



## TOBACCO INDUSTRY CONTINUES TO MARKET TO KIDS

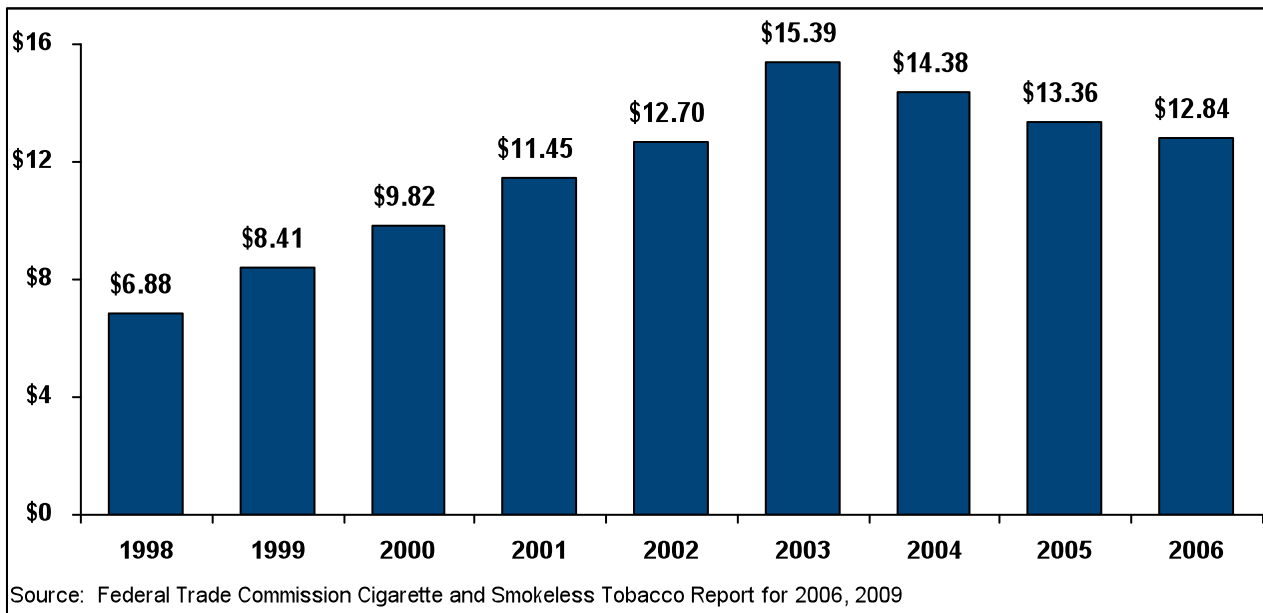
In the November 1998 multi-state tobacco settlement, the major cigarette companies and UST (the biggest spit tobacco company) promised not to “take any action, directly or indirectly, to target youth. . . in the advertising, promotion, or marketing of tobacco products.”<sup>1</sup> These companies claim they have fully complied with the settlement and stopped marketing to youth. But studies show that tobacco-industry marketing spending has almost doubled since the settlement, with much of the increase in strategies that reach and influence kids.

In August 2006, U.S. District Court Judge Gladys Kessler released her final opinion in the U.S. Government’s landmark case against tobacco companies, describing how the tobacco companies continue to target youth with sophisticated marketing campaigns. According to Judge Kessler, “... Defendants continue to engage in many practices which target youth, and deny that they do so. Despite the provisions of the MSA, Defendants continue to track youth behavior and preferences and market to youth using imagery which appeals to the needs and desires of adolescents.”<sup>2</sup>

### Increased Tobacco Industry Spending on Advertising and Promotion

In 1999, the first year after the Master Settlement Agreement (MSA), the tobacco companies spent a record \$8.4 billion on advertising and promotions, an increase of \$1.5 billion, or 21 percent – and the largest one-year increase since the U.S. Federal Trade Commission (FTC) began tracking tobacco-industry marketing expenditures in 1970.<sup>3</sup> Then, in 2000, tobacco companies spent over \$9.8 billion on marketing, another increase of more than 16 percent. Much of this increase was in categories effective at reaching kids, including high-visibility store shelf displays, two-for-one promotions that make cigarettes more affordable to kids, giveaways such as hats and lighters, and in-store advertising. In 2003, they reached a record high spending of \$15.4 billion. From 1998 to 2003, tobacco industry marketing increased by almost 125 percent, to a record high spending of \$15.4. Overall, cigarette companies spent less in 2006 than the year before, but smokeless tobacco companies spent a record \$354.1 million in 2006, an increase of 41.2 percent compared to 2005.<sup>4</sup> The year 2006 also marked a change in cigarette company strategy, with both R.J. Reynolds and Philip Morris USA announcing the test-marketing of spitless, smokeless tobacco products called snus. Trend reports show that cigarette sales are declining, but smokeless tobacco sales are on the rise.<sup>5</sup>

Tobacco Company Advertising and Promotional Spending, 1998-2009 (in billions)



## In-Store Tobacco Marketing Strategies Reaching Kids

Tobacco companies are spending more marketing money at the retail stores with price discounts, prime product placement to attract buyers, and of course, advertisements. In 2006, cigarette companies spent more than \$242 million on advertising at retail stores, a 33.1 percent increase from 2005. Smokeless tobacco companies spent \$20.8 million on advertising at retail stores in 2006. Of the \$12.5 billion spent by cigarette companies on overall promotions in 2006 (the most recent available), \$11.2 billion, or 90 percent, was spent on point of sale advertisements, price discounts, promotional allowances, or special deals such as buy-one-get-one-free offers.<sup>6</sup> The increasing pervasiveness of tobacco promotion in retail outlets has been documented in several studies. A 2008 study in *Tobacco Control* found that in California, the number of in-store cigarette advertisements increased from 22.7 to 24.9 between 2002 and 2005.<sup>7</sup> An earlier study of California stores found that nearly 50 percent of the tobacco retailers had tobacco ads at young kids' eye level (three feet or lower), and 23 percent had cigarette product displays within six inches of candy.<sup>8</sup> One study showed that, despite the 1998 Master Settlement Agreement, 80 percent of retail outlets had interior tobacco advertising, 60 percent had exterior tobacco advertising, 52 percent had tobacco promotions such as price discounts and gifts with purchase, and 73 percent had functional items (such as clocks, display racks, and doormats) marked with cigarette brands.<sup>9</sup>

The issue of advertising in retail outlets is important because 75 percent of teens visit a convenience store at least once a week and point-of-purchase advertising and displays have been found to increase average tobacco sales by 12 percent.<sup>10</sup> A study published in the May 2007 issue of *Archives of Pediatrics and Adolescent Medicine*, concluded that the more cigarette marketing teens are exposed to in retail stores, the more likely they are to smoke, and that restricting these retail marketing practices would reduce youth smoking. Specifically, the study found that retail cigarette advertising increased the likelihood that youth would initiate smoking; tobacco company 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.<sup>11</sup>

## Cigarette Ads in Magazines with High Youth Readership

In August 2001, a *New England Journal of Medicine* study showed that the cigarette companies increased their advertising in youth-oriented magazines after the MSA was signed, especially for the three brands most popular with youth – Philip Morris' Marlboro, R.J. Reynolds' Camel, and Lorillard's Newport.<sup>12</sup> Advertising for these brands in youth-oriented magazines (at least 15 percent youth readership or two million youth readers) increased from \$58.5 million in 1998, before the MSA, to \$67.4 million in 1999. Cigarette company spending for magazine ads declined from 1999 to 2000 but still remained above 1998 levels. And the ads for each of the top kid brands still reached more than 80 percent of U.S. youth an average of 17 times – which greatly exceeds what the advertising industry considers adequate for effective reach.

Moreover, the decline in the companies' magazine advertising after 1999 occurred only after National Association of Attorneys General charged the cigarette companies with violating the MSA by increasing their ads in magazines with large youth readerships. In response, most of the major companies sharply curtailed their magazine advertising that reaches kids – Philip Morris entirely stopped advertising in magazines in 2001 – but R.J. Reynolds did not stop until it was found guilty in a court of law of violating the MSA by marketing to kids.<sup>13</sup> The state attorneys general enforcement efforts were primarily based on a May 2000 study which revealed that after the settlement cigarette advertising in magazines with high youth readership increased by 33 percent, with four of the five leading youth brands (Marlboro, Camel, Kool and Newport) increasing their advertising spending in youth-oriented publications.<sup>14</sup>

Although RJR claimed to have curtailed its advertising in magazines, it aggressively targeted girls and young women in promotions for its new product Camel No. 9. Camel No. 9 was launched in January 2007 with a huge campaign that cost an estimated \$25 to \$50 million and included full-page ads in women's magazines with high youth readership such as *Glamour*, *Cosmopolitan*, *Marie Claire*, *InStyle* and *Vogue*. In addition to magazine advertising, RJR saturated stores and bodegas with heavy point-of-sale marketing for Camel No. 9 in New York City and other cities around the country.

Also in 2007, despite a prohibition in the 1998 state tobacco settlement on the use of cartoons to market cigarettes, RJR ran a giant multi-page ad for the company's new "collaboration between Camel and independent artists and record labels," called The Farm, in *Rolling Stone* magazine, whose readers include more than 1.5 million youth. Four pages of the fold-out ad featured numerous cartoon drawings of animals,

monsters and images from outer space. The cartoon foldout is not the only aspect of the spread that clearly appeals to kids. Another page features an image of a spiral-bound notebook similar to those often carried by high school students with the title “Indie Rock Universe;” doodles of a guitar, spaceships and other images a bored student might draw; and the phrase, “an alternate dimension where everyone wears Black Converse.” Only after public health groups raised objection and eight state attorneys general sued the company did RJR remove the ad and suspend The Farm campaign. Shortly thereafter, RJR announced that it would stop advertising RJR-brand cigarettes in magazines. However, that leaves the door open to advertise other cigarette and tobacco product brands – including RJR-brand smokeless product Camel Snus – under the other Reynolds American subsidiaries, such as American Spirit cigarettes and Copenhagen smokeless tobacco.

### **Cigarette Advertising Still Attracts Youth**

The 2008 National Cancer Institute report, *The Role of the Media in Promoting and Reducing Tobacco Use*, which reviewed the research on how mass media channels have been used to encourage and discourage smoking, concluded that tobacco company advertising and promotion is causally linked to increased tobacco use and youth smoking initiation. The report also details how tobacco companies are using non-traditional communication channels such as the Internet and viral or stealth marketing to sidestep restrictions on traditional marketing venues, such as magazine and billboard ads.<sup>15</sup>

Not surprisingly, cigarettes that are the most popular among kids are those that are also heavily advertised.<sup>16</sup> For example, a 2007 report released by the American Legacy Foundation found that 78 percent of youth (ages 13-18) usually smoke the three most marketed brands – Marlboro, Newport, and Camel.<sup>17</sup> A national survey from the U.S. Centers for Disease Control and Prevention found the same trend – 52.3 percent of high school students and 43.3 percent of middle school students prefer Marlboro, 21.4 percent of high school students and 26.4 percent of middle school students prefer Newport cigarettes, and 12.8 percent of high school students and 8.5 percent of middle school students prefer Camel cigarettes<sup>18</sup>

### **U.S. Tobacco Company Marketing To Youth Abroad**

As tobacco companies go global and face even fewer marketing restrictions outside the U.S., they have clearly shown that they intend to return to their old deceptive ways to draw in young smokers. In August 2001, *The New York Times* reported that in other countries, Philip Morris hires minors as “Marlboro girls” to hand out free packs of Marlboros and other Philip Morris brands, with some of the free packs going to kids.<sup>19</sup> A global survey of teenagers found that in some countries, as many as 25 percent had been offered free cigarettes by tobacco-company reps.<sup>20</sup> For instance, tobacco brands and labels are prominent on children and infant clothing and toys, and tobacco companies even own clothing stores using names of their most popular brands – like Camel Safari Boutique and Marlboro Classics. Tobacco companies continue to sponsor events that are popular with youth, such as music concerts, Formula 1 races, and soccer teams.

*Campaign for Tobacco-Free Kids, August 19, 2009 / Meg Riordan*

**More information on tobacco company marketing to kids is available at**  
<http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=23>.

**More information on tobacco company marketing to kids in other countries is available at**  
[http://tobaccofreecenter.org/resources/advertising\\_promotion](http://tobaccofreecenter.org/resources/advertising_promotion).

<sup>1</sup> Full copies of the Master Settlement Agreements are available at [http://www.naaq.org/settlement\\_docs.php](http://www.naaq.org/settlement_docs.php).

<sup>2</sup> *U.S. V. Philip Morris USA, Inc., et al.*, No. 99-CV-02496GK (U.S. Dist. Ct., D.C.), Final Opinion, August 17, 2006, <http://www.tobaccofreekids.org/reports/doj/FinalOpinion.pdf>. Pages 1607-1608.

<sup>3</sup> U.S. Federal Trade Commission (FTC), *Cigarette Report for 2003, 2005* [data for top six manufacturers only] <http://www.ftc.gov/reports/cigarette05/050809cigrpt.pdf>. FTC, *Federal Trade Commission Smokeless Tobacco Report for the Years 2000 and 2001*, August 2003, <http://www.ftc.gov/os/2003/08/2k2k1smokeless.pdf> [top five manufacturers].

<sup>4</sup> FTC, *Cigarette Report for 2006, 2009*, <http://ftc.gov/os/2009/08/090812cigarettereport.pdf>. FTC, *Smokeless Tobacco Report for the Years 2006, 2009*, <http://ftc.gov/os/2009/08/090812smokelesstobaccoreport.pdf>. Data for top 5 manufacturers only.

<sup>5</sup> U.S. Alcohol and Tobacco Tax and Trade Bureau Tobacco Statistics, <http://www.ftb.gov/tobacco/tobacco-stats.shtml>. Goldman Sachs, *May c-store; cigarette volume declines appear to be moderating*, June 5, 2009.

<sup>6</sup> FTC, *Cigarette Report for 2006, 2009*, <http://ftc.gov/os/2009/08/090812cigarettereport.pdf>.

<sup>7</sup> Feighery, EC, et al., “An examination of trends in amount and type of cigarette advertising and sales promotions in California stores, 2002-2005,” *Tobacco Control* (published online), February 26, 2008.

<sup>8</sup> Feighery, E, et al., “Cigarette advertising and promotional strategies in retail outlets: results of a statewide survey in California,” *Tobacco Control* 10L:184-188, 2001.

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<sup>9</sup> 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.

<sup>10</sup> *The 1999 annual report of the promotion industry, a PROMO magazine special report*, Overland Park, 1999; Feighery, E, et al., "Cigarette advertising and promotional strategies in retail outlets: results of a statewide survey in California," *Tobacco Control* 10L:184-188, 2001.

<sup>11</sup> Slater, S.J, et al., "The Impact of Retail Cigarette Marketing Practices on Youth Smoking Uptake," *Archives of Pediatrics and Adolescent Medicine* 161:440-445, May 2007.

<sup>12</sup> King, C & Siegel, M, "The Master Settlement Agreement with the Tobacco Industry and Cigarette Advertising in Magazines," *New England Journal of Medicine* 345(7):504-511, August 16, 2001.

<sup>13</sup> Statement of Decision, *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>.

<sup>14</sup> Bowker, D & Hamilton, M, "Cigarette Advertising Expenditures before and After the Master Settlement Agreement: Preliminary Findings," Massachusetts Department of Public Health, <http://tobaccofreekids.org/reports/addicting/magazines/connolly.pdf>, May 15, 2000. See also, TFK Factsheet, *Tobacco Marketing That Reaches Kids Point-Of-Purchase Advertising and Promotions*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0075.pdf>.

<sup>15</sup> National Cancer Institute, *The Role of the Media in Promoting and Reducing Tobacco Use*, Smoking and Tobacco Control Monograph No. 19, NIH Pub. No. 07-6242, June 2008, [http://cancercontrol.cancer.gov/tcrb/monographs/19/m19\\_complete.pdf](http://cancercontrol.cancer.gov/tcrb/monographs/19/m19_complete.pdf).

<sup>16</sup> U.S. Centers for Disease Control and Prevention (CDC), "Cigarette Brand Preference Among Middle and High School Students Who Are Established Smokers—United States, 2004 and 2006," *Morbidity and Mortality Weekly Report (MMWR)* 58(05):112-115, February 13, 2009, <http://www.cdc.gov/mmwr/preview/mmwrhtml/mm5805a3.htm>.

<sup>17</sup> American Legacy Foundation, "Cigarette Preferences Among Youth – Results from the 2006 Legacy Media Tracking Online (LMTO)," *First Look Report 17*, June 2007, [http://americanlegacy.org/Files/FINAL\\_FL17\\_singles.pdf](http://americanlegacy.org/Files/FINAL_FL17_singles.pdf).

<sup>18</sup> CDC, "Cigarette Brand Preference Among Middle and High School Students Who Are Established Smokers—United States, 2004 and 2006," *MMWR* 58(05):112-115, February 13, 2009, <http://www.cdc.gov/mmwr/preview/mmwrhtml/mm5805a3.htm>.

<sup>19</sup> Winte, G, "Big Tobacco Is Accused of Crossing an Age Line," *The New York Times*, August 24, 2001.

<sup>20</sup> Warren, C, et al., *Tobacco Use by Youth: A Surveillance Report from the Global Youth Tobacco Survey Project*, Bulletin of the World Health Organization, 78(7), 2000.