



INCREASED TOBACCO COMPANY MARKETING SINCE THE MASTER SETTLEMENT AGREEMENT WENT INTO EFFECT

The provisions of the Master Settlement Agreement (MSA) between the major cigarette companies and the states first went into effect in late November 1998. According to the cigarette companies, the MSA has dramatically changed the way they market their cigarettes. Cigarette companies also say that they are no longer trying to increase the number of smokers and no longer market their deadly products to kids. In reality, cigarette companies have substantially increased their marketing expenditures since the MSA was signed and have even increased cigarette advertising that directly reaches kids.

Increased Cigarette Marketing Expenditures From 1998 to 2008. Each year, the major U.S. tobacco companies must submit reports to the U.S. Federal Trade Commission (FTC) that outline the total amounts they have spent to market the cigarettes they sell and the amounts they have spent in different marketing categories (such as magazine and newspaper ads, internet advertising, coupons, promotional expenditures at retail outlets, direct mail, and the like). In 1998 – before the marketing restrictions in the MSA went into effect – the five major cigarette companies’ marketing expenditures totaled more than \$6.73 billion (\$18.4 million a day). Marketing spending increased each year until 2003, when it reached an all-time high of \$15.15 billion (\$41.5 million a day). Since then, spending has declined every year, to \$9.9 billion in 2008 (\$27.2 million a day), but remains nearly 50 percent higher than the amount spent in 1998.¹

Other Tobacco Product Marketing Since the MSA. The most recent FTC report on advertising and promotion of smokeless tobacco shows that smokeless tobacco marketing has increased by 277 percent since 1998, from \$145.5 million to a record-high \$547.9 million. When measured from 2005, smokeless tobacco marketing has more than doubled (from \$250.8 million to \$547.9 million).²

More Cigarette Ads in Magazines with Youth Readers. Spending on magazine advertising by cigarette companies reached a peak of \$377.4 million in 1999, a 34.2 percent increase from 1998. Since then, spending in this category has declined greatly, especially after Philip Morris stopped placing advertisements in magazines in 2004.³ In May 2000, *The Wall Street Journal* and a study by the Massachusetts Department of Public Health independently reported that cigarette company advertising in magazines with large youth readerships had increased by 33 percent since the MSA was signed – thereby contradicting publicly-stated company policies on marketing to kids in magazines and violating related restrictions in the MSA.⁴ After this information came out, Philip Morris temporarily suspended its direct cigarette advertising in some magazines with high youth readerships, but RJ Reynolds did not take remedial action until a California court found it guilty of violating the MSA by marketing to kids through magazine ads.⁵ In late 2007, RJ Reynolds announced that it would stop advertising its major cigarette brands (but not other cigarette or smokeless tobacco brands owned by the parent group Reynolds Tobacco Company) in magazines after eight state attorneys general sued the company for violating the MSA when it placed a multi-page ad for a new “collaboration between Camel and independent artists and record labels,” called *The Farm* in *Rolling Stone*.

Marketing at Retail Outlets. In a July 2000 study, researchers at the University of Illinois at Chicago found that since the MSA’s ban on billboards and other outdoor advertising went into effect, cigarette companies have increased their marketing efforts at retail outlets, including an increase in the number of externally visible ads. That same study found that 80 percent of all retail outlets currently have interior tobacco advertising, 60 percent have exterior tobacco advertising, and over 70 percent have tobacco functional items.⁶ Point-of-sale advertising for cigarettes has decreased in recent years and in 2008, tobacco companies spent \$163 million on cigarette advertising in the retail environment. However, while cigarette advertising has gone down, advertising for smokeless tobacco has increased substantially. In 2008, point-of-sale advertising for smokeless tobacco reached a record-high \$55.3 million.⁷ Point-of-sale advertising for smokeless tobacco has increased by 166 percent since 2005 and has more than doubled since 1998.

According to the Point of Purchase Advertising Institute, three out of four teenagers shop at a convenience store at least once a week; and a 1999 study in the *U.S. Distribution Journal* found that teens are more likely than adults to be influenced by promotional efforts in convenience stores (73 percent to 47 percent).⁸ A 2002 survey in a California community found that stores where adolescents shop most often had more than three times more cigarette advertisements and promotional materials outside of the stores and almost three times more materials inside than other stores in the community.⁹

A study published in the May 2007 issue *Archives of Pediatrics and Adolescent Medicine* found that retail cigarette advertising increased the likelihood that youth would initiate smoking; pricing strategies contributed to increases all along the smoking continuum, from initiation and experimentation to regular smoking; and cigarette promotions increased the likelihood that youth will move from experimentation to regular smoking. The researchers also found that reducing or eliminating these retail marketing practices would significantly reduce youth smoking.¹⁰

The frequency of exposure to in-store displays can also influence kids' smoking. A 2009 study in *Tobacco Control* found that more frequent visits to stores selling tobacco and greater awareness of cigarettes sold in stores increased the likelihood of teenagers being susceptible to initiating, experimenting, or becoming current smokers.¹¹ A 2010 longitudinal study in *Pediatrics* similarly found that more visits to stores per week increased the odds of teens initiating smoking, even over time. In fact, the study found that the odds of initiation more than doubled for teens who visited a store with point-of-sale tobacco ads at least twice a week.¹²

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More information on tobacco company marketing to kids is available at http://www.tobaccofreekids.org/facts_issues/fact_sheets/toll/tobacco_kids/marketing/.

¹ U.S. Federal Trade Commission (FTC), *Cigarette Report for 2002 and 2008*, 2011, <http://www.ftc.gov/os/2011/07/110729cigarettereport.pdf>.

² FTC, *Smokeless Tobacco Report for 2007 and 2008*, 2011, <http://www.ftc.gov/os/2011/07/110729smokelesstobaccoreport.pdf>. Data for top 5 manufacturers only.

³ FTC, *Cigarette Report for 2006*, 2009, <http://ftc.gov/os/2009/08/090812cigarettereport.pdf>.

⁴ Turner-Barker, D & Hamilton, W, *Cigarette Advertising Expenditures Before and After Master Settlement Agreement: Preliminary Findings*, Massachusetts Department of Public Health, May 15, 2000; Fairclough, G, "Are Cigarette Ads in Magazines Angling for Teens?," *The Wall Street Journal*, May 15, 2000. See also, American Legacy Foundation, *Tobacco Brand Magazine Advertising To Teens*, May 15, 2000. Related information at http://www.tobaccofreekids.org/facts_issues/fact_sheets/toll/tobacco_kids/marketing/.

⁵ *People of the State of California v. R.J. Reynolds Tobacco Co.*, Superior Court of California, County of San Diego, Case No. GIC 764118, June 6, 2002, <http://ag.ca.gov/newsalerts/release.php?id=863&year=2002&month=6>.

⁶ Wakefield, M, et al., "Changes at the Point of Purchase for Tobacco Following the 1999 Tobacco Billboard Advertising Ban," University of Illinois at Chicago Research Paper Series, No. 4, July 2000. See also, Loomis, BR et al., "Point of purchase cigarette promotions before and after the Master Settlement Agreement: exploring retail scanner data," *Tobacco Control* 15(2): 140-2, April 2006.

⁷ FTC, *Cigarette Report for 2004 and 2005*, 2007, <http://www.ftc.gov/reports/tobacco/2007cigarette2004-2005.pdf>.

⁸ Point of Purchase Advertising Institute, *The Point-Of-Purchase Advertising Industry Fact Book*, 1992 [Quoted in Rogers, T & Feighery, E, "Community Mobilization to Reduce Point Of Purchase Advertising of Tobacco Products," *Health Education Quarterly* 22(4):427-43, November 1995. "Study Finds C-Store Promotions Lacking," *U.S. Distribution Journal* 226(3):12, May 1999.

⁹ Henriksen, L, et al., "Reaching youth at the point of sale: Cigarette marketing is more prevalent in stores where adolescents shop frequently," *Tobacco Control* 13:315-318, 2004.

¹⁰ Slater, SJ, et al., "The Impact of Retail Cigarette Marketing Practices on Youth Smoking Uptake," *Archives of Pediatrics and Adolescent Medicine* 161:440-445, May 2007.

¹¹ Paynter J, et al., "Point of sale tobacco displays and smoking among 14-15 year olds in New Zealand: a cross-sectional study," *Tobacco Control*, 18:268-274, 2009.

¹² Henriksen, L, et al., "A longitudinal study of exposure to retail cigarette advertising and smoking initiation," *Pediatrics* 126:232-238, 2010.