

# GS Insight

A publication of Gibbs & Soell, Inc., Public Relations

Volume 5, Issue 4

## *Smoke Gets In Your Eyes:*

# *Lessons from the Tobacco Wars*

Opposite the Port Authority bus terminal in Manhattan, a 10-story mural of Joe Camel lighting up a butt below a street lamp is obliterated. In Florida, the tobacco industry astonishes the world by settling a long-shot class-action lawsuit on second-hand smoke filed by airline flight attendants. Meanwhile, in California, R.J. Reynolds Tobacco Company agrees to pay communities \$10 million in damages for its Joe Camel advertising campaign. The demise of Joe Camel is more than the death of a powerful symbol; it's an object lesson in the management of public opinion.

While the proposed 25-year \$368.5 billion tobacco settlement is currently in limbo, the impact of the deliberations, whatever the outcome, will be significant both for the tobacco industry and the American public. Taxes on cigarettes will likely rise and the way they are marketed and sold may forever change.

Already Winstons are advertised as denuded of additives. Retailers of all sizes are dramatically altering in-store merchandising to reflect changing attitudes. And there is talk by the Federal Trade Commission of new packaging rules requiring further disclosure beyond tar and nicotine levels. Meanwhile, the spirits industry is nervously awaiting the outcome and wondering if the country will, with millennial sobriety, decide to revisit the age of Prohibition.

So what cogent communication lessons can be learned from this volatile situation? Here are three big ones, and a few predictions.

### **There is Strength in Unity**

Like them or not, big tobacco has proven the effectiveness of presenting a united communications front with two or three simple key messages. Since the '50s, the four biggest U.S. tobacco companies have repeated the same messages over and over: *Cigarettes are not addicting. The link between smoking and cancer is scientifically unproven. We do not target children in our marketing.*

This unwavering position helps explain the extraordinarily slow erosion of their image, the glacial progress of anti-smoking measures, and the sustained performance of their profits. The trouble started with government saber rattling in the '50s, which led to package warning labels in the '60s and the withdrawal of cigarette advertising from the airwaves in the '70s. Surgeon General C. Everett Koop led the charge in the '80s as cigarettes were banned from domestic commercial airline flights, then airports and, eventually, most indoor public places.

Three years ago, Dr. David Kessler, former chief of the U.S. Food & Drug Administration, went on the warpath to regulate nicotine as a drug. Since then, a mountain of multimillion-dollar class-action lawsuits in more than 39 states has loomed as a threat. Finally, during the last national election, President Clinton and Vice President Gore openly attacked tobacco, and activists started accusing big tobacco of targeting America's youth in their advertising.

Last spring, with the industry actively negotiating a Government-led settlement that would relieve them of a substantial portion of future liabilities with the states, Liggett Group, the most vulnerable U.S.

tobacco company, finally cracked. "We at Liggett know and acknowledge that cigarette smoking causes health problems, including lung cancer, heart and vascular disease," said Brooke Group Chairman Bennett LeBow last March. The head of Liggett's parent company also publicly stated that nicotine is addictive, and that the "tobacco industry" targets minors.





So much for the united front! Suddenly, the Emperor had no clothes. Liggett's admissions left a bad taste in the mouth of Congress and the American public, and immediately changed the strategy for the rest of the industry.

## **Emotional Appeals Pack Power**

What changed? Why did Liggett decide to come clean? Potential bankruptcy was the public answer. Having a sitting U.S. President, the FDA and 22 of the state attorneys general against them didn't help. But we can't ignore the opposition's decision to focus on an irresistible emotional appeal: America's children. More than anything else, big tobacco's apparent targeting of minors in their marketing galvanized public opinion and put the industry on the defensive. It was a suddenly awakened public that changed the landscape.

We can only wonder — if the industry had avoided targeting children in its marketing, would it still be in the current quagmire? Appealing to youth may have been shrewd short-term marketing, but there is no mercy in the collective conscience when innocent children are caught in the cross hairs. Kessler and the anti-smoking advocates understood this well. Emotional appeals are usually far more potent than logic, united fronts or any other stratagem.

## **If You Take the High Road, Forget the Exit Ramps**

Tendered sincerely, magnanimous gestures and generosity can help repair reputations and control further damage. Big tobacco's decision to negotiate with the Federal Government and offer a sizable settlement was a smart, albeit necessary, move in light of

Liggett's admissions. It gave the industry at least some measure of control over its destiny.


Meanwhile, the tobacco industry also quietly brokered a \$50 billion tax credit for itself to minimize its losses, but tucked it away in a 200-page reform proposal currently stalled in Congress. When the media "discovered" the tax credit, it was treated as a breaking story and further proof that big tobacco was not trustworthy. If the public had any doubts about big tobacco's intentions, they were quickly dashed. Saying one thing and even appearing to do another can do more damage than remaining defensive. Don't take the high road unless you really mean it.

## **What's Next?**

Tobacco is a global business, and demand is still rising in many countries. Millions of jobs, and 45 million American smokers, depend on it. The Government reaps substantial tax revenues from the industry. In short, tobacco is not about to blow away.

Yet now that the social context has changed, big tobacco must adapt. They will have to become better corporate citizens. Several "social contracts" are being considered in the government settlement (e.g., the funding of anti-smoking campaigns, healthcare for uninsured children), and we can expect to see big tobacco visibly support even more worthy causes on its own.

Marketing strategies will change drastically, and cigarettes are already going "underground," behind store counters and out of the sight of minors. In the long run, cigarette makers might try to reposition their product with positive associations in an effort to reclaim "lost" business.

Hard to believe? Consider the rising popularity of cigar smoking, which is occurring at precisely the same time that cigarettes are on the wane. Demand for high-quality cigars is up nearly 1,000 percent so far this year. Why? The cigar industry has revived an old fashioned, positive association — success — and aimed it at a new audience — women. Marketing really can make a difference! 

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