Philip Morris had other assets was presently demonstrated. New President Chalkley and First Vice President Lyon increased Philip Morris sales and profits by a full 100%.

Rum & Flavor. In the Philip Morris factory in Richmond, where long lines of colored girls chant improvised songs all day long in the humid redolence of tobacco, Philip Morris cigarets are manufactured by virtually the standard process used by all the big popular brands—Turkish and U. S. tobaccos are mixed, sprayed with a special flavoring formula which gives each brand its own particular taste. Since taste is a big selling point, each brand's flavoring mixture is a trade secret, but the basis for all flavoring is rum. Only other ingredient cigaret companies reveal is a hygroscopic agent mixed with the tobacco to attract moisture. In most cigarets the hygroscopic agent is glycerin; Philip Morris uses diethylene glycol. The result, it claims, with substantiation from many a doctor, is less irritation to the membranes of the throat.*

Dwarf & Advertising. The diethylene glycol angle has been pushed hard by Philip Morris in advertisements in medical journals and in general promotion among doctors. In its general advertising Philip Morris merely uses round phrases such as "Doctors have agreed that Philip Morris is less irritating to the throat." This sort of talk would presumably have made little impression in a world full of cigaret claims had not Philip Morris' smart advertising agent Milton Biow had a brain wave. He remembered an old Philip Morris slogan, "Call for Philip Morris," and hired a shrill-voiced dwarf named John Roventini to chant it on the radio.

Johnnie Morris, as he is now called, is on the company's payroll for life at about $20,000 a year, including the cost of an automobile and other perquisites furnished him. And with an advertising expenditure vastly smaller than its competitors Philip Morris has for five years had the fastest growth of them all. This, Milton Biow lays to the fact that Philip Morris has stuck to one theme and one slogan without switching from one idea to another every few months as do many others. At any rate Philip Morris spent only $908,497 for advertising (exclusive of radio talent) in 1937 as compared with $8,500,000 for Camel, $8,900,000 for Chesterfield, $5,600,000 for Luckies, and $4,000,000 for Old Gold. And Philip Morris sold 8,200 cigarets per dollar of advertising against 6,800 for Luckies, 4,500 for Camels, 3,400 for Chesterfields, 2,200 for Old Golds.

Price & Dealers. The crux of Philip Morris' selling is its 15¢ price. Its rivals allow price cutting (such as two packs for a quarter). Philip Morris never does and swears it never will. In some States price-maintenance laws insure this policy; in others Philip Morris relies on its good dealer relations to maintain the 15¢ price. This price stability assures dealers their approximate 2¢ per pack profit margin with Philip Morris and they tend to push it harder, give it better displays, etc. Conversely, with its prices rigid at a high level, Philip Morris has more money per cigaret to spend on tobacco and manufacture. Even so, it probably could not have gone over but for two circumstances at its birth. After years of pushing Melachrinos, Rube and Mac had first-name friendships in most of the nation's tobacco stores. Dealers were told that the new cigaret was Rube and Mac's baby and if they valued the friendship they would help. Dealers were delighted to help because at the moment they were nursing a grudge against the "Big Four," whose prices (and dealer profit margins) in 1933 were at new lows in a bitter price battle with the ten-cent brands.

Since Rube and Mac's personal touch was so vital in Philip Morris' start, there were understandable qualms when the team of Chalkley and Lyon succeeded them. But affable Salesman Lyon soon rivaled his predecessors in cajoling dealers and salesmen ("My name is Lyon but I'm no wild animal. . . ."), and President Chalkley spurred the whole company to fresh endeavor by encouraging initiative rather than following able Mac McKitterick's policy of being a one-man arbiter of everything. He extended the bonus system to the whole company. As the only major executive in the country with leaf-buying, manufacturing and selling experience he was a logical choice as McKitterick's successor. And as the cool, careful, level-headed type he was well fitted to guide Philip Morris from a small unit with big ideas to actual bigness.

Murray Korman

JOHNNIE MORRIS

Helped sell 8,200 per dollar.

Tobacco inventories are bought three years in advance so they can age properly and thus they require a sizable investment. Philip Morris at first got such working capital by borrowing, not by floating securities. But inevitably, as its inventories swelled to a $20,000,000 figure, bank loans became too cumbersome, particularly on top of the $700,000 expense of building a slick new factory, opened last month. So last week with its 519,151 shares of common selling at $95 (on earnings of

*Philip Morris was perturbed last year when at least 41 persons died from taking as medicine sulfanilamide that had been mixed with diethylene glycol as a solvent (TIME, Nov. 1). Medical research, accepted by the American Medical Association, indicates however that there is nothing poisonous about diethylene glycol when it is burned as it is in cigarets.