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Cigarette advertising and promotion in the United States, 1993. A report of the Federal Trade Commission

In June 1995 the US Federal Trade Commission (FTC) released the Federal Trade Commission Report to Congress for 1993, Pursuant to the Federal Cigarette Labeling and Advertising Act. *This is the latest in a series of annual reports on cigarette advertising and promotion submitted by the FTC to the US Congress, as required by law.*

The complete report contains 29 pages and 11 tables. A portion of the report is reproduced below. References to omitted tables are deleted. Places where material has been omitted are indicated by an ellipsis and minor editorial additions are given in square brackets. The table and figure appearing below have been constructed using data from the report and definitions of categories of advertising and promotion from previous FTC reports.

In the first issue of Tobacco Control *(1992; 1: 73–7), an excerpt of the FTC's report for the year* 1989 *was published. Cigarette advertising and promotional expenditures that year totalled $3.62 billion. Substantial increases in expenditures have occurred since then: a 10% increase to $3.99 billion in 1990, followed by a 16% increase to $4.65 billion in 1991, a 13% increase to $5.23 billion in 1992 (see* Tobacco Control *1994; 3: 286–9), and a 15% increase to $6.03 billion in 1993. As shown in the figure, cigarette advertising and promotional expenditures increased by 450% in real terms (that is, after adjustment for inflation) from 1975 to 1993.*

Copies of the full report may be obtained by contacting: Federal Trade Commission, Division of Advertising Practices, 6th Street and Pennsylvania Avenue, NW, Washington, DC 20580, USA (tel +1 202 326 3076, fax +1 202 326 3259).

This report, along with others in the series, contains detailed data on cigarette advertising and promotional expenditures. These data are collected by the FTC from the six major cigarette manufacturers in the USA by a compulsory process. The report shows the diversity of information on cigarette advertising, marketing, and promotion collected by the US government from the cigarette industry and other sources. As I recommended in the first issue of the journal, tobacco control advocates should consider petitioning governments that continue to permit tobacco advertising to collect, compile, and disclose similar information, if such governments do not already do so. – ED

Purpose

This report is the most recent in a series on cigarette advertising and promotion that the Federal Trade Commission (the Commission) has submitted annually to Congress since 1967 pursuant to the Federal Cigarette Labeling and Advertising Act[1]:

> The Federal Trade Commission shall transmit a report to the Congress ... concerning (1) the current practices and methods of cigarette advertising and promotion, and (2) such recommendations for legislation as it may deem appropriate.[2]

Introduction

The statistical table ... appended to this report provide[s] information on domestic advertising and promotional activity for US manufactured cigarettes for the years ... [1980, 1985, 1990, and 1993]. The table ... [was] compiled from raw data contained in special reports submitted to the Commission pursuant to compulsory process by the six major cigarette manufacturers in the United States: The American Tobacco Company, Brown & Williamson Tobacco Corporation, Liggett Group Inc, Lorillard Tobacco Company, Philip Morris Incorporated, and R J Reynolds Tobacco Company.

Commission activity

In January 1995, the Commission approved a consent agreement with The American Tobacco Company, settling charges over tar and nicotine claims in advertising for Carlton cigarettes. The Commission alleged that American Tobacco represented in an advertising campaign that consumers will get less tar by smoking 10 packs of Carlton than by smoking a single pack of the other brands shown in the ads, each of which was rated as having more than 10 mg of tar per cigarette. The Commission alleged that consumers would not necessarily get less tar because the ratings shown in the ads were obtained by smoking machines that did not reflect actual smoking, partly because they did not account for "compensatory smoking". Compensatory smoking refers to the various ways smokers may change smoking behaviour after switching to cigarettes with lower tar and nicotine

[1] Pub L No 89–92, 79 Stat 282 (1965), *as amended* by Pub L No 98–474, 98 Stat 2204 (1984) and by Pub L No 99–92, §11, 99 Stat 393, 402–04 (1985), *current version at* 15 USC §1331 (1982 & Supp IV 1986).

[2] 15 USC §1337(b)(Supp IV 1986).

ratings, such as increasing the number of cigarettes they smoke or changing the way they smoke them to get more tar and nicotine from each cigarette.

Under the agreement, American Tobacco is prohibited from misrepresenting through certain identified means that consumers will get less tar by smoking any number of American Tobacco brand cigarettes than by smoking one or more cigarettes of any other brand. American Tobacco also must have competent and reliable scientific evidence to support any future representation of this type.

In December 1994, the Commission provisionally approved BAT Industries' proposed acquisition of The American Tobacco Company after BAT agreed to divest itself of certain cigarette brands and a cigarette manufacturing facility. The divestitures must be made to a Commission-approved purchaser, and are intended to preserve the competition that otherwise would have been eliminated by the acquisition. The consent agreement with BAT also prohibits BAT for a period of 10 years from acquiring without prior Commission approval interests in any company engaged in the manufacture and sale of cigarettes in the United States. The Commission will review the agreement and any public comments received before determining whether to make final the agreement's proposed order.

On July 20, 1994, the Commission asked the National Cancer Institute [NCI] to convene a consensus conference to address certain issues concerning the FTC cigarette testing methodology and ratings system. NCI, which shortly before had received a similar request from then-House subcommittee chairman Henry A Waxman, convened the conference in December 1994. At the close of the conference, the conferees recommended, inter alia, that certain changes be made both in the method currently used to obtain cigarette tar, nicotine, and carbon monoxide yields and in the manner in which information about those yields is communicated to consumers. The Commission has not yet received the final report and recommendations from the panel. When received, Commission staff will evaluate the report and recommendations and present its own recommendation to the Commission.

Discussion of the data

... [T]he six major cigarette manufacturers sold 461.4 billion cigarettes domestically in 1993, which is 45.0 billion fewer cigarettes than they sold in 1992. This 8.9% decrease in sales is the largest decline in the last 30 years. Domestic cigarette sales had climbed steadily from 1963 to 1981, with the exceptions of 1964 and 1969. Since 1981, annual cigarette sales have declined, with the exception of 1984.

... Per capita consumption of cigarettes declined from 2675 in 1992 to 2414 in 1993, a drop of 9.8% or 261 cigarettes per person. Per capita consumption has declined continuously in the USA since 1973.

... [The table shows] the amounts spent on cigarette advertising and promotion for the years ... [1980, 1985, 1990, and] 1993. [The table breaks] ... out the amounts spent on the different types of media advertising (for example, newspapers and magazines) and sales promotion activities (for example, distribution of cigarette samples and specialty gift items) and also gives the percentage of the total amount spent for the various types of advertising and promotion.

... [O]verall, the cigarette companies spent a record $6.03 billion on cigarette advertising and promotion in 1993, an increase of $803 million, or 15.4%, from the $5.23 billion spent in 1992.

Newspaper advertising expenditures increased from $35.4 million in 1992 to $36.2 million in 1993, but decreased as a percentage of total advertising expenditures, falling from 0.7% to 0.6%. A trend away from newspaper advertising of cigarettes began in 1982, one year after newspaper spending peaked at $358 million and accounted for 23% of total expenditures for cigarette advertising and promotion.

The six major manufacturers spent a total of $235.2 million on magazine advertising in 1993, a decrease of $1.8 million from 1992. As a proportion of total advertising and promotion expenditures, the amount spent on magazine advertising decreased from 4.5% to 3.9%. Spending on magazine advertising peaked in 1984, when the cigarette companies reported spending $426 million, or 20.3% of total advertising and promotional expenditures, for advertising in magazines.

Spending on outdoor advertising totalled $231 million in 1993, a decrease of $64 million from 1992, when the cigarette companies spent $295 million. In 1993, outdoor spending comprised 3.8% of total advertising and promotional spending, down from a high of 15.5% in the early 1980s.

Spending on transit advertising decreased to $39 million in 1993 from $53 million in 1992. The share spent for this category constituted 0.6% of the total.

Spending on point-of-sale promotional materials increased by over $35 million from 1992 ($366 million) to 1993 ($401 million). As a proportion of total advertising and promotion, point-of-sale advertising has remained close to 7% since 1988.

Promotional allowances were $1.6 billion in 1993, up from $1.5 billion in 1992. These expenditures accounted for 26% of the total in 1993 and 29% in 1992.

Money spent giving cigarette samples to the public ("sampling distribution") decreased from $49 million in 1992 to $40 million in 1993. Giving away cigarette samples accounted for only 0.7% of the total spent on advertising and promotion in 1993. In contrast, cigarette sampling expenditures reached a high of 7.9% of the total spent on advertising and promotion a little more than a decade earlier in 1982.

In 1993, the cigarette companies spent $756 million on specialty item distribution through the mail, at promotional events, or by any means other than at the point-of-sale with the

Domestic cigarette advertising and promotional expenditures for the years 1980, 1985, 1990, and 1993 (thousands of dollars)

Type of advertising	*1980*		*1985*		*1990*		*1993*	
	$	*% of total*	*$*	*% of total*	*$*	*% of total*	*$*	*% of total*
Print advertising								
Newspapers	304390	24.5	203527	8.2	71174	1.8	36204	0.6
Magazines	266208	21.4	395129	16.0	328143	8.2	235195	3.9
Outdoor	193333	15.6	300233	12.1	375627	9.4	231450	3.8
Transit†	26160	2.1	33136	1.3	60249	1.5	39113	0.6
Point of sale	79799	6.4	142921	5.8	303855	7.6	400909	6.6
Subtotal‡	869880	70.0	1074946	43.4	1139048	29.0	942871	15.6
Promotions								
Promotional allowances‖	179094	14.4	548877	22.2	1021427	25.6	1557505	25.8
Sampling distribution¶	50459	4.1	140565	5.7	100893	2.5	40190	0.7
Specialty item distribution**	69248	5.6	211429	8.5	307037	7.7	755761	12.5
Public entertainment††	16914	1.4	57581	2.3	125094	3.1	84275	1.4
Direct mail	‡‡		‡‡		51875	1.3	31463	0.5
Coupons and retail value added‖‖	‡‡		‡‡		1183798	29.6	2559170	42.4
All others¶¶	56694	4.6	443043	17.9	62917	1.6	63680	1.2
Subtotal‡	372409	30.0	1401495	56.6	2853041	71.0	5092044	84.4
Total	1242289	100.0	2476441	100.0	3992008	100.0	6034915	100.0

* Data in this table are from tables 3A, 3B, and 3D of the original report. Definitions in the footnotes below are taken from the text of the report and from previous FTC reports. Separation of the advertising categories into print advertising and promotions does not appear in the original report but is shown here to demonstrate the relative shift in expenditures over time from print advertising to promotional activities.
† Advertising in or on public transportation facilities.
‡ Because of rounding, sums may not equal totals.
‖ Paid to retailers and any other persons (other than full time company employees involved in cigarette distribution and sales) in order to facilitate the sale of cigarettes. Includes payments by cigarette companies to retailers for shelf space (slotting allowances), and trade promotions to wholesalers, dealers, and merchants.
¶ Includes the costs of the cigarettes themselves and the costs of organising, promoting, and running sampling efforts.
** Net costs of distributing non-cigarette products (including the costs of such items), either bearing or not bearing cigarette brand names, to consumers by sale, redemption of coupons, or otherwise. See text for examples. Beginning in 1988 items in this category that were blister packed to packs of cigarettes were redesignated as retail value added expenses.
†† Promotion and sponsorship of sporting, musical, and other public entertainment events bearing or otherwise displaying the name of the company or any of its cigarettes.
‡‡ Expenditures are included in the "all others" category.
‖‖ Includes cents-off coupons, multiple pack promotions – for example, a free pack of cigarettes with the purchase of one or more packs – and retail value added offers (eg, giving away non-cigarette items, such as key rings or lighters, blister packed to cigarette packs). Before 1988 expenses for retail value added offers were included in the category specialty item distribution.**
¶¶ Includes expenditures for audiovisual promotions and endorsements and testimonials. The category "endorsements and testimonials" includes, but is not limited to, expenditures made to procure cigarettes use; the mention of a cigarette product or company name; the appearance of a cigarette product, name, or package; or other representation associated with a cigarette product or company, in any situation (eg, motion pictures, stage shows, or public appearance by a celebrity) in which such use, mention, or appearance may come to the public's attention.

purchase of cigarettes. This is an increase of over $416 million from 1992 and accounted for 12.5 % of the total advertising and promotional expenditures for 1993. Specialty items distributed with the purchase of cigarettes were redesignated as retail value added expenses beginning in 1988.[3]

Spending on public entertainment decreased by $5.5 million from 1992 to 1993. With expenditures reported at $84 million, public entertainment in 1993 accounted for 1.4 % of the total.

The cigarette companies reported a total of $31 million for direct mail advertising in 1993, a decrease of $3 million from 1992. This category, however, does not include direct mail containing coupons. Coupons sent via direct mail have been reported in the coupon and retail value added category since 1988.

Reporting companies indicated that they spent no money on endorsements and testimonials for cigarettes in 1993. The companies have reported no expenditures in this category since 1988.

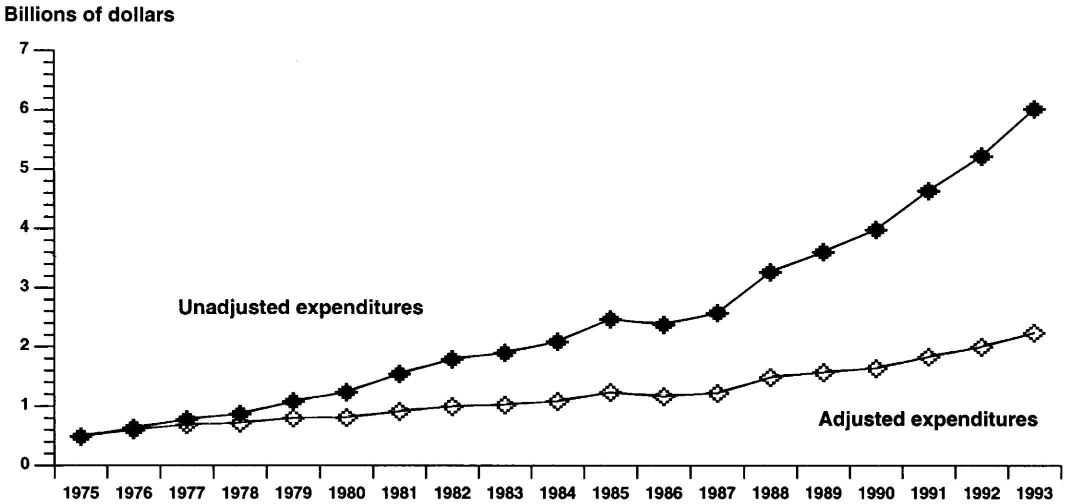
Coupons and retail value added promotions continued as the largest advertising and promotion category in 1993, as it has since 1990. This category includes cents-off coupons, multiple pack promotions, and retail value added offers.[4] The cigarette companies were first asked to report these expenses as a distinct category in 1988, when $874 million was spent. By 1993, that amount had grown to $2.6 billion, accounting for 42.4 % of all advertising and promotional expenditures. Spending increased by $384 million from the $2.2 billion reported in 1992.

The Commission collects expenditure information in two categories that do not appear as line items on the charts [in the original report] because they may span several categories. In 1988, the Commission began requiring the cigarette companies to state separately the amount of money spent on sports and sporting events. For 1993, the six major cigarette companies reported that they spent $78 million on sports and sporting events.[5] Spending in this category decreased

[3] Specialty item advertising is the practice of branding items such as T shirts, caps, sunglasses, key chains, calendars, lighters, and sporting goods with a brand logo, and then giving them away or selling them to consumers.

[4] Multiple pack offers are additional packs of cigarettes that are given free with cigarette purchases, such as "buy one, get one free." Retail value added offers include non-cigarette items, such as key chains or lighters, given away at the point of sale with the purchase of cigarettes.

[5] This includes expenditures for: (1) the sponsoring, advertising, or promotion of sports or sporting events; support of an individual, group, or sports team; and purchase of or support for equipment, uniforms, sports facilities, and/or training facilities; (2) all expenditures for advertising in the name of the cigarette company or any of its brands in a sports facility, on a scoreboard, or in conjunction with the reporting of sports results; and (3) all expenditures for functional promotional items (clothing, hats, etc) connected with a sporting event.



Cigarette advertising and promotional expenditures in the USA, 1975–93. Adjusted expenditures are adjusted by the consumer price index (all items) to constant (1975) dollars. Unadjusted expenditures increased from $0.49 billion in 1979 to $6.03 billion in 1993. Adjusted expenditures increased by 450% during this period, from $0.49 billion to $2.25 billion. Source of data: US Federal Trade Commission.

by $4 million from the amount reported in 1992 and $31 million from 1991.

In 1989, the Commission began requiring the cigarette companies to declare whether any money or other form of compensation had been paid to have any cigarette brand names or tobacco products appear in any motion pictures or television shows. The companies have reported this practice as unfunded since 1989.

... In 1993, cigarettes yielding 15 mg or less of tar constituted 66.5% of the domestic cigarette market. The market share for cigarettes yielding 15 mg or less of tar has increased gradually since 1982, when it accounted for 52.2%.

Since 1979, the cigarette companies have reported that the majority of advertising and promotional spending has been devoted to cigarettes yielding 15 mg or less of tar. For 1993, they reported spending 65.9% of all advertising and promotion funds on cigarettes that yield 15 mg or less of tar.

... [F]iltered cigarettes have dominated the market since the Commission began collecting this information in 1963, rising from 58% in that year to 97% in 1992 and 1993.... [T]he cigarette companies have reported a close correlation between advertising and promotion expenditures and domestic market share for filter cigarettes in recent years.

... [With respect to the domestic market share of the various cigarette length categories, the] king size (79–88 mm) category continues to be the biggest seller, with 55% of the market. This category is followed by the long (94–101 mm) group, which has increased steadily since 1967 and now holds 42% of the market. Regulars (68–72 mm) accounted for only 1% in 1993 and ultra-longs (110–121 mm) accounted for 2%.

... The market share for longer [94–121 mm] cigarettes increased slightly from 1992 to 1993 (43% to 44%) while the proportion of total advertising and promotional expenditures [devoted to these cigarettes] fell from 46% to 41%.

... In 1993, the market share for menthol cigarettes held steady at 26%, with non-menthols holding 74% of the market.