

PMI Marketing Conference - 1990

"Corporate Affairs"

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When I joined the tobacco industry 7 1/2 years ago, I held the view that tobacco companies should be free to market tobacco as they please - that is, as responsible corporate citizens. My attitude has not changed today, but public attitudes and the political climate means we need to rethink the definition of corporate responsibility.

Our opponents sit and wait, watching our every move, every new product and every new marketing project. Like the proverbial lion in the Bible, they are poised to devour us whenever we give them an opportunity, and sometimes even when we don't. Sometimes it is not even a matter of what we actually do... but what our opponents can make of what we do - through media ambushes, distortion of evidence, exploitation of images etc. etc.

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If the current hostility to tobacco marketing seems high now, rest assured its not going to go way. I say this knowing that we can demonstrate that tobacco advertising does not increase consumption,...that tobacco advertising does not make non smokers start smoking... that tobacco advertising is good for the consumer through product improvements and better value offerings... that tobacco advertising is consistent with the principle of free enterprise and free speech.... Why? Because the tobacco industry alone can no longer stop new regulations.

This brings me to our job in Corporate Affairs defending marketing freedoms. To achieve this two key elements are required;

1. We've got to build the necessary political opposition to stop further marketing restrictions;
and
2. We've got to ensure we market in a responsible manner / so that we don't unnecessarily bring on advertising regulations.

Before discussing each of these, let's take a look at the attitudes to advertising around the world. Visnews interviewed members of the public in London, New York, and Rome for us last month and this is what people had to say about advertising:

(Video on public responses)

As you can see it's not all positive, but with affective communications to the public we can improve attitudes. I am joining an IAA discussion next week to discuss an advocacy campaign to support advertising.

Why has the environment changed? Today we are engaged in a "war" against our industry. And I use the word "war" advisedly. The kind of war we are engaged in is a guerrilla war... the most difficult kind of all. Our enemy might not be invisible but it often seems that way. Their tactics are to hit and run and then hit again. They are expert at hitting when we least expect it.

The damage they inflict at any particular time is limited but, cumulatively, they have the capacity to inflict what could add up to a fatal blow. They have positioned their snipers and laid their minefields - it is the job of Corporate Affairs to discover where these threats are, and to warn you.

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Where possible, we try to knock out the threat or at least devise escape routes so that we avoid disaster and live to fight another day.

While we might not like our opponents, it would be foolish to underestimate them. We might feel they are blinkered in their obsessions, but in making our job difficult they are professionals and they are clever.

Our opponents are now internationally networked, fed by computer data bases from here in the U.S. The anti-tobacco network is more centrally directed with the International Organization of Consumer Unions, the World Health Organization, and the U.S., the Public Interest Advocacy Centre, The American Cancer Society with its "Trade for Life Program" all playing leading roles.

Many U.S. anti-smokers see the battle as being won here and are taking their preaching overseas.

Women, children and the third world have become the new focus of our opponents. Countries are targeted and groups of the world best anti-smokers are sent in - Canada, New Zealand, and Thailand are recent examples. Latin America and Africa are next.

In the last three months in the U.S., we have seen Uptown... Dakota... and public disquiet about the Camel cartoon.

We've seen considerable criticism on targeting, including Virginia Slims. We've had three congressional hearings on marketing in developing countries. Outside the U.S., we've had an advertising ban proposed in the European Community, France, Spain, Belgium, Morocco, Turkey, Brazil, Argentina and New Zealand. I am sure this is not an exhaustive list. Programs are now in place to address these proposals with some early success in the EEC, Turkey and Spain.

Why should we defend advertising or marketing freedoms? I don't have to tell you the importance of keeping consumers informed about our products, of introducing new consumers to our products, product improvements, and informing consumers of better value offerings, etc. But I do want to remind you of one other important aspect, industry profitability.

Most of us assume that the removal of advertising will freeze company shares and increase profitability. That is not necessarily so. We had demonstrated this in Finland, where our share has grown from 41.5% to almost 66% over the last 13 years despite an almost complete advertising ban.

What tends to happen as traditional marketing methods are lost is that the key marketing tool becomes price.

Increasingly in markets with limited advertising and even here in the U.S., the lower price offers, discounted cigarettes, generic cigarettes, larger pack sizes etc., drive down industry profitability. If we carry this to its natural extent what we see in the longer term is a commodity market for cigarettes.

So much for the threat, what about the prevention? Well, while I concede that marketing is the lifeblood of our business. It's also the case that our survival rests increasingly on how our marketing skills adjust to changing political situations. It also turns on the ability of Corporate Affairs, with your help, to market the ideas of freedom and tolerance which will enable our marketing to continue.

The first element of our defense of marketing freedoms is to build the necessary political opposition to stop restrictions. To achieve this in each of our markets, we need the following program:

1. prepare the necessary communications material, including the role and benefits of advertising, advertising and initiation, advertising and women, advertising and the developing world, etc.

These communications are being prepared by PMI.

4. develop a new, comprehensive communications program to all relevant parties so that our point of view is being regularly heard by the media, the public, the legislative bodies and by industry at large. We're working with Regional management to implement such programs.

3. foster genuine third parties or coalitions to support marketing freedoms. In Denmark, for example, we have created a coalition known (in English) as the Committee for Freedom of Commercial Expression. We were able to recruit more than 50 prominent Danes, including a leading Constitutional lawyer, the President of a major brewery, a leading Danish writer and philosopher and a well known architect. The group has lobbied, conducted media briefings, participated in debates, and written articles and conducted and publicized an opinion poll which showed more than 70% of Danes opposed the EEC Advertising Directive / and any move to ban tobacco advertising. What tangible results has this produced?
 - o The coalition has positioned itself as the voice of commercial free speech. Members of government (including the Minister of Health) now regularly initiate and consult with coalition members.

- o The coalition was probably the single greatest factor in securing Denmark's neutrality on the Directive at the Council role in May.
- o The coalition was instrumental in securing the commitment and public declaration of the Minister of Health to oppose an advertising ban.
- o The coalition and its ideas have attracted substantial and positive media coverage and editorial support.
- o The coalition orchestrated the public release of the International Publishers Association's declaration opposing tobacco advertising bans.

Why is it successful? The answer is simple, even if the execution is not. First, its members have no economic self interest in the industry or in whether or not tobacco advertising is permitted or banned.

Second, each individual is credible and well regarded within their respective fields.

And, finally, the functioning of the coalition is managed at arms length - distanced from P.M., although completely controlled by P.M.

We have set up similar coalitions in Holland, New Zealand and EEC for sport. Many more are required....

Now the final components of our program,... that is to

4. Identify and encourage advertising experts to speak out / and here I would like to draw your attention to the latest edition of The International Journal of Advertising, devoted to tobacco advertising and the six new 'experts' we've identified. (Hold up) This did not, I can assure you, happen by spontaneous combustion.

If you don't have such a program in place, then we need to talk to ensure your CA group puts one in place. If these programs are in place before ban proposals, the likelihood of stopping them is far greater. Unfortunately in Europe much of the work that Leo Burnett and others are doing comes too late. But better late than never.

rather a unethical responsible marketing - most of us would say we do this now. But think of our advertising through the eyes of the public and the continued criticism they see of our advertising.

I would like to show you a brief video tape of a recent congressional hearing held by Senator Kennedy on U.S. tobacco companies marketing practices overseas to see our activities through the eyes of the antis. Dr. Gregg Connelly (a dentist from Massachusetts) is giving evidence before the Kennedy hearing.

(Video of Kennedy Hearing)

It is fair to say that most of Connelly's criticisms are blatant lies, but there is substance to some of his claims, and some of them are difficult to defend. For example, advertising in China, and alibi advertising in Malaysia etc. I am sure some of you can think of examples in your own markets.

Don't get me wrong, I'm not trying to dampen your enthusiasm or depress you. What I am trying to do is alert you to the political environment we are operating in right around the world and to suggest that the smart response... the clever response to this political minefield... is to first recognize its existence;

second, to try and find a way around it, and, third, if possible, to use the constraints imposed, through creativity and bit of lateral thinking, to our advantage.

While we must be aware of what has gone on before, we must now focus our minds on the future and the enormous and exciting challenges that the future holds.

Simply put, I believe these challenges can best be met and turned to success if we demonstrate a much greater awareness / and sensitivity to the realities posed by the very tough political environment that we're in.

I am continually asked by the media whether we have one marketing strategy for the West, and one for the developing world. I respond by saying we have one marketing strategy all over the world, be it the U.S., the Philippines or Nigeria. Sometimes the advertising media available in these country's differs. But it would be nice to back that up by providing a Philip Morris code of marketing practice which each and every one of us in the room abide by in every corner of the world.

What I am talking about is a list of self-imposed constraints which will enable us to more plausibly claim the high moral ground in future controversies and, not least, to more easily manage / and possibly triumph in, future crises.

Many of you already have seen codes but they are country specific.

In order to be effective, such a code would require strict adherence throughout the PMI regions. Its contents would basically reflect the concessions we have already made in various countries to governments threatening legislative limitations and bans.

Such a code should contain 5 parts:

First A clear company policy stating that we don't market or sell to children or non-smokers. This is easy to say but more difficult to articulate. What after all constitutes a child? At what age is it ok to start talking to our consumers? Sixteen? Eighteen? Twenty one? ;

Second A clear direction on the media we use, that is only legally available media, with a primary adult audience. This should include statements on the positioning of billboards, etc.

Third A clear statement on the content of advertising to ensure its not encouraging non-smokers or children. Again not easy. As Oliver Wendell Holmes said - "I can't define pornography, but I know it when I see it".

Fourth A clear direction on our sponsorship activities (type of events, brand and company exposure, coverage, etc.)

Fifth Our policy and program on trademark infringements i.e. candy cigarettes, Marlboro kites, notebooks, etc. Everyone in this room knows how vigorously we pursue the illicit use of our trademarks. Now we must ensure others know and aggressively publicize our initiatives in this area.

The difficult job is filling in the details for each of these parts. That is something that requires considerable thought, time and effort. If you agree, I suggest a group from International Marketing, legal and Corporate Affairs commence this project.

Such a regime, effectively implemented and sold, would I believe, have the inestimable advantage of repositioning Philip Morris in the world-wide debate over the rights and wrongs of tobacco. It would gain us support from those with no affection for our enemies but who also harbour deep suspicion of our motives and methods. It would give us just that little bit more breathing space, just that little bit more room to maneuver. Believe me, we need it.

In thinking about our future marketing practices / we should also agree on a position on the following sensitive areas:

1. Brand diversification advertising. Here I would suggest that any brand diversification used should be a legitimate and justifiable business in its own right.
2. Vending machine placement. As you know, the Mayor of New York banned vending this week. The issue is the subject of a number of congressional Bills in the U.S. and also a hot issue overseas. While I appreciate the difficulties in West Germany and Japan, we should aim for placement in supervised locations.

3. Sampling. A very effective tool to encourage trial and brand switching, but a sensitive public issue. Once again, location is important, as is some proof of age.
4. Placement in films. I understand that its now our policy not to participate if funding is required.

The marketing code of practice and indeed these sensitive marketing areas need careful consideration if we are to improve public and legislative opinion on our practices.

I believe those who will rise to the top in marketing from now on... will be those with the creativity and cleverness to not only avoid the minefields and the ambushes set by our adversaries, but learn the trick of turning adversity to advantage. Given the onslaught our industry has been subjected to over the last two decades, particularly in the last seven or eight years, we should be getting much tougher, and smarter. Remember, the legendary brilliance and strength of the diamond is attributed to the sustained pressure it has endured under the earth. In the same way PM can, and will reflect the same brilliance.

PAUSE

Given the sobering nature of my words - a story on another code of conduct - This time - school conduct...
