



THE MASTER SETTLEMENT AGREEMENT FAILS TO REACH OR LIMIT MOST CIGARETTE COMPANY MARKETING TACTICS

Philip Morris and other U.S. cigarette companies have argued that the November 1998 Master Settlement Agreement (MSA) entered between the cigarette companies and 46 states' attorneys general has completely changed the way the companies do business in the United States. In fact, while the MSA has certainly changed the cigarette companies' public relations strategies, it has done very little to reduce the companies' ability to promote their products aggressively to both adults and kids. As the following table shows, the cigarette company marketing tactics that were directly affected by the 1998 MSA accounted for less than 20 percent of the cigarette companies' annual marketing and promotional expenditures at that time, and the situation has gotten worse since then.

<i>Cigarette Marketing Ignored By MSA</i>	1998 Expenditures (in Millions)	1998 Percentage of Total	2006 Expenditures (in Millions)	2006 Percentage of Total
<i>Promotional Allowances</i>	\$2,878.92	42.8%	\$905.44	7.2%
<i>Price Discounts</i>	NA	NA	\$9,205.10	73.7%
<i>Retail Value Added</i>	\$1,555.39	23.1%	\$832.43	6.6%
<i>Coupons</i>	\$624.20	9.3%	\$625.77	5.0%
<i>Magazine Advertising</i>	\$281.30	4.2%	\$50.29	0.4%
<i>Direct Mail</i>	\$57.77	0.9%	\$102.35	0.8%
<i>Newspaper Advertising</i>	\$29.44	0.4%	N/A	0.0%
<i>Internet/Company Website</i>	\$0.12	0.0%	\$6.50	0.05%
Subtotal	\$5.43 billion	80.6%	\$11.73 billion	93.75%
<i>Cigarette Marketing Limited By MSA</i>				
<i>Specialty Item Distribution</i>	\$355.83	5.3%	\$169.31	1.3%
<i>Outdoor Advertising</i>	\$294.72	4.4%	\$0.935	0.01%
<i>Point of Sale Advertising</i>	\$290.74	4.3%	\$242.62	1.9%
<i>Public Entertainment</i>	\$248.54	3.7%	\$168.10	1.3%
<i>Transit Advertising</i>	\$40.16	0.6%	\$0.0	0.0%
<i>Free Sample Distribution</i>	\$14.44	0.2%	\$29.43	0.2%
<i>All Other</i>	\$61.58	0.9%	\$151.39	1.21%
Subtotal	\$1.31 billion	19.4%	\$761.79 million	5.7%
Total Marketing Expenditures	\$6.73 Billion	100%	\$12.49 Billion	100%

While the MSA did ban tobacco billboards and transit advertising, its restrictions on outdoor ads did not eliminate externally visible tobacco ads and signs at the many retail outlets that sell tobacco products, but only limited each such sign, poster, or ad to no more than 14 square feet. Similarly, the MSA places only partial restrictions on the cigarette companies' ability to distribute specialty items, sponsor or otherwise use public entertainment to market their products, and distribute free samples. In addition, the MSA did nothing to restrict any tobacco advertising inside retail outlets, in magazines or newspapers, or on the internet, and did nothing to limit the companies' promotional payments to retailers who sell cigarettes.

Campaign for Tobacco-Free Kids, July 23, 2011

For more information on tobacco company marketing to kids, see TFK factsheets at [http://www.tobaccofreekids.org/facts issues/fact sheets/toll/tobacco kids/marketing/](http://www.tobaccofreekids.org/facts_issues/fact_sheets/toll/tobacco_kids/marketing/).

Sources: Master Settlement Agreement, www.naag.org; U.S. Federal Trade Commission (FTC), *Cigarette Report for 2006, 2009*, <http://ftc.gov/os/2009/08/090812cigarettereport.pdf>. "Promotional Allowances" go primarily to retailers (e.g., to pay for product or ad placements); "Retail Value Added" refers primarily to "buy-two-packs-get-one-free" type specials at retail outlets, for which retailers are compensated; and "Specialty Item Distribution" includes the distribution of non-cigarette items marked with cigarette brand names.