Are marketing campaigns in Taiwan by foreign tobacco companies targeting young smokers?

C P Wen, T Chen, Y-Y Tsai, S P Tsai, W S I Chung, T Y Cheng, D T Levy, C C Hsu, R Peterson, W-Y Liu

Objective: To assess the impact of promotions on cigarette sales in Taiwan after the cigarette market opened to foreign companies, and to assess whether young smokers were targeted by these companies.

Methods: Trends in cigarette sales, advertising expenditure, brand preference, and cigarette consumption were examined for the period following the 1987 opening of the cigarette market. Tobacco industry internal documents from Legacy Tobacco Documents Library of the University of California, San Francisco, were searched for corporate strategies on promoting youth consumption in Taiwan.

Results: Between 1995 and 2000, the inflation adjusted advertising expenditures by all foreign firms increased fourfold. Much of the expenditure was spent on brand stretching the Mild Seven (Japan) and Davidoff (Germany) brands in television advertising. By 2000, the market share of foreign cigarettes exceeded domestics by three to one among young smokers and the leading brand preferred by this segment shifted from the most popular domestic brand (Long Life) to a foreign brand (Mild Seven). Furthermore, there was a sudden increase of 16.4% in smoking rates among young adults (from 36.1% to 42.0%) during the first five years after the market opened. This was also accompanied by increased per capita cigarette consumption and decreased age of smoking initiation. Industry documents confirmed the use of strategies targeted at the young. In particular, establishing new point of sale (POS) retail stores or promotional activities at POS were found to be more effective than advertising in magazines.

Conclusions: This study provides evidence that advertising increased with increased competition following the market opening, which, in turn, spurred cigarette sales and consumption. Foreign tobacco companies have deliberately targeted youth in Taiwan and succeeded in gaining three quarters of their cigarette purchases within a decade. Expanding youth consumption will incur excessive future health care costs borne by society. Foreign tobacco companies should be obligated to reimburse these expenses through higher tariffs on cigarettes.
between changes in cigarette sales volume and sale dollars for domestic and import cigarettes, particularly for the young smoker population, defined as 17 years old or younger.

Data on tobacco advertising and consumption were obtained from the commercial market research firms Rainmaker Industrial, Ltd, and Eastern Online, Ltd of Taipei, Taiwan. Rainmaker Industrial, Ltd provided data from 1995 to 2000. Advertising expenditures were inflation adjusted using a price index from Taiwan. Eastern Online, Ltd conducted interviews on samples of consumers across the country (Eastern Integrated Consumer Profile, or E-ICP survey) on magazine reading, smoking behaviour, and brand preferences for the years between 1988 and 2001.

We also examined industry documents regarding youth marketing. With the use of the key word “Taiwan” we searched the Legacy Tobacco Documents Library of University of California, San Francisco" and located 2885 documents, consisting mainly of documents from Philip Morris and RJ Reynolds. Each of these documents was reviewed by two individuals independently for wording or strategies related to young smokers in Taiwan. When such a document was found, it was then catalogued and placed into one of the four marketing categories: products, price, promotion, and place.

**RESULTS**

Changes in tobacco sales, preferences, and smoking rates

Table 2 shows tobacco consumption, tobacco sales, market shares and youth preferences. In 1986, foreign tobacco companies had 3% of the market share in sales dollars, which quickly jumped to 22% within a year after the market opened in 1987. Between 1995 and 2000, the market share of imports increased by 66% (from 33% to 55% of the entire market). Imported brands had less than half of the market share based on sales volume (quantity), but more than half based on sales dollars.

The country with the largest import share was the USA in 1987. This gradually shifted to Japan’s favour in the late 1990s, with the foreign market share of the American tobacco firms dwindling from 72% to 10%.

Preferences for imports by youth smokers jumped from 2% in 1986 to 77% in 2001. This meant that virtually unknown foreign products became the favourites for three out of four young smokers within 15 years of the market opening. The proportion of youth favouring foreign tobacco (77%) far exceeded that of the adults (48%) based on sales volume. The leading brand preferred by youth shifted from the most popular domestic brand (Long Life) to foreign brands. Foreign brand preferences by this segment also shifted, with Marlboro (USA) being the leading foreign brand immediately after the market opening, constituting 50% of the foreign market share, but gradually being replaced by Mild Seven (Japan), constituting 70% of the market share.20

With youth smoking being declared illegal, historical consumption data on underage youth smoking were unavailable in the statistics collected by the Monopoly Bureau. Instead, in this study, smoking prevalence rates for young adults (age 18–24) were examined over time. During the first five years after the opening of the market, there was a sudden growth of 16.4% in smoking prevalence (from 36.1% to 42.0%). In the 1990s, smoking prevalence among young adults began declining, similar to the trend among older adults, reflecting increasing efforts by the government and others to implement tobacco control measures. In fact, the young adult smoking rate in 2001 would have been 6% lower, had the market not been opened.21

Per capita consumption increased 15% during this 14 year period, from 1604 cigarettes in 1986 to 1842 in 2002, with a sudden increase just following the market opening, followed by a steady but gradual increase afterwards. The median smoking initiation age in men also gradually fell, from slightly above age 20 in 1980 before the market opening the age of 18 after the market opening.15

**Advertising expenditures in magazines and brand stretching on television**

Table 3 compares the changes in advertising expenditures for the leading brands from 1995 to 2000, years when government attention was directed toward restricting advertising. Advertising on non-cigarette merchandise employing the same brand name or logo as used with the corresponding cigarette brand has been termed “brand stretching.”22 Within this five year period, the total expenditures for all forms of advertising by foreign tobacco companies, including that of brand stretching, increased nearly fivefold (451%). During the same time period, the total sales value of imported cigarettes nearly
doubled, and imports generated revenues nearly 12 times the investment in advertisement expenditures. With cigarette advertising restricted to magazines and POS by law, advertising expenditures on magazines increased by one third (35%) between 1995 and 2000. Notably absent in 1995 were advertisements for domestic brands. Even in 2000, domestic brands with nearly half the market share in Taiwan spent only 12% of total advertising expenditures. In 1995, foreign tobacco companies spent as much on brand merchandise advertising on TV as on magazines, but by year 2000, they spent nine times more for brand merchandise than on magazines.

Two brands, Japan Tobacco Inc’s Mild Seven and the German Tobacco Company’s Davidoff, contributed 90% of the market share of Davidoff also doubled in Taiwan nearly doubled from 12.7% to 23.7% of the entire cigarette market. The market share of Mild Seven logos 4.2 times in any given hour on four wireless and 65 cable channels for the whole year, reaching the Mild Seven Watch commercials 4.2 times in any given hour on four wireless and 65 cable channels for the whole year, reaching young and old viewers alike. The market share of Mild Seven in Taiwan nearly doubled from 12.7% to 23.7% of the entire tobacco market. The market share of Davidoff also doubled from 6.8% to 14.7%.

Readership of magazines
Readership data compiled from the Eastern-Integrated Consumer Profile survey was acquired by interviewing consumers. The data indicate that one third of adults did not read magazines at all, and, for those who did, the majority of magazines (77%) that they read carried no cigarette advertisements. As a result, only one out of four adults read magazines with tobacco advertisements. Since adolescents are less likely to read magazines than adults, they would have read even less of the magazines with tobacco advertisements.

Promotion at point of sale retail outlets
Prior to 1987, tobacco was only available through a limited number of licensed establishments. Limited by the number and the business orientation of the licensed establishments, foreign tobacco companies, upon the market opening, sought new retail outlets and made use of tens of thousands of “unlicensed” POS locations, in violation of the 1986 agreements. With the addition of businesses selling imported cigarettes, roadside stalls selling betel quid substantially boosted their fledgling betel quid business. At the same time, another important venue of retail outlets had become available with the advent of the rapid growth of franchised convenience stores in late 1980s and the early 1990s. Having one token license, thousands of convenience stores such as “7-Eleven”, characteristically open 24 hours a day, became major cigarette vending outlets. In these franchised stores, tobacco companies have outbid other products to acquire premium display shelf space. For example, Philip Morris secured a contract to display “in front of/nexrt to the cashier machine at 380 7-Eleven stores in 1989, which were expanding at 15 new stores per month”.

### Table 2 Changing trend of cigarette consumption, cigarette sales, market share, and youth preference for the imported brands

<table>
<thead>
<tr>
<th>Year</th>
<th>Per capita consumption* (pieces/year)</th>
<th>Sales† (US$millions)</th>
<th>Sales volume‡ in 1000 cases (1 case = 500 packs = 10000 pieces)</th>
<th>Market share by foreign countries¶</th>
<th>Import brand preference among male youth smokers††</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Domestics</td>
<td>Imports</td>
<td>Domestics</td>
<td>Imports</td>
<td>USA</td>
</tr>
<tr>
<td>1986</td>
<td>1604</td>
<td>$2139</td>
<td>$571(3%)</td>
<td>3067</td>
<td>–</td>
</tr>
<tr>
<td>1987</td>
<td>1758</td>
<td>$1975</td>
<td>$656(22%)</td>
<td>2847</td>
<td>611</td>
</tr>
<tr>
<td>1990</td>
<td>1717</td>
<td>$1849</td>
<td>$468(16%)</td>
<td>2934</td>
<td>558</td>
</tr>
<tr>
<td>1995</td>
<td>1775</td>
<td>$1452</td>
<td>$712(33%)</td>
<td>2773</td>
<td>1002</td>
</tr>
<tr>
<td>2000</td>
<td>1842</td>
<td>$1031</td>
<td>$1281(55%)</td>
<td>2111</td>
<td>1967</td>
</tr>
</tbody>
</table>


### Table 3 Comparison of advertising expenditures* between 1995 and 2000 by the manufacturers of leading brands for cigarettes and for brand merchandise

<table>
<thead>
<tr>
<th>Brands</th>
<th>Cigarette advertisement†</th>
<th>Total advertisements‡</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1995†</td>
<td>2000</td>
</tr>
<tr>
<td></td>
<td>1995*</td>
<td>2000†</td>
</tr>
<tr>
<td></td>
<td>1995‡</td>
<td>2000†</td>
</tr>
</tbody>
</table>

*Expenditure expressed in US$million and adjusted to the CPI (Consumer Price Index) in the year 2000. †Cigarette advertisement was legally restricted to magazines only. ‡Calculated as (total advertisements in 2000 − total advertisements in 1995)/total advertisements in 1995.

Source: Compiled from Rainmaker Industrial, Ltd, Taipei, Taiwan.
Table 4: Sources of cigarette acquisition by under age smokers in Taiwan

<table>
<thead>
<tr>
<th>Placement</th>
<th>Friends</th>
<th>Members of family</th>
<th>Betel nut stands</th>
<th>Convenience stores</th>
<th>Total number surveyed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occasional</td>
<td>33% (49)</td>
<td>11% (16)</td>
<td>17% (25)</td>
<td>39% (57)</td>
<td>147</td>
</tr>
<tr>
<td>Daily smokers</td>
<td>12% (5)</td>
<td>5% (2)</td>
<td>28% (12)</td>
<td>56% (24)</td>
<td>43</td>
</tr>
<tr>
<td>All smokers</td>
<td>28% (54)</td>
<td>10% (18)</td>
<td>19% (37)</td>
<td>43% (81)</td>
<td>190</td>
</tr>
</tbody>
</table>

Source: Age 17 or under who indicated having ever smoked in written questionnaire response conducted during the National Health Interview Survey 2001. Number in parenthesis is the number of underage smokers.

Table 5: Industry documents containing statements on marketing tobacco products to youth

<table>
<thead>
<tr>
<th>Category</th>
<th>Ref number – document title</th>
<th>Statement/comment</th>
<th>Company involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>28 – A Qualitative Study on Switching/Low Tar</td>
<td>“Identified the appeal to young smokers is more product related than image related”</td>
<td>Presented to Philip Morris by Survey Research Taiwan, September 1993</td>
</tr>
<tr>
<td></td>
<td>31 – Parliament Performance Analysis Taiwan</td>
<td>“Our Ad Objective: To project a mild and relaxing image”; Mild Seven found appealing to students and 20–30 year olds</td>
<td>Survey results for Philip Morris Asia, January 1994</td>
</tr>
<tr>
<td></td>
<td>32 – Special Analysis-A New Virginia Brand for Taiwan</td>
<td>“Long Life Mild has replaced Long Life Regular as the most popular brand among starters”</td>
<td>Survey results for Philip Morris, August 1991</td>
</tr>
<tr>
<td></td>
<td>33 – Marlboro New Concept Test – Taipei</td>
<td>“Packing 14’s (instead of 20’s) has the potential to attract young smokers”</td>
<td>Survey results on male aged 18–29 presented to Philip Morris, June 1993</td>
</tr>
<tr>
<td></td>
<td>36 – Taipei Cigarette BPTO (Brand Price Trade Off Study)</td>
<td>How a price increase will affect smokers’ brand switching behavior, particularly among the young</td>
<td>Report by Research Intl Asia to Philip Morris Taiwan December 1993</td>
</tr>
<tr>
<td>Promotion</td>
<td>27 – Philip Morris Asia Region Overview – Taiwan</td>
<td>“Starters (in Taiwan) are a very important source of our import development”</td>
<td>Corporate plan for Philip Morris Taiwan</td>
</tr>
<tr>
<td></td>
<td>29 – Marlboro Focus Group</td>
<td>“A light cigarette is perceived to be young and elegant”</td>
<td>Survey results for Philip Morris by Survey Research Taiwan, March 1993</td>
</tr>
<tr>
<td></td>
<td>30 – Marketing Research Report (…Main Findings from Focus Group on Marlboro Ad Test)</td>
<td>“The main reason for smoking imported brands (by young smokers) is because its taste is generally lighter than local cigarettes”</td>
<td>Survey results presented to Philip Morris, August 1993</td>
</tr>
<tr>
<td></td>
<td>34 – Parliament Ad Test (FDG)</td>
<td>“To young smokers, we should convey both light/mild, and a relaxing feeling (in our ads)”</td>
<td>Focus group results presented to Philip Morris Asia by Survey Research Taiwan, February 1993</td>
</tr>
<tr>
<td></td>
<td>35 – Taiwan Cigarette Market Opportunity Study</td>
<td>“The young segment (students under 25) is the most important segment to pursue”</td>
<td>In home interviews in Taiwan for Philip Morris Asia by Michael Normile Marketing, Inc May 1989</td>
</tr>
<tr>
<td></td>
<td>39 – Virginia Slims Below-the-Line Programs</td>
<td>Offering cigarettes for sampling in beauty salons and top discos and Swatch watch promotions in convenience stores</td>
<td>Philip Morris Asia program update, August 1990</td>
</tr>
<tr>
<td></td>
<td>38 – Camel Smooth Character Campaign/Taiwan to promote the fun of Camel Mild cigarettes</td>
<td>“I suggest strengthening the answer to reflect first and foremost that we are not giving t-shirts away to minors” in the “Camel Smooth Character” Campaign</td>
<td>RJ Reynolds 1993</td>
</tr>
<tr>
<td>Placement</td>
<td>25 – Key Account Program for convenience Stores</td>
<td>“We have a contract to display our product in front of/next to the cashier machine in all 7-Eleven stores”</td>
<td>Philip Morris 1989</td>
</tr>
<tr>
<td></td>
<td>26 – Telephone survey on media effectiveness</td>
<td>“POS advertising made a greater impact than magazines in terms of advertising awareness and brand registration (among young smokers)”</td>
<td>Report presented to RJ Reynolds by Marketing Research 1988</td>
</tr>
</tbody>
</table>
campaign was launched to promote “the fun and awareness of Camel Mild Box" cigarettes using the “Joe" character. RJ Reynolds had planned to give away “Joe” T-shirts to minors in Taiwan, only to rescind and to emphasise the opposite when challenged by the John Tung Foundation, an anti-smoking non-governmental organisation.16

The documents revealed a number of other promotional strategies directed at young smokers. They included: (1) the pursuit of youth oriented activities such as “fashion night promotions” to promote Virginia Slim, exchanging empty packs for raffle or disco tickets, and Swatch watch redemptions17; (2) the aggressive promotion of “light and mildness” for new smokers,20 and implying a safer product with less harmful health effects; (3) the association of imports as environmentally sound, with messages in Mild Seven advertising highlighting serene and clean environments; (4) the presentation of a higher class product with better packaging and higher pricing than the local products, consistent with young people’s yearning for maturity, independence, and success15 35 41 42; and (5) making the product widely available and easily accessible to young people at POS outlets located at most street corners.36 41 44

**DISCUSSION**

Similar to the conclusion of a recent US study,7 we found that foreign tobacco companies in Taiwan had “an undeniable interest in marketing cigarettes to underage smokers”. They transplanted aggressive marketing strategies to Taiwan and covertly targeted youth. Of more concern to tobacco control in Taiwan, however, is that these strategies succeeded in greatly expanding the market share of foreign firms and in Taiwan, however, is that these strategies succeeded in greatly expanding the market share of foreign firms and generally increasing cigarette consumption. Smoking has long been illegal for underage youth in Taiwan, and yet nearly one out of four (23%) 17 years old boys admits to being a current smoker.

Industry practices in Taiwan contradict industry claims that they focus marketing strategies on gaining market share from existing smokers and not attracting new (young) smokers.18 45 The importance of the small underage youth market is that this segment contributes two thirds of all new smokers.14 Recognising the fact that “the brands which these beginning smokers accept and use will become the dominant brands in future years”,5 foreign companies conscientiously placed their business priorities disproportionately on this relatively small but important market of young and new smokers.18 44

As noted by a tobacco trade journal, “foreign tobacco companies have essentially introduced the full spectrum of cigarette advertising to Taiwan”.16 Following attempts to limit advertising, expenditures on cigarette advertisements, previously minimal and unnecessary, increased nearly five-fold between 1995 and 2000, while the return on their advertising investment was 12-fold. Two brands, Mild Seven and Davidoff, made huge gains in sales and doubled their market share by resorting to massive TV advertising through brand stretching, ostensibly selling watches and coffee, respectively. They spent eight times more on brand stretching advertisements than on legal magazine advertisements. Circumventing the bans on cigarette advertising, the magnitude of these activities caught Taiwan off guard. The Mild Seven brand has since become, by far, the leading brand among young smokers in Taiwan.

In the decade after the market opened, three out of four young smokers developed a preference for foreign brands, in contrast to less than one in 20 before the market opened. This growth outpaced the increased preference for foreign brands displayed by adults, indicating that young and new smokers were more responsive and more vulnerable to promotional messages.15 47 48 Increased consumption and a younger age of smoking initiation appeared to have resulted from television advertising in promoting brand recognition and experimental trial among young smokers. By creating a competitive marketplace, the market opening led to increased consumption, despite increased tobacco control activities.

Relatively few studies have examined the industry’s attempt to reach youth at the POS.22 41 49 50 Tobacco companies are known for their strengths in POS advertising51 52. It appears that much of the success of tobacco industry in reaching youth in Taiwan could be credited to their success in POS investment. The combined effect of tens of thousands of betel quid stalls and convenience stores added to sell cigarettes after the market was opened, creating barrier-free access, and the aggressive promotional programs launched inside the convenience stores, along with displaying cigarettes on the most visible shelves next to the cash register, contributed to the success of the POS methodology.73 In addition, this investment resulted in the unexpected proliferation of smuggled cigarettes,53 which were highly valued by young smokers.54

Industry documents also reveal a host of other strategies suggestive of targeting youth, not unlike those uncovered for the USA by Cummings et al.7 They included “fashion night promotions”,19 promoting “light and mildness”,26 the Camel Smooth Character Campaign,38 and, most notably, the repeated recruitment of 18–24 years old smokers for focus groups.29 Essentially, tobacco companies transplanted the successful strategies that they developed earlier for the USA to Taiwan. While these companies have paid a hefty price in the USA through the Master Settlement Agreement,55 the prospect for Taiwan to reach a similar agreement is small. Nevertheless, nearly half of the new youth who smoke in Taiwan will develop smoking related diseases.56 These smokers will incur excess medical expenditures which society will bear under the National Health Insurance Program. At a minimum, these foreign tobacco companies should be held responsible, and be required to reimburse the higher health expenditures through increased tariffs levied on their products. By way of higher taxes, not only will social justice be served, but also youth smoking rates would decline, a win-win outcome. Those companies who are unwilling to share the future social cost should be asked to leave Taiwan’s market.

This study has several limitations. First, the availability of industry documents was limited to American tobacco companies. Japan Tobacco Inc (JTI) has become the leading company for imported cigarettes, and the lack of internal papers from this company hampered our first hand knowledge of the strategies employed toward youth. Nevertheless, documents from Philip Morris and RJ Reynolds revealed the marketing methods that JTI used to capture the lion’s share of the foreign market in Taiwan.53 In addition, the JTI purchase of RJ Reynolds International in 1999 expanded its market share and made the role of JTI all the more important. Efforts to obtain additional internal documents, not only from JTI but also from Taiwan’s Monopoly Bureau,
are critically important to tobacco control efforts in Taiwan. These documents could very likely yield further insights to industry’s secret in expanding the youth market. Second, the earlier smoking data on underage youth, particularly on preferences for Japanese or domestic brands, were incomplete and compiled from limited survey data from competitors. Brand specific data should be included in the future surveys, since the historical trend is an important indicator for evaluating tobacco control. Third, the sales and volume data on tobacco used in this study came from official records. Smuggling, which varied from year to year, were not included, but played an important role, amounting to over 20% of the legal products in some years in Taiwan.

In conclusion, Taiwan serves as a compelling case that advertising increases with competition and that competition spurs growth in total cigarette sales. Through aggressive marketing strategies and conscious efforts targeting the youth, tobacco companies gained more than half of the overall market share and more than three quarters of the youth market. Expanding consumption among young smokers will incur excesses in future health care expenditures, which should be reimbursed through levying higher tariffs on products from foreign tobacco companies.

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