

## Philip Morris at Syracuse

Philip Morris, outside of throwing a bunch of numbers at you, obviously does tremendous buying - \$78 billion worldwide of our five companies. Okay, are you familiar with our five companies of Philip Morris? They are Miller Brewing division, it's now Kraft slash General Mills but it used to be two additional companies there, there's Philip Morris management, Philip Morris, USA - that's us, that's what we're recruiting for maybe an internship or full time Territory Sales Management position and Philip Morris International and that would be our cigarette line all across the world. I'm not sure how many countries we're in but certainly we have wide breath across the world. Our income, our actual gross sales are bigger than many underdeveloped countries across the world. It's kind of unique talking in billions of dollars. When I first started, Philip Morris was doing about 3 1/2 billion dollars a year, that's seemed astronomical at the time. Today, an internet company gets a web page and they're doing \$10 million in year - well there are instances well above.

One of the reasons I believe that obviously are very big on the ?? our stock is a little flat right now and a lot of this is because of legal issues which make Wall Street a little nervous quite frankly. We're in the middle of a lawsuit down in Florida and it's ?? the stock. But many people look at that as a good time to buy if you're looking 18 months ahead. We've had consistent growth over the past 25 years and I think really the secret to our success over the past 25 years is two major issues: one being brand equity. We have brands that have value and image; Marlboro. ??? give it consistent flavor - one you like if you smoke, if you don't smoke that's alright too. We also have Merit and Parliament. Very top name and very image minded brands. And the second thing which I think is bigger than brand equity is we listen to our customers and then offer them programs over the past 25 years that fit their needs. A sales presentation is very similar to a debate. If you don't listen to the issues of the person you're debating against you really can't counteract or overcome their objectives. Same thing is true with sales.

We have \$7.7 billion dollars

Our share of the domestic tobacco market is 50%. Very often we get a little arrogant at times and that's really what it is and we say the customer needs us worse than we need them. Well that's really not true, but we are a big player in the tobacco line. You wouldn't think there is that many customers out there for tobacco products, that it's a dying business, right. Truth of the matter is that we have 45 million consumers out there that utilize our products. Marlboro is the number one consumer product in the world.

?? This is our brand line up

We have a sales force of 3,000 people including TSMs. Territory Sales Managers, Sales Development Associates, Unit Managers - they're usually in HR managing a team of four or five people and we will have like senior comp members and so on. In spite of all that you have read in the papers and all that I have read in the paper of the past twenty-

five years, it is still a growing company. It is a tremendous environment to work in. They are constantly challenging. I talked to my neighbor about how the company treats me. Not only through our benefits but how they truly treat you in the work environment and I would love to have any of you guys speak up and you are treated with respect and dignity. Challenged far beyond what you thought you could do. And, gosh, when we have company meetings, we have the most outrageous parties. They're so bad that I live in Syracuse and they make me stay in a hotel when we have our meetings in Syracuse, so.

Okay, I touched on ??? equity.

Okay, this context is on what I am talking about, the organization and. I can't speak enough to integrity, trust, respect. Some of the values we look for when we recruit. It is also the values that are ongoing when we train our organization and evaluate. We are very big on open, and honest. I would say add straight-forward communication to both internally and externally direct customers. No body can succeed if they don't have a passion for it. Okay, and these lists of values, competencies are things that we live by, not only as we recruit and we will ask you all these questions and you'll say "why do they care what I do on my own time?" Well, you know what? A lot of this tape that we just had in here, it is very important that we, as a corporate society, are good citizens. I can get into stories later as we talk about the culture that we work in but those are just examples of some of our values, okay.

Success comes from dynamic leadership and the bottom line is that is why we are here tonight and that's why we are going out to the best universities in the country and look for our salespeople, our sales board and be competitive. Not only our benefits package which is indicative of a fortune 8500 company, okay. Our salary is very commiserate. It never adds it and we don't talk enough about our benefits however. The card. I know I am getting out of cycle here, but that way I can stand up and sit down. But when I talk about how competitive we are in the environment. You want to continue your education? Once you're in Philip Morris and you get your masters, you can do that. And we pay for it. You want to go for a weekend cruise. You've got a company card. One of the best benefits you could possibly have. You want to (audience member says something), pardon me? (repeats), oh, that profit sharing. I've been putting into that bad boy for twenty-eight years and heavily invested in Philip Morris stock and I am not going to share with you what it means to me today but obviously, I could retire today if I want to. I don't want to. I work for a great company. I guess I need purpose. And enjoy my job. Also, put up with all this crap.

Okay, based on the profits of PM each year, they invest back into their sales course. And they do it by, we have a program called profit sharing. It's not really, it's similar, but not exactly like a 401k program where you put in a dollar and the company will invest another fifty cents on your behalf. PM every year, you can take pre-tax or after tax dollars and invest it in profit sharing. And it can go in any one of such companies that grow funds, general equities, PM stocks, international stocks. You have six or seven areas that you can invest in and each year when they come out with their profit analysis, they will donate up to 15% of your income into profit sharing. Now, let's suppose you

start will PM and you are making around \$32-\$35,000. Is that the starting salary today? (someone answers) So that comes out to around \$4,500-4,700 that they put in after two years. So try to imagine right now saving \$100 a week. Pretty easy right now living at home with mom and dad. Don't ever leave home, that is a stupid move on everyone's part. Had I known what it would have cost to put my kids in college, I would have stayed home with my mother and father to this day.

So, we are obviously looking for great people. We go to Syracuse, we go to Cornell, we go to NYU, we recruit out of Duke, BU out of Boston, and one of the reasons why we go for the very best people that we can and get them, quite frankly, is that we are looking for more than good citizens. We are in a very volatile environment right now. We handle a product that is enormously successful and enormously profitable. We are looking for good citizens out there. I guess the best parallel I can bring to that is, I was out golfing last summer and about the 3<sup>rd</sup> or 4<sup>th</sup> hole, typically when you get loosened up with another person, you start talking about everything. And the inevitable questions comes up, "what do you do for a living?" and I said "well, I sell cigarettes. I work for PM." He said, "Oh, I'm a doctor." There was a sense of quietness for two or three holes. And then we started picking up a conversation around the eighth whole. He said, "you know what? You're pretty good guy. What are you doing working for a cigarette company?" And I said to him. I kinda responded back to him, "Who would you want handling the tobacco industry? If you see it so volatile, who do you want handling this industry? The felons of live or do you want good citizens? Good business managers? People who are responsible for the environment." And that is really is part of what you are seeing tonight. Yes, we are corporately responsible but we are also very. It is a shameful thing that we have to put out promotions to tell what we do for our communities. And what we do for national organizations. We are extremely, I can't speak for what you are looking for, but I am extremely prideful of working for PM for twenty-seven years. And I will go to a house party when you are probably the most popular guy in the whole house because they come out and say what do you do for a living. I sell cigarettes. You debate for the next two hours. Okay, but the bottom line is that I am extremely proud of working for PM and once you come out and have that discussion of the product and it is a legal product. And if you do use it, it may, as described, may be harmful for you. So we suggest and promote responsibility and accountability also. I guess I got to that already, didn't I?

Okay, amazing thing happens everyday that we go to work. Probably once a week we see an article in the paper. Very rarely, fact based, that tears our industry to shreds. We see warnings on tags in the 60s. And of course, the moment we put the warnings on the packs, we were going to be put on business. Any group business. And then they took the advertising off television. Oh, my good, you'll never be able to introduce a brand and your business will be in the tubes in five years. And we broke records for the next five years. And then of course, we had the tobacco settlements in the nineties. We are going to pay \$200,000. That is beyond my, I just can't imagine. All I can do is see the numbers on a calculator, probably. But quite frankly, it is the cost of doing business now and we are going to be responsible in the coast that we have in the market place. And, geez, yesterday, it was an amazing thing. I had a customer wanting to put store hours

with a Marlboro logo on it. And as part of our master settlement, I had to tell this customer that we can't do that anymore. That is an amazing thing from our part to tell this customer that I don't want that advertising invest and type of advertising. So, we have to be responsible. Any time you go to a store now, you'll see these yellow decals on the door, we card, used to be action against access. Do you remember those, bright red decal? Was it bright red? Yeah. And we are very big on training our customer on carding their customers, Okay, our customers and retailer. So in spite of all the negative press, in spite in sometimes of ignorance when people question why you do what you do. This job is right. I wish I could be more objective about it. It is a lot of fun, it is challenging. I go home talking to myself some days. It is just wonderful the work environment we have. Believe it or not, it isn't all smiles all the time. But yeah, we talk about our business life, our personal life with each other. The people that you work with are your friends. That is the biggest thing you have in common. So it is a great work environment.

Okay, really quickly, I kind of passed over benefits and quite frankly, that is a very important area. We talked about profit sharing very quickly. We talked about college continuing education. We have two types of health care. One being an HMO in which they contract a group of doctors and I'm sure you, are you familiar with HMOs? Do I need to explain those? We have an ???, if you are in Fargo, ND and you are a TSM with PM, I don't if anyone would want to move there, but we have an opening, but, there is what is called autobaria(?) so that we have both types depending on the geographic area you are working in, of hospitalization. We have dental. My dentist loves our dental program. Every year for cleaning and cavities, I have \$1000, I think he has maxed it out for the past 7 years. My teeth felt good before and my teeth felt good after, but it is a great dental program. We have a great optical program where they buy us glasses or contacts. We have an insurance program for our kids. Scholarships programs for our kids. And what I mean by that is we apply and if, based on a number of things they do for any scholarship, they will award up to \$1,000 to \$5,000. My youngest son got a scholarship from PM. I think it was \$3,5000 for four years of which he went two years. I still say to this day that he cost me \$7,000 but I won it out of PM.

Gosh, can you guys help me?

Associate- ??? Reimbursement will pay for, 100% toward an MBA once you graduate and then you working as a salesclerk manager. I shouldn't limit it to MBA. We will pay for a masters.

And here is another area, if you drive safe for five years, they'll donate \$500 to any non-profit organization that you want to promote safety. So your name is spread around the community without the PM name there, if it bothers you. Quite frankly, I splatter it any where I can, because I am that proud of the company.

I think I've said enough. I hoping that we're

Audience member- did you pass out company cards

I think I believe I did earlier. Once again, the company car, that's probably the second best benefit that we have. The great thing about the company car is that, depending on the percentage that you use the card, that will be figured on, against cost of lease, or whatever, you will be charged against your income. You know, the charge is a benefit. And essentially, you don't pay for that. It is the taxes that are charged to the benefit. So the truth of the matter is, you drive your car on the street for personal time, you couldn't afford to drive a clunker that you may have in your driveway. But is so cheap to drive that vehicle when it comes down to around 6 or 8 cents a mile, I figured one time. So, that is just a tremendous benefit from PM. Are there any questions?