselves, but the peculiarly intangible quality of their principal asset makes the tobacco



...the way against smoking is a  
...of Germany... Join the  
Smoke CERTIFIED CREMO!

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Certified  
**Cremo**  
THE GOOD 5¢ CIGAR  
...THAT AMERICA NEEDS

HOW TO CREATE "CONSTRUCTIVE CONTROVERSY"

...is illustrated by the selections from George Hill's advertising history on these four pages. While Lucky Strikes were being sold as a cough and fat preventive (below) another of American's products, Roi Tan cigars, was trying to win cigarette smokers with headlines like "Roi Tan cigars break the nervous habit." While Cremo was calling itself "crush-proof... foil-wrapped" (right), its stable mate Chancellor was crying "Beware of the Wolf in Sheep's Clothing. Buy Only What You See... No Foil—No Camouflage."

The Old Story is out of Date!  
**AN ANCIENT PREJUDICE HAS BEEN REMOVED**

**Lucky Strike Cigarettes**

**I recommend a Luck**  
**in place of a sweet**  
-when your fingers need be considered-

**Lucky Strike Cigarettes**

**It's toaster**

**ADVICE!**

upward on more knowledge  
or a Lucky instead



...toasted"

Protection - against irritation - against cough.

**Physicians  
WISDOMS are  
irritating**

**I too prefer  
LUCKIES  
because**

Toasting removes  
dangerous irritants  
that cause  
throat irritation  
and coughing

made a darkling plan, swept by confused alarms. If many  
tobacco men give an impression of concealing something even  
when they are not, it is because their extraordinary prosperity  
is based on a force whose laws they must like alchemists pre-  
tend to know all about without entirely trusting; namely  
advertising.

There is nothing patentable about a cigarette. "Anybody  
can analyze a Camel and manufacture it," said George J.  
Whelan in 1922, but the users would say it was not the same.  
Such is the power of advertising. This is something of an  
overstatement, but there can be little doubt that if Reynolds,  
Liggett & Myers or American had to give up either their secret  
formulas or their brand names, they would keep the brand  
names. "If I were asked what is the most valuable asset upon  
the balance sheet of the American Tobacco Co. and the most  
conservatively valued," said George Hill five years ago, "I  
would unhesitatingly point to the item of good will." He car-  
ries it at \$7,000,000. Yet Reynolds and Liggett & Myers, who  
have done some advertising too, carry theirs at \$1. Even Mr.  
Hill will admit that neither the cigarette itself nor its good  
will could be depended on to win so huge a market unassisted,  
as though it were a mousetrap or a Hershey bar. Nor keep it,  
once won. When Reynolds put \$1,000,000 of its 1932 advertis-  
ing appropriation in the bank instead of in the newspapers,

"BOY, WHAT A BELLA WHOPPER THIS  
GOING TO TAKE"

...deliberately named George Hill when he first saw the art work for the  
advertisement at the top. It also pleased him to know he was keeping  
himself both with the Federal Trade Commission without dropping his  
most effective copy theme. The 20,070 doctors who answered a mail ques-  
tionnaire the night was received for their trouble free cigarettes and an  
angry editorial in the *Journal of the American Medical Association*.



THE RAID ON THE  
SABINE WOMEN

—and raw tobaccos  
have no place in cigarettes



the sales of Camels dropped some \$3,000,000 a year and Rex Noble's cigarette division was operating in the red. Yet the strange details of this industry do not answer to mere terms: money alone is not enough, and even the most experienced priests can't bring every one to grace. P. Durillard Co.'s Old Gold, which has been trying to attain Big Three volume since 1926 with almost every known advertising stratagem except consistency, has never sold more than 5,000,000 cigarettes a year and is now selling a mere 6,000,000,000 as against 17,000,000,000 for Camels and 18,000,000,000, more or less, for Luckies and Chesterfields. There is, in short, a secret to the success of the Big Three: a secret that the Big Three's men are in tune with rather than in possession of.

George Washington Hill is worth \$120,000 a year to the American Tobacco Co., plus a share of the profits, primarily because he is in tune with it most of the time. He has evolved two or three principles to explain the success of his methods, and they will be stated in due course. But important as the principles may be, they do not explain George Washington Hill, nor his extraordinary instinct for successful tobacco selling. As a brand name is worth more than a formula, so Mr. Hill's own personal complex of tastes, humors, and peculiarities is probably worth more to the sales of Luckies than his principles. In an account of the rise of the Lucky Strike cigarette, therefore, you must watch Mr. Hill very carefully. The two stories can be told as one, because Mr. Hill has little life outside the Lucky Strike, and the Lucky Strike is almost wholly the creation of Mr. Hill.

Up from monopoly

JAMES BUCHANAN DUKE invented the American Tobacco Co. and made it, until 1911, a trust. His methods differed from Rockefeller's mostly in that he did not depend on controlling law. He did as much as on machine patents and aggressive selling to keep all competitors out of business. He spent \$800,000 in buying up competitors in the early part of 1890 alone. He also bought up his strong competitors, it was by getting options on Liggett & Myers stock, which Duke needed. John W. Brady, Thomas Fortune Ryan and P. A. B. Widener or else then was into American Tobacco. Duke shared control with them until well after the dissolution of the trust in 1911, but he was always its managerial spark plug and he made the most money out of it. When George Hill left Williams in his sophomore year to go to work for the trust in 1904, his father, Percival, was a Vice President, it was doing at least 70 per cent of the business in every category of tobacco except cigars. As George was to rediscover, the cigar business cannot be regimented; it retains its Jeffersonian pattern of small factories and local markets to this day. But in cigarettes the trust held around 87 per cent of the



*forever  
and ever..*

"It's toasted"

EVEN LOVE IS A CONTROVERSIAL THEME

When George Hill takes it up. Not in the advertisement above, which suddenly went soft with pictures like this in every paper who went about advertising other light retail and Luckies began to sell like gun and Chesterfields. But the 1927 poster below, soon followed by another, which the toll stopped out from behind the tower was the first of a series of billboards in which a woman's face was the focal point of a large womanhood. The 1928 billboards on which a woman's face helped restore rolling your own to great if short lived success in popularity.

Roll your own  
and save your "Roll"  
NOW 5c

HER HE

\$7,000,000 in a year and Rev-  
 rating in the red. Yet the strange  
 ver to mere forms; money alone is  
 a felled priest can't bring every-  
 bl Gold, which has been trying to  
 with almost every known adver-  
 ny, has never sold more than  
 now selling a mere 6,000,000,000,  
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 worth more than a formula, so  
 tastes, hunches, and peculiarities  
 s of Luckies than his principles.  
 y Strike cigarette, therefore, you

The two stories can be told as  
 outside the Lucky Strike, and the  
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*forever  
 and ever..*

"It's toasted"

**EVEN LOVE IS A CONTROVERSIAL THEME**

... when George Hill takes it up. Not in the advertisement above: when  
 he suddenly went soft with pictures like this in 1935, people who worry  
 about advertising ethics sighed relief and Luckies began to lose to Camels  
 and Chesterfields. But the 1932 poster below (soon followed by another in  
 which the bull stepped out from behind the fence) was removed from the  
 suburbs of San Jose because the church women deemed it an affront to Cali-  
 fornia womanhood. The 35,000 billboards on which it stayed, however,  
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*Roll your own  
 and save your "Roll"*

**HER HERO**







took the form it has retained ever since. Each of the cigarette manufacturers began to build up a single brand in each price class. Liggett & Myers' Fatima, at fifteen cents, soon brought forth American's Omar and Lorillard's Zuheldi. Carolina Bright, Piedmont, Sweet Caporal covered the Virginia field. Then, in 1913, R. J. Reynolds, which had inherited no cigarette from the trust, entered the business from scratch with the Camel.

**T**HE Camel, so called because, among other reasons, the late R. J. Reynolds liked animal names, was the first blended cigarette,\* and was an immediate success. By the end of the War it was outselling even Fatima, and Liggett & Myers had shifted its weight behind its newly blended Chesterfield. Young George Hill had inched to enter the blended battle at once. In spite of the kindly discouragement of James B. Duke, who thought American Tobacco had enough good brands already, George won over his father, and in 1917 the Lucky Strike was launched. The name came from a smoking tobacco American had acquired in 1906, as did the colors of the package. George took entire charge of its sales from the first. He redesigned the package, removing its arabesques. He spent many an hour in the factory in Brooklyn where Charles A. Petm was supervising the mixing tables, ovens, and flavor sybns. George was deliberately hunting an attribute to advertise. He was impressed by the high temperature around the drier, especially where the butley was heated; and one day, in his father's office, after "It's stewed" and "It's cooked" had been quickly discarded, the slogan "It's toasted" was born. With a burning sense that he had something, George at once rearsed billboards and newspaper ads showing a piece of toast on a fork. Vincent Riggio, who had run a successful barber-shop until he joined the sales force of Butler-Butler, was put in charge of selling the new brand to the trade. Thirteen million Luckies were sold the first month.

The introduction of Luckies quickened the young rivalry of the Big Three into a new animosity. Not only was the advertising pretty "competitive" (You Wouldn't Eat Raw Meat. Why Smoke Raw Tobacco? etc.) but rumors began to fly so fast that Reynolds appealed to the public in self-defense. "The Stench of a Contemptible Slander is Repulsive Even to the Nostrils of a Buzzard," headed the headline of their advertising riposte. They charged that men on streets in Buffalo, Luckies' first city, were pretending to read newspaper items aloud to each other in which Camels were disparaged; or pretending to be doctors in loud conversation mourning the public's ignor-

\* A blended cigarette differs from the earlier types by containing butley tobacco, formerly used only in smoking mixtures. The dark and slow-burning butley is sweetened and not only tumbled with the bright and Turkish types but, at least in Luckies, and probably in Camels, allowed to sweat its flavor into theirs by a day or so of quiet under canvas. This step is known as bulking, or, as George Hill says it, hoodling.

## Lucky Strike

Continued from page 102

ance of conditions in the Camel factory. Reynolds offered rewards for their arrest; and this was not to be that touchy company's last retreat to defensive advertising.

On the new Big Three competition of which such events were symptomatic, James B. Duke (who had become even more interested in southern utilities) could smile with the benignity of a father smiling on the toughhousing of his sons. For the fiercer they fought, the stronger they got; and Duke, who drew dividends from all cigarettes, was less interested in who was on top than in the fact that whereas 10,000,000,000 cigarettes were sold in America when the trust was dissolved, 77,000,000,000 were sold in 1927. It would be too much to hope even of so astute a mind that he planned it that way, but it was soon plain to him that no such rate of growth would have been possible under the lazier selling methods of a monopoly. Mr. Duke's feeling that commercial toughhousing (as against real war) makes more money than monopoly has its inheritors today, not the least of whom is George Washington Hill. But Mr. Duke did not foresee how completely these beneficent tussles would center around the three big blended brands. Percival Hill, who had first been lured from the carpet business by the Bull Durham mixture and could never shift his loving interest to another kind of smoke, likewise failed to see this. So it was not until George became President that the Lucky Strike really became the spearhead of the American Tobacco attack.

George Hill had developed two profound convictions about the tobacco business by 1925: he has them today. One is that you can't sell anything if it hasn't a special

merit that makes it different from its competitors; that if your product can sell it to anybody about it. Thus he is convinced that Luckies is indispensable to them, because he is a projector in selling cigars. Mr. Hill is a salesman who believes everything he writes, and he writes his own advertisements, a man of self-consciousness, the flow of the Rev. Smith's spiel in New York: "How am I doing?" the solid front of a salesmanship. When I to dinner guests who to want a rival brand that burn away and be obliging. In his frames that hold a de the eyes of passers by, lunds Lucky and St. His only close friends reason to share his 20 Presidents Vincent R. and Charles J. Nerley his secretary, and she, dictation at home of... His advertising manager, Jr. Mr. Hill also spent time on Lucky advertising a pad and pencil to should come to him tirelessly at the popular shows by Lord & experts. There is a rare his mansion at Irving his attentiveness to be the bedroom where it est. is a ritual that he rupted. (Because he in the furniture at these son Percival last month a laborer that he made class at St. Paul's.) Mr. hour-a-day salesmanship has been impudently like former associates, to a tion to Jesus."

**G**EORGE HILL, the American scarcely wrapped up some of the cigarette brands and led lan's Union Tobacco contracting him from the then selling some 45 per cent cigarettes, showed brand could get the total expanding about 11 per cent. He knew he had a great story to tell people about the process; and he urged to tell people about only of how he won that question was virtually signed a letter of terms to Davis Lasker, President



Richard Carter Wood  
VICE PRESIDENT CHARLES F. NEILEY

# Lucky Strike

Continued from page 102

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On the new Big Three competition of which such events were symptomatic, James B. Duke (who had become even more interested in southern utilities) could smile with the benignity of a father smiling on the toughhousing of his sons. For the harder they fought, the stronger they got; and Duke, who threw avidly from all cigarettes, was less interested in who was on top than in the fact that whereas 10,000,000,000 cigarettes were sold in America when the trust was dissolved, 77,000,000,000 were sold in 1924. It would be too much to hope even of so wise a mind that he planned it that way, but it was soon plain to him that no such rate of growth would have been possible under the lazier selling methods of a monopoly. Mr. Duke's feeling that commercial toughhousing (as against real war) makes more money than monopoly has its inheritance today, not the least of whom is George Washington Hill. But Mr. Duke did not foresee how completely these beneficent tussles would center around the three big blended brands, Percival Hill, who had just been lured from the carpet business by the Bull Durham mixture and could never shift his loving interest to another kind of smoke, likewise failed to see this. So it was not until George became President that the Lucky Strike really became the spearhead of the American Tobacco attack.

George Hill had developed two profound convictions about the tobacco business by 1925; he has them today. One is that you can't sell anything if it hasn't a special

merit that makes it both worthy of and different from its competition. The other is that if your product has that merit you can sell it to anybody who hears enough about it. Thus he is almost fanatically convinced that Luckies' toasting process is indispensable to their success; but the importance of toasting in his mind may of course be a projection of the delight he takes in selling cigarettes on that basis. Mr. Hill is a salesman without a flaw. He believes everything he says and everything he writes, and he writes a good many of his own advertisements. That queer glimmer of self-conscious quackery that stopped the flow of the Reverend Gerald E. K. Smith's spiel in New York last summer ("How am I doing?") could never deface the solid front of George Hill's guileless salesmanship. When he sells Lucky Strikes to dinner guests who have the bad grace to want a rival brand, it is pure conviction that hurls away any desire he may have to be obliging. In his Rolls-Royce are gold frames that hold a deck of Luckies before the eyes of passers-by. He named his daughters Lucky and Strike. (Strike is dead.) His only close friends are people who have reason to share his zeal, notably his Vice Presidents Vincent Riggio, Paul M. Halm, and Charles F. Neiley. His wife was once his secretary and she still sometimes takes dictation at home of a Saturday afternoon. His advertising manager is his son, George Jr. Mr. Hill also spends most of his own time on Lucky advertising. In his car are a pad and pencil to catch ideas if they should come to him therein. He kilnizes tirelessly at the preparation of copy and air shows by Lord & Thomas's well-paid experts. There is a radio in every room of his mansion at Irvington, New York, and his attentiveness to his own program, in the bedroom where it comes through loud est, is a ritual that has never been interrupted. (Because he likes to beat time on the furniture at these sessions, his younger son Percival last month presented him with a taboret that he made in manual-training class at St. Paul's.) Mr. Hill's twenty-four-hour-a-day salesmanship of the Lucky Strike has been impiously likened, by one of his former associates, to a "missionary's devotion to Jesus."

**G**EORGE HILL had been President of American scarcely a year before he wrapped up some of the company's lesser cigarette brands and leased them to Whelan's Union Tobacco Co. They were distracting him from the main job. Camels, then selling some 45 per cent of all American cigarettes, showed him how big one brand could get; the total market had been expanding about 11 per cent a year; he knew he had a great story for "merit" in the toasting process; and he had a consuming urge to tell people about it. It was a question only of how he would tell them. And that question was virtually settled when he signed a letter of terms in 1925 with Albert Davis Lasker, President of Lord & Thomas.



George Hill, President of American Tobacco Co.

the form it has retained ever since. Gladly, for the manufacturer is being able to use a single brand in each price bracket. Morris Lehman, at present president of both American's and Lord & Thomas's, Zephora Carolina Bright, son Sweet Caporal, covered the V. P. Hill. Then in 1927, R. J. Reynolds, had obtained the cigarette from the ground up business from scratch with one.

But Camels so called because, among other reasons, the late R. J. Reynolds had no names, was the first blended brand and was an immediate success. By the end of the War it was outselling even the old English King. Mr. Hill had shifted its name and its newly blended. Chester Young George Hill had itched to enter the field of battle at once. In spite of the bad reputation of James B. Duke, son of American Tobacco had enough funds of early. George won over his brand in 1917 the Lucky Strike was sold. The name came from a smoking in America had acquired in 1906. In the colors of the package. George made a change of its sale from the first design of the package, removing its name. He spent many an hour in the

brooklyn where Charles A. Penn was devising the mixing tables, ovens, and spurs. George was deliberately to an attribute to advertise. He was to a by the high temperature around the especially where the butley was to and one day, in his father's office, his slogan, "It's cooked," had quickly discarded, the slogan "It's was lean. With a burning sense of had something, George at once readboards and newspaper ads show- place of toast on a fork. Vincent who had run a successful barber- and he joined the sales force of Butler was put in charge of selling a brand to the trade. Thirteen mil- onies were sold the first month. introduction of Luckies quickened the rivalry of the Big Three into a crisis. Not only was the advertising "competive" (You Wouldn't Eat It If It Smoked Raw Tobacco, etc.) was begun to fly so fast that Reynolds to the public in self-defense. "The of a Court-martial Slander is Re- Even to the Nostrials of a Buzzard," the headline of their advertising.

They charged that men on street- Bullards, Luckies' last city, were pre- to read newspaper items aloud to in which Camels were dis- participating to be doctors in loud from mentioning the public's igno-

...cigarettes differs from the earlier types of... tobacco, primarily used only... The dark and slow-burning... not only troubled with the... but, at least in Luckies... allowed to vent its flame... of quiet under covers... Hill

# Lucky Strike

(Continued from page 154)

What Lasker has spent more advertising money in the past ten years than even Mr. Hill—over three times as much; but in this case, as other people's money and includes Mr. Hill's. This is one of the three biggest of the big agencies and has the reputation of netting more on its 15 per cent than any of them. Besides Luckies, its clients include: Anson, Eggidair, Montgomery Ward, Pepsodent, Quaker Oats, Amalonda, International Mercantile Marine, Schenley, New York Central, Paramount Pictures, RCA, RKO, Sun-kiss oranges, Southern Pacific, Cities Service, Kotex, Schenley, Associated Oil, Union Oil, Bournes, Horlick, U.S. Gypsum, more than seventy others. Mr. Lasker was Chairman of the U.S. Shipping Board under Harding and still a power in Republican politics. But he has never been bowed down by so much success. His humor is not habitually guarded and partakes of as many American sources as a more director's. Instead of the nervous anxiety with which most agency men conceal their fear of losing clients to each other, his manner is one of shrewd and cynical joviality. Some years ago, when he and a Pullman full of colleagues were vainly beating their heads for a plan he could present to a prospective client, Lasker solved it just as the man pulled up: "I'm going to tell them the story of my life." Which got the account. Based in Galveston, he had gathered testimonials for Peruna at \$7 a head, helped to catch Jack Johnson (then janitor of the red gym in his professional debut against a Chovinsky, and written and published a literature newspaper, before he was out of his teens. He went to Chicago in 1898, was making \$50,000 a year at Lord & Thomas, and controlled the agency by his twentieth birthday in 1910. Mr. Lasker was among the earliest exponents of "reason by copy" and is still perhaps its most ablest one. Test campaigns and market search, the methods by which more cautious agencies have tried to make a science of their art, are less important in the old & Thomas philosophy than an inspired copy theme. Mr. Lasker inclines to trust his own vast experience to tell him whether the "reason" in an advertising copy is any good; his own mind is a reliable laboratory sample in itself. At his time when he met George Hill, Mr. Lasker brought to his new client not only a scientific efficiency in the ways of advertising—there are twenty good agencies, Mr. Lasker says, that could bring Mr. Hill that), but a creative personal brilliance that Mr. Hill like many another Lasker client, rates very highly. Hill, on the other hand, helped Lasker not only with almost unlimited funds and a fertile advertising mind of his own, but a boyish readiness to back the limit every idea on which he was sold. The results of the collaboration are historic.

In 1925 Mr. and Mrs. Lasker were dining at Chicago's Top Top Inn. Mrs. Lasker lit a cigarette and the headwaiter asked her to do it. Not the inconvenience so much as the

hypocrisy worked in Lasker's mind. In those days cigarette advertising was at best genteel. Camels displayed rubicund, middle-aged men and barbless slogans like "Have a Camel" that came out of the Philadelphia agency of N. W. Ayer & Son. Chesterfields, advertised then as now by Newell-Fromett (Mr. Emmett was one of Mr. Lasker's many alumni), were thought just about daring enough when they showed a pretty girl saying "Blow Some My Way." Old Gold, launched in 1926, was at first associated by Lemmen & Mitchell with lady pirates in ragged shorts. On this peaceful scene, in January, 1927, burst a series of famous flesh-and-blood men—and women—confessing their habituation to the Lucky Strike. Now the testimonial idea was as old as talk; it was even then the most characteristic copy theme of the J. Walker Thompson agency, notably in the assorted Morgans and Vanderbilts who slept on Simmons beds and the obscure dyspeptics who ate Fleischmann's yeast. But there was a bold extravagance in the Hill-Lasker advertisements that made all advertising since the early Lydia Pinkham era (from which era, indeed, Luckies were shortly to purloin a whole campaign) look meaching and subtle. Their campaign had, to be sure, a subtlety of its own. The first lady endorsers included a generous portion of foreign opera stars, whom the Bible Belt might dismiss as scarlet anyway. Only against this background were good, wholesome American actresses like Alice Brady permitted to step forward with the clincher. So well timed was the campaign that public cigarette smoking by women in America can be correctly dated from that year. And Luckies, of course, got the bulge of the new market.

One day in the following year Mr. Hill was driving home and saw, within a few blocks, a fat girl munching something and a svelte girl in a taxi lighting a cigarette. He called Mr. Lasker, whose copywriters reached into advertising's prehistory and pulled out a Lydia Pinkham slogan of 1891: "Reach for a Vegetable Instead of a Sweet"; and Lucky Strike's most controversial campaign was born. The sweets campaign at once alienated everybody in the candy business (the Schrafft stores outlawed Luckies from their counters) and shortly caused Senator Smoot from beet-sugar Utah to rise in Congress and attack the entire tobacco industry. That was in June, 1929. And when the Hill-Lasker bravura, now in the Ancient Prejudice stage (see page 99), was obviously going ahead with larger appropriations than ever, the Federal Trade Commission called Mr. Hill to Washington and persuaded him to stipulate with them not to buy any more testimonials (Madame Schumann-Heink, whose endorsement cost \$1,000, later took to denouncing tobacco)

and not to sell Luckies as a reducing agent. But by the time the stipulation was announced Hill had begun the Future Shadow series, in which the handsomely noncommittal text (Be moderate in all things—even in smoking) kept well within the anti-fat stipulation but did little to offset the doom-voiced frightfulness of the headlines and pictures (see page 100). Meanwhile, his continued emphasis on the exclusiveness of the toasting process had so irritated the Reynolds people that they spent some \$300,000 on one full-page newspaper advertisement in March, 1930, denying Mr. Hill's claims. But Mr. Hill was not irritated in return. For that year the steadily mounting sales of Lucky Strikes pushed Camels, the leader since the beginning, out of first place among the Big Three cigarettes.

**BOTH** Camels and Chesterfields began to lose business in 1930. But Mr. Hill declared that "a good fight helps all sides" and continued his roughhousing. Platoons of businessmen praised Lucky Strike's pioneering spirit in huge advertisements of the new ultraviolet ray, Sun-kissed bathing girls, people pointing to their Adam's apples, "20,679 doctors," movie stars whose names were vauntingly unpaid for, all attested the beneficence of heat in the manufacture of cigarettes. Although Americans smoked 6,000,000,000 fewer ready-made cigarettes in 1931 than they had in 1930, Mr. Hill increased the sales of Luckies from 12,000,000,000 to over 13,000,000,000. His advertising bill, his sales, his profits (helped no little by declining leaf prices) were all at an all-time high. But it was also a year of distant drums for Mr. Hill.

One of these drums announced a head ache. The American Tobacco Co. had retained from the trust a subsidiary called American Cigar, which in turn through other subsidiaries owned most of the good imported Havana cigars and also had a few domestics, Roi Tan, Chancellor, Cremo, etc. All of them were made by hand, a process that Mr. Hill will describe to you as sometimes involving not only the use of the maker's spit but (with gesture) a final twirling of the cigar end in his ear. It was not until after 1923 that cigar-making machinery began coming into general use. When he bought some for his nickel Cremo, Mr. Hill decided that the cigar market, though declining, might at least be put on a one-brand basis like the so-prosperous cigarette market, and by the same methods. Accordingly he inaugurated his notorious spit campaign in the spring of 1929. It worked. Cremo sales rose in 1931 to 3,800,000 a day, a point which (had it been maintained) might perhaps have supported the \$2,000,000 a year advertising and still shown a profit. But the cigar business, whose largest firm (General Cigar, Bayuk, Consolidated) had never even belonged to the trust, refused to abide by Mr. Hill's imported rules. General's White Owl, visibly longer than Cremo, reduced its price from three for twenty cents to six

(Continued on page 158)

cents and then to a nickel. At the same time Lorillard pushed its big Rocky Ford on a national scale, and Mr. Hill, whose expensive new machine molds were turning out cigars that now looked somewhat niggardly, had to abandon the fight in the summer of 1931. Since then he has turned his back on that field with the epithet "cloak-and-suit business," and sees no future in cigars except in the deluxe price brackets. For his exploits there, see FOREST for February, 1933.

MR. HILL could be philosophical about the failure in cigars, but the rebellious behavior of the cigarette market after 1931 was another matter. For ten years or more each of the Big Three had held it axiomatic that its product, its package, and its price were beyond all criticism and dangerous to touch with anyway. When prices, when they moved at all, moved together, and the nearest thing to a change in any product since blending had been introduced was Mr. Hill's impalpable ray. But Reynolds, in terror at the continued decline in Camel sales, had recklessly begun to question the very fundamentals of Big Three merchandising. It was in this mood that Mr. S. Clay Williams, then President of Reynolds, had listened to some du Pont salesman, exchanged \$ W. Ave. for Erwin, Wasey & Co., and in February, 1931, announced the new Cellophane wrapper with a \$50,000 prize contest. Old Gold and Chesterfield at once took to Cellophane, and at length, six months later, Mr. Hill followed too, topping the others with the Lucky Talk opener, which was speedily copied.

The general adoption of Cellophane neither saved the cigarette business nor hurt it. But the next move, also initiated by Mr. Williams—jolted it into the most abrupt confusion in its history. In June, 1931, the Big Three raised their wholesale price from \$6.40 to \$6.85 a thousand, amid the applause of Wall Street and the *U.S. Tobacco Journal*. The widespread use of Big Three brands as loss leaders, notably by the A & P at two for a quarter, was demoralizing the retail trade as the low tobacco prices were demoralizing the farmer, and it was hoped both situations would be helped by a price boost. But the effect, while immediate, was a general surprise. July production of cigarettes fell off 10 per cent, a new industry record that was shortly beaten by further declines that fall. The Federal Trade Commission became inquisitive. Farm prices were not helped. And the A & P, which had been accounting for nearly 10 per cent of all Big Three cigarette sales, was soon back at two for a quarter, while United Cigar Stores wobbled into an inconvenient two for twenty-seven cents and Schulte revived the old-fashioned profit-sharing coupon.

It took George Hill many months to reconcile himself to the notion of the proud

## Lucky Strike

[Continued from page 156]

eight cents to a nickel a bag in 1931 and advertised strikingly (see page 101) throughout 1932. Sales of the Bull and of American's roll-your-own paper, Riz la Croix, increased markedly, but it was so plain that the real business was going elsewhere. The new ten-cent brands, nonexistent in 1930, were selling in 1932 at the rate of nearly 20 per cent of the entire market (FOREST, November, 1932) with practically no advertising whatever. "I was more distressed than ever before in my life," says George Hill today. To make matters worse, in 1932 Chesterfield, persisting with the same vacuously charming copy themes it had used for years, was actually showing a gain. An explanation was suggested in a study made that year by Henry C. Link's Psychological Corp., published in *Advertising and Selling*. "What cigarette brand has the sincerest advertising?" Mr. Link's guinea pigs were asked; and 29 per cent replied "Chesterfields," with Camels a poor second and third. Meanwhile, Camels, the authors of the confusion, were losing business even faster than Luckies; so fast that they fired Erwin, Wasey and took on the unheard-of agency of William Esty, who had just resigned from a vice presidency at J. Walter Thompson, where he handled the Lux advertising, to go in business for himself.

That winter George Hill decided to reverse his field. He had put over \$18,000,000 behind Luckies in 1932—scarcely less than his record appropriation of 1931. The copy was in the best Hill-Lasker vein: startlingly anatomical nymphs drawn by John La Gatta (*Do You Inhale? Why Is This Vital Question Avoided by Other Cigarettes?\**) and the ravenous Nature in the Raw series. But it wasn't working. Therefore Mr. Hill opened the new year of 1933 by leading a price cut from \$6.85 to \$6—the lowest Big Three price since 1918. Two weeks later Reynolds launched the new Esty campaign, and Mr. Hill saw the advertising claims he had been making for seven years likened to the amusing fakery of sawing a woman in half and Houdini's milk-can escape. The advertising world grinned and watched to see what Mr. Hill would do. In February it saw. The theme of his new advertisements was "Luckies Please." They were as innocuous as so many Chesterfield ads. They even contained little poems. The advertising world felt as though it had seen Eddie Cantor get stage fright. Friends of Albert Lasker could almost hear him saying to Mr. Hill, "Let's get lousy." Poems!

Now it was not Esty's uppercut nor Chesterfield's virtuous success nor Mr. Link's findings nor the failure of "Do You Inhale?"

specifically that suddenly induced Mr. Hill to make velvet paws. Mr. Hill was less concerned with the mutual adversion of the Big Three than he was with the contraction of the cigarette market as a whole and by the general breakup of old price and product rigidity. Now were the dime brands climbing; a lot of nickel packages were introduced. Cigarette Stores began pushing their own brand, Gem; the whole pattern was different. Mr. Hill had always defended his house by the fact that the cigarette price for all brands increased almost as fast as Luckies. He has always thought of himself as a sort of knight-errant for the Big Three. And it seemed more important in 1933 to go after the common enemy—while the uncommonly volatile state of the market did not respond to his \$6 per cent it again—this time to an unheard-of \$5.50, at which the A & P retailed 10 Camels, and Chesterfields for a dollar package. Space salesmen burst into the trade, his own margin almost eliminated. Hill up and down; but the movement worked. Total Big Three production showed the first gain in five months—has been increasing ever since. The brands, put on the defensive, made a stand in Washington where they sought a tax differential. The late Mr. Esty of Akon-Fisher (Twenty Grand) and the Big Three of commercial tobacco. "They all get together and change up if they please"—and added that their advertising was "a lot of bunk." But it was the brands' Gettysburg. They are still in business but not as a menace to the Big Three. This year they will probably not sell more than 8 per cent of America's 138,000,000 cigarettes.

MR. HILL, unhappily, was not the beneficiary of his own courage and tuteness. While Camels and Chesterfields gained 12,000,000,000 and 4,000,000,000 respectively from 1933 to 1935, Luckies lost 2,000,000,000. Yet Mr. Hill continued soft-boiled advertising. "Cream of Crop," "Only the Center Leaves," "Your Best Friend," and the like were pabulum indeed for smokers who had Sabine women and the fleshpots of weight. For the fun of being so foolish now looked to Camels, which could smoked for a lift, for steady nerve digestion's sake. William Esty had taken the play away from Mr. Hill. Reynolds sales figures well attested Mr. Hill did not mope. These were, he says, when all the "ins were gone and the outs were coming in," and he lay low. He was still selling some 3,000,000 cigarettes even in 1935, when more than he sold in 1928. And the fact was that the total market for Big Three was once again expanding.

# Lucky Strike

[Continued from page 156]

and then to a nickel. At the same time Hill pushed its big Rocky Ford on a small scale, and Mr. Hill, whose expensive new machine molds were turning cigars that now looked somewhat rigidly, had to abandon the fight in the summer of 1931. Since then he has turned back on that field with the epithet "cloak-and-suit business," and sees no future in it except in the deluxe price brackets of his exploits there. (See *Fortune*, January, 1933.)

MR. HILL could be philosophical about the future in cigars, but the rebellious cry of the cigarette market after 1931 is another matter. For ten years or more the Big Three had held it axiomatic that its product, its package and its price were beyond all criticism and dangerous to touch with anyway. Their prices, when they were at all moved together, and the clinging to a change in any product since nothing had been introduced was Mr. Hill's unpalatable way. But Reynolds, in terror of the continued decline in Camel sales, carelessly began to question the very fundamentals of Big Three merchandising, was in this mood that Mr. S. Clay Williams, then President of Reynolds, had listened to some du Pont salesman, exchanged W. Averil Erwin, Wasey & Co., and in January, 1932, announced the new Cellophane wrapper with a \$50,000 prize contest. Gold and Chesterfield at once took to Cellophane, and at length, six months later, Hill followed too, topping the others in the Lucky Tab opener, which was coldly copied.

The general adoption of Cellophane they saved the cigarette business from it. But the next move—also initiated by Mr. Williams—jolted it into the most recent confusion in its history. In June, 1932, the Big Three raised their wholesale price from \$6.75 to \$7.25 a thousand, amid applause of *Wall Street* and the *U.S. Tobacco Journal*. The widespread use of Big Three brands as loss leaders, notably by the S. P. at two for a quarter, was demoralizing the retail trade as the low tobacco prices were demoralizing the farmer, and it was felt both situations would be helped by a price boost. But the effect, while immediate, was a general surprise. Full production of cigarettes fell off 10 per cent, a new industry record that was shortly beaten by further lines that fell. The Federal Trade Commission became inquisitive. Farm prices were not helped. And the A & P, which had been accounting for nearly 10 per cent of all Big Three cigarette sales, was soon cut at two for a quarter, while United States Stores wobbled into an inconvenient price for twenty-seven cents and Schulte revived the old-fashioned profit-sharing system.

It took George Hill many months to convince himself to the notion of the proud Lucky Strike's being an unstable bargaining item. He hoped he had met the farmer's needs by reviving his father's wince, Bull Durham, which he cut from

eight cents to a nickel a bag in 1931 and advertised strikingly (see page 101) throughout 1932. Sales of the Bull and of American's toll-your-own paper, Riz La Croix, increased markedly, but it was soon plain that the real business was going elsewhere. The new ten-cent brands, nonexistent in 1930, were selling in 1932 at the rate of nearly 20 per cent of the entire market (*Fortune*, November, 1932) with practically no advertising whatever. "I was more distressed than ever before in my life," says George Hill today. To make matters worse, in 1932 Chesterfield, persisting with the same vacuously charming copy themes it had used for years, was actually showing a gap. An explanation was suggested in a study made that year by Henry C. Link's Psychological Corp., published in *Advertising and Selling*. "What cigarette brand has the sincerest advertising?" Mr. Link's guinea pigs were asked, and 29 per cent replied "Chesterfields," with Camels and Luckies a poor second and third. Meanwhile, Camels, the authors of the confusion, were losing business even faster than Luckies; so fast that they fired Erwin, Wasey and took on the unheard-of agency of William Esty, who had just resigned from a vice presidency at J. Walter Thompson, where he handled the Lux advertising, to go in business for himself.

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\*When Brown & Williamson pointed out to Mr. Hill that it had discussed this very question in the early advertising of its Wings cigarette, he withdrew the challenge from his advertising.

specifically that suddenly induced Mr. Hill to make velvet paws. Mr. Hill was no less concerned with the mutual advertising rivalries of the Big Three than he was by the contraction of the cigarette market as a whole and by the general breakup of the old price-and-product rigidity. Not only were the dime brands climbing; a couple of nickel packages were introduced; American Stores began pushing their own private brand, Gem; the whole pattern was shifting. Mr. Hill had always defended his tough holding by the fact that the cigarette market for all brands increased almost as fast as Luckies. He has always thought of Luckies as a sort of knight-errant for the Big Three. And it seemed more important in 1933 to go after the common enemy—which was the uncommonly volatile state of the public taste in cigarettes. Accordingly, when the market did not respond to his \$6 price, he cut it again—this time to an unheard-of \$5.50, at which the A & P retailed Luckies, Camels, and Chesterfields for a dime a package. Space salesmen burst into a sweat; the trade, its own margin almost eliminated, cursed Hill up and down; but the treatment worked. Total Big Three production showed the first gain in five months. And has been increasing ever since. The dime brands, put on the defensive, made a gallant stand in Washington where they sought relief in a tax differential. The late Mr. Aston of Aston-Fisher (Twenty Grand) accused the Big Three of commercial tyranny. "They all get together and change prices as they please"—and added that their advertising was "a lot of bunk." But it was the dime brands' Gettysburg. They are still in business but not as a menace to the Big Three. This year they will probably not sell more than 8 per cent of America's 148,000,000,000 cigarettes.

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Mr. Hill's confidence in the Lucky Strike is exceeded only by his confidence in the tobacco business. When his mother asked

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