

Lorillard

MEMORANDUM

6 September, 1983

TO: See Distribution
FROM: L.R. Vogel
RE: Semi-Annual 1983 Switching Study

Following are the highlights of the 1983 Semi-Annual Switching Study.

The areas analyzed are:

- Demographics
- Category and Manufacturer Switching
- Unaided Low Tar Brand Awareness
- Preference for Taste vs. Low Tar

If you have any questions, please call.

L.R.V.
L.R.V.

LRV:sjh
att.

cc: J. Asher	M.A. Kayiatos	N. Goldstein (JCM)
S.R. Benson	M.E. Kiernan	G. Hoefler (MCA)
M.H. Burke	P.R. Lawrence	R. Thomas (FCB)
M.K. Capra	V.D. Lindsley	R. Wigdor (DFS)
K.P. Curren	T.H. Mau	T. VandeKamp (MCA)
J.E. Daghlian	L.R. Moroz	
E.F. DeLaura	A. Pasheluk	
C. Elam	I.J. Staub	
E.P. Farrell	G.R. Telford	
J.G. Flinn	C.W. Toti	
C.G. Garbin		
R.D. Hammer		

03923293

A. DEMOGRAPHICS

Total and Category Demographics

Overall, the demographics of the smoking market have been stable, with the exception of a gradual increase in the proportion of female smokers. The smoking population is currently split evenly between males and females.

The increase in female smokers is primarily in the Reduced Tar categories. There also appears to be a gradual decline in the level of education in these categories.

(Tables 1-4)

Manufacturer Demographics

The Lorillard franchise has become more female since 1982 and is currently one of the most female-dominated manufacturers (59%). In comparison to the total smoking market, Lorillard smokers continue to be more likely to be: female, older, and better educated.

Overall, the demographics of the other manufacturers have remained fairly stable, with the exception of Liggett & Myers, whose demographic profile appears to be shifting slightly, probably because of the growth of generics. The L&M franchise has become increasingly more female, older, better educated, and white.

(Table 5)

Lorillard Demographics

Newport

Since 1981, the Newport franchise has become increasingly more female; females now dominate the brand (58% vs. 43%). While Newport smokers used to be concentrated in the 18-20 year age range, they now are concentrated in the 25-34 year age range (median age is 25.5 years).

(Table 6)

Kent

The demographics of Kent has been fairly stable. The franchise is roughly split by males and females, older (median age is 48 years), as educated as the total smoking market, and white.

(Table 7)

Golden Lights

The Goldeb Lights franchise appears to be skewing increasingly more female and older; currently it is nearly two-thirds (63%) female and the median age is 46.3 years.

(Table 8)

03923294

Kent III

The Kent III demographics have not demonstrated any clear trends since 1981; the profile continues to be quite similar to that of Golden Lights.

(Table 9)

True

The True profile has remained stable, with the possible exception of a gradual decline in the proportion of white smokers in the franchise.

(Table 10)

03923295

Table 1

	<u>TOTAL SMOKERS</u>		
	<u>DEMOGRAPHICS</u>		
	<u>1981</u>	<u>1982</u>	<u>1983</u> <u>JAN.-JUNE</u>
BASE:	(12,016)	(12,150)	(6011)
	%	%	%
<u>SEX</u>			
Male	52	51	50
Female	48	49	50
<u>AGE</u>			
18-24 Years	18	17	16
25-34 "	27	27	28
35-49 "	29	30	29
50-64 "	20	20	20
65+ "	6	6	6
Median Age	37.1	37.5	37.1
<u>EDUCATION</u>			
High School or less	64	65	64
Some College or more	35	34	35
<u>RACE</u>			
White	86	87	86
Black	8	7	7

03923296

Table 2

CATEGORY
DEMOGRAPHICS

	<u>LO-FI</u>		<u>1983</u>		<u>1981</u>		<u>LOW TAR</u>		<u>1983</u>		<u>ULT</u>		
	<u>1981</u>	<u>1982</u>	<u>Jan-June</u>	<u>1981</u>	<u>1982</u>	<u>Jan-June</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>Jan-June</u>	<u>1981</u>	<u>1982</u>
BASE:	(4992)	(4925)	(2317)	(4331)	(4473)	(2249)	(1439)	(1628)	(823)				
	%	%	%	%	%	%	%	%	%	%	%	%	%
SEX													
Male	57	56	57	48	46	45	40	40	38				
Female	43	44	43	52	54	55	60	60	62				
AGE													
18-24 Years	23	21	20	19	19	19	8	7	7				
25-34 "	30	30	31	28	29	30	25	25	25				
35-49 "	26	29	28	28	29	29	31	33	33				
50-64 "	16	15	17	19	18	17	27	27	25				
65+ "	4	15	4	5	5	5	9	8	9				
Median Age	33.8	34.5	33.6	36.2	35.9	35.3	42.4	42.7	41.4				
EDUCATION													
High School or less	.69	70	69	62	64	64	51	51	52				
Some College or more	.29	29	30	37	36	35	49	48	46				
RACE													
White	81	83	82	89	90	89	93	94	91				
Black	12	10	11	6	5	5	3	2	3				

46282680

Table 3

OCCUPATION

	<u>TOTAL</u>		<u>LO-FI</u>		<u>LOW TAR</u>		<u>ULT</u>	
	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>
	(6137)	(3020)	(2744)	(1326)	(2070)	(1016)	(647)	(309)
<u>BASE: Males</u>	%	%	%	%	%	%	%	%
<u>Employed</u>	<u>78</u>	<u>77</u>	<u>78</u>	<u>76</u>	<u>82</u>	<u>82</u>	<u>75</u>	<u>78</u>
Managerial/Professional (Net)	17	15	14	11	19	17	29	26
Administrative Support/Sales/Technical (Net)	15	15	13	13	16	17	17	18
Operators/Fabricators/Laborers (Net)	15	16	18	18	15	17	8	10
Precision Prod'n/Craft/Repair	20	20	21	21	20	19	15	15
Private Household/Other Service	4	4	5	5	4	3	2	2
Other	7	8	7	8	8	8	5	7
<u>Not Employed</u>	<u>21</u>	<u>22</u>	<u>21</u>	<u>23</u>	<u>18</u>	<u>17</u>	<u>24</u>	<u>21</u>

86232630

Table 4

OCCUPATION

	<u>TOTAL</u>		<u>LO-FI</u>		<u>LOW TAR</u>		<u>ULT</u>	
	<u>1982</u>	<u>1983</u> <u>Jan-June</u>	<u>1982</u>	<u>1983</u> <u>Jan-June</u>	<u>1982</u>	<u>1983</u> <u>Jan-June</u>	<u>1982</u>	<u>1983</u> <u>Jan-June</u>
<u>BASE: Females</u>	(6013)	(2991)	(2181)	(991)	(2404)	(1233)	(981)	(514)
	%	%	%	%	%	%	%	%
<u>Employed</u>	<u>55</u>	<u>57</u>	<u>55</u>	<u>54</u>	<u>58</u>	<u>60</u>	<u>56</u>	<u>57</u>
Managerial/Professional (Net)	13	11	10	8	13	11	18	15
Administrative Support/Sales	26	28	24	25	28	30	25	29
Technical (Net)	5	5	6	6	5	5	3	4
Operators/Fabricators/	8	9	10	11	8	10	6	6
Laborers (Net)	4	3	4	4	4	4	4	3
Private Household/Other								
Service								
Other								
<u>Not Employed</u>	<u>44</u>	<u>42</u>	<u>44</u>	<u>45</u>	<u>42</u>	<u>38</u>	<u>43</u>	<u>41</u>

662826E0

TABLE 5

MANUFACTURER DEMOGRAPHICS

	LORILLARD		PHILIP MORRIS		R. J. REYNOLDS		BROWN & WILLIAMSON		AMERICAN		LIGGETT & MYERS	
	1982 (1235) %	1983 JAN-JUNE (554) %	1982 (4103) %	1983 JAN-JUNE (2020) %	1982 (3808) %	1983 JAN-JUNE (1989) %	1982 (1505) %	1983 JAN-JUNE (678) %	1982 (1031) %	1983 JAN-JUNE (493) %	1982 (319) %	1983 JAN-JUNE (184) %
BASE:												
Sex												
Male	45	41	47	49	55	52	53	53	50	51	46	43
Female	55	59	53	51	45	48	47	47	50	49	54	57
Age												
18-20	6	5	12	11	3	3	3	3	*	-	1	-
21-24	10	10	16	17	8	9	10	8	2	1	2	2
25-34	22	23	32	33	28	27	34	35	11	11	14	17
35-49	29	27	24	23	35	34	30	30	38	36	32	28
50+	32	32	15	15	26	27	24	24	48	51	50	52
Median Age	40.7	40.9	31.8	31.6	39.8	40.1	36.8	36.9	49.5	51.6	50.0	52.6
Education												
High School or Less	59	57	63	62	66	67	72	69	61	66	70	64
Some College or More	40	40	37	37	33	32	27	30	37	33	29	33
Race												
White	87	85	89	89	88	87	79	76	87	89	90	93
Black	7	8	4	4	7	8	17	18	6	6	4	4

*Less Than .5%

00000000

Table 6

Newport Demographics

	<u>1981</u> <u>(208)</u>	<u>1982</u> <u>(197)</u>	<u>1983</u> <u>JAN-JUNE</u> <u>(99)</u>
Base:	<u>‡</u>	<u>‡</u>	<u>‡</u>
<u>Sex</u>			
Male	54	50	43
Female	46	50	58
<u>Age</u>			
18 - 20 Years	33	26	21
21 - 24 "	29	36	26
25 - 34 "	23	26	33
35 - 49 "	9	7	12
50+	6	5	8
Median Age	23.4	23.6	25.5
<u>Education</u>			
Less Than High School	17	19	19
High School Graduate	51	46	50
Some College or More	30	34	29
<u>Race</u>			
White	53	64	61
Black	37	29	33

03923301

Table 7
Kent Demographics

	<u>1981</u> (211)	<u>1982</u> (236)	<u>1983</u> <u>JAN-JUNE</u> (96)
Base:	<u>%</u>	<u>%</u>	<u>%</u>
<u>Sex</u>			
Male	54	49	52
Female	46	51	47
<u>Age</u>			
18 - 24 Years	1	3	4
25 - 34 "	13	11	8
35 - 49 "	42	38	40
50 - 64 "	30	36	32
65+	11	11	14
Median Age	47.6	49.2	48.0
<u>Education</u>			
High School or Less	66	69	67
Some College or More	33	29	32
<u>Race</u>			
White	84	85	89
Black	5	6	3

03923302

Table 8

Golden Lights Demographics

	<u>1981</u> (223)	<u>1982</u> (216)	<u>1983</u> <u>JAN-JUNE</u> (98)
Base:	<u>8</u>	<u>8</u>	<u>8</u>
<u>Sex</u>			
Male	41	43	37
Female	59	57	63
<u>Age</u>			
18 - 24 Years	9	4	6
25 - 34 "	19	19	22
35 - 49 "	38	40	29
50 - 64 "	27	27	17
65+	6	8	5
Median Age	43.3	43.6	46.3
<u>Education</u>			
High School or Less	60	56	55
Some College or More	38	44	43
<u>Race</u>			
White	92	94	89
Black	2	2	1

03923303

Table 9
Kent III Demographics

	<u>1981</u> (174)	<u>1982</u> (171)	<u>1983</u> <u>JAN-JUNE</u> (85)
Base:	<u>8</u>	<u>8</u>	<u>8</u>
<u>Sex</u>			
Male	40	44	41
Female	60	56	59
<u>Age</u>			
18 - 24 Years	6	2	5
25 - 34 "	25	19	14
35 - 49 "	34	34	35
50 - 64 "	22	36	32
55+	12	9	13
Median Age	44.3	47.6	47.2
<u>Education</u>			
High School or Less	49	56	52
Some College or More	49	42	45
<u>Race</u>			
White	93	94	92
Black	2	1	1

03923304

Table 10

True Demographics

	<u>1981</u> (207)	<u>1982</u> (237)	<u>1983</u> JAN-JUNE (91)
Base:	<u>8</u>	<u>8</u>	<u>8</u>
<u>Sex</u>			
Male	39	39	37
Female	61	61	63
<u>Age</u>			
18 - 24 Years	7	6	8
25 - 34 "	27	30	28
35 - 49 "	35	29	29
50 - 64 "	26	28	29
65+	6	7	6
Median Age	39.7	42.1	38.1
<u>Education</u>			
High School or Less	46	41	48
Some College or More	54	59	52
<u>Race</u>			
White	92	90	88
Black	3	3	6

03923305

B. CATEGORY AND MANUFACTURER SWITCHING

1. Category Switching

Incidence of Switching

The proportion of smokers who have switched their regular brand during the past two years has steadily been declining, and is currently at 20.8%

(Table 11)

Category Switching

Half (50%) of all smokers who have switched brands during the past two years switched to a Low Tar brand and one-third (31%) switched to a ULT brand. Just 14% switched to a Lo-Fi brand; this proportion has been slowly declining over time.

(Table 12)

Category Source of Business

Although there has been a decline in the proportion of those switching within the Lo-Fi category, the largest pool of switchers to Lo-Fi (49%) continues to come from within the category.

The majority of those who switch to a Low Tar brand continue to come from Lo-Fi (56%), probably from a parent brand, and the largest proportion of switchers to a ULT brand continue to come from Low Tar (47%), which may also be a switch in the same brand family.

This pattern exists among all two-year brand switchers, as well as among those who switched from a different category.

(Table 13 and 14)

Category Loss of Business

The majority (58%) of all those who leave a Lo-Fi brand tend to switch down to a Low Tar brand. The largest proportion of switchers from Low Tar brands (44%) and ULT brands (61%) tend to switch to other brands within their respective categories.

The majority of those Low Tar smokers who leave the category tend to switch down to a ULT brand (76%), and those ULT smokers who switch categories, not surprisingly, switched up to a Low Tar brand (86%).

(Tables 15 and 16)

03923306

2. Manufacturer Loss of Business

Of all manufacturers, Philip Morris retains the largest proportion of switchers, with one-half (50%) remaining in the franchise.

Of those smokers who left a Lorillard brand, 16% switched to another of our brands.

The retention levels naturally parallel the relative share of market of each manufacturer.

(Table 17)

03923307

Table 11

BRAND SWITCHING STUDY

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u> <u>Jan-Jun</u>
BASE:	(12007)	(12005)	(12016)	(12150)	(6011)
	%	%	%	%	%
Switched Brands During Past 2 Years	25.5	23.6	23.1	21.5	20.8

03923308

Table 12

CATEGORY SWITCHING

	<u>1981</u>	<u>1982</u>	<u>1983</u> <u>Jan-June</u>
BASE: Switched Brands During Past 2 Years	(2780)	(2613)	(1248)
	%	%	%
<u>Category Switched To:</u>			
Lo-Fi	18	17	14
Low Tar	49	50	50
ULT	28	28	31

03923309

TABLE 13

CATEGORY

SOURCE OF BUSINESS

	LO-FI		SWITCHED TO:		ULT	
	1982	1983	1982	1983	1982	1983
BASE: Switched Brands During Past 2 Years	(437) %	JAN-JUNE (180) %	(1310) %	JAN-JUNE (622) %	(739) %	JAN-JUNE (383) %

SWITCHED FROM:

Lo-Fi	62	49	56	56	33	31
LT/VLT	21	34	30	30	43	47
ULT	3	8	6	5	15	15
Straights	10	5	4	3	3	3

01E82680

TABLE 14

CATEGORY SOURCE OF BUSINESS

(Excludes Switching Within Category)

	<u>LOW TAR/VLT</u>		<u>ULT</u>	
	<u>1982</u>	<u>1983 JAN-JUNE</u>	<u>1982</u>	<u>1983 JAN-JUNE</u>
BASE: Switched Categories During Past 2 Years	(914) %	(435) %	(626) %	(326) %
<u>SWITCHED FROM:</u>				
Lo-Fi	80	81	39	37
Low Tar	-	-	50	55
ULT	8	7	-	-

03923311

TABLE 15

CATEGORY

LOSS OF BUSINESS

	<u>LO-FI</u>		<u>SWITCHED FROM:</u>		<u>ULT</u>	
	1982 (1315) %	1983 JAN-JUNE (606) %	1982 (827) %	1983 JAN-JUNE (422) %	1982 (212) %	1983 JAN-JUNE (94) %
BASE: Switched Brands During Past 2 Years						
<u>SWITCHED TO:</u>						
Lo-Fi	21	18	11	9	6	4
LT/VLT	56	58	48	44	36	34
ULT	19	20	38	42	53	61

21332680

TABLE 16

CATEGORY LOSS OF BUSINESS

(Excludes Switching Within Category)

BASE: Switched Categories During Past 2 Years	LO-FI		LOW TAR		ULT	
	1982 (1045) %	1983 JAN-JUNE (497) %	1982 (431) %	1983 JAN-JUNE (235) %	1982 (99) %	1983 JAN-JUNE (37)* %
Lo-Fi	-	-	21	16	12	11
Low Tar	70	71	-	-	77	86
ULT	24	24	73	76	-	-

SWITCHED TO:

Lo-Fi

Low Tar

ULT

*Caution: Small Base

81882680

TABLE 17

MANUFACTURER LOSS OF BUSINESS

	LORILLARD		R. J. REYNOLDS		PHILIP MORRIS		BROWN & WILLIAMSON		AMERICAN		LIGGETT & MYERS	
	1982 (234) %	1983 JAN-JUNE (101) %	1982 (780) %	1983 JAN-JUNE (398) %	1982 (903) %	1983 JAN-JUNE (449) %	1982 (353) %	1983 JAN-JUNE (141) %	1982 (169) %	1983 JAN-JUNE (80) %	1982 (65) %	1983 JAN-JUNE (27)* %
BASE: Switched Brands During Past 2 Years												
SWITCHED TO:												
Lorillard	15	16	6	7	8	9	11	10	10	9	12	11
R. J. Reynolds	28	32	43	42	29	26	31	33	36	30	37	48
Philip Morris	33	32	33	30	49	50	24	24	28	28	37	22
Brown & Williamson	13	10	10	10	9	7	27	26	8	13	5	4
American	9	9	6	6	3	3	3	2	10	10	5	11
Liggett & Myers	2	2	2	5	2	4	3	5	8	11	5	11

*Caution: Small Base

03923314

C. UNAIDED LOW TAR BRAND AWARENESS

Overall, Merit, Carlton, and Vantage continue to be the most frequently mentioned brands among total smokers, in all filtration categories.

Marlboro Lights is also mentioned frequently among Lo-Fi and Low Tar smokers. Mentions of Now and True are quite high among ULT smokers, but decline as tar level increases.

(Tables 18 and 19)

03923315

Table 18

UNAIDED OF LOW TAR BRAND AWARENESS

	<u>1981</u>	<u>1982</u>	<u>1983 JAN-JUNE</u>
BASE: Total Smokers	(12016)	(12150)	(6011)
	%	%	%
Merit	18	18	16
Carlton	18	18	15
Vantage	15	13	13
True	12	11	10
Now	11	10	11
Marlboro Lights	11	10	11
Barclay	10	6	5
Winston Lights	10	9	8
Salem Lights	7	5	5
Kent	5	5	5
Kent Golden Lights/ Golden Lights	4	3	2
Kent III	2	2	2

03923316

Table 19

UNAIDED LOW TAR BRAND AWARENESS

	LO-FI			LOW TAR			ULT		
	1981	1982	1983	1981	1982	1983	1981	1982	1983
	(4992)	(4925)	(2317)	(4360)	(4473)	(2249)	(1439)	(1628)	(823)
BASE:	%	%	%	%	%	%	%	%	%
Merit	17	16	15	21	20	18	21	21	19
Carlton	12	14	12	23	19	16	32	31	30
Vantage	16	13	13	20	15	14	14	12	16
True	12	11	9	16	11	10	13	15	15
Marlboro Lights	11	11	12	13	12	13	9	7	9
Winston Lights	9	9	7	12	12	11	9	7	6
Now	7	10	7	15	10	11	22	20	21
Barclay	7	5	4	-	6	5	16	12	9
Salem Lights	7	5	6	10	7	7	6	4	4
Kent	5	5	5	6	5	6	5	3	5
Golden Lights/Kent									
Golden Lights	2	2	2	7	3	3	5	4	3
Kent III	1	1	*	3	2	2	5	5	5

41332630

* Less than .5%

D. PREFERENCE OF TASTE VS. LOW TAR

If forced to switch brands, the most important consideration to Lo-Fi smokers continues to be taste. While the majority of Low Tar and ULT smokers still claim that low tar is more important than taste, this mention has been declining over the years. The decline is a result of a gradual increase of those mentioning the importance of taste, as well as a good proportion offering that both low tar and taste are important.

(Table 20)

03923318

Table 20

PREFERENCE FOR TASTE VS. LOW TAR

<u>Most Important Consideration If Switching Brands</u>	<u>LO-FI</u>	<u>LOW TAR</u>	<u>ULT</u>
	%	%	%
<u>TASTE</u>			
1980	64	32	11
1981	67	36	15
1982	66	38	14
1983 (Jan.-June)	65	38	17
<u>LOW TAR</u>			
1980	33	64	86
1981	30	61	83
1982	29	55	79
1983 (Jan.-June)	27	50	75
<u>BOTH ARE IMPORTANT</u>			
1980	1	1	1
1981	1	1	1
1982	3	5	6
1983 (Jan.-June)	4	10	7

Q. "If you were to switch to another brand of cigarettes right now, which of the following would be more important to you: taste or low tar and nicotine?"

03923319