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Types and Extent of Tobacco Advertising and Promotion

This chapter examines the types and extent of tobacco advertising and promotion in the United States and their evolution over time. Areas discussed include

- *A taxonomy of past and present channels used in advertising and promoting tobacco products*
- *A review of emerging promotional channels, such as packaging, viral marketing, and the Internet*
- *Expenditures for advertising and promotion, and trends over time, for cigarettes, cigars, and smokeless tobacco, using data from the Federal Trade Commission, the advertising trade press, and other sources as available*

Despite restrictions on cigarette advertising from federal legislation adopted in 1969 and from the 1998 Master Settlement Agreement, cigarette marketing expenditures have increased substantially, peaking at $16.7 billion (in 2006 dollars) in 2003 and then dropping in 2005 (the latest year for which figures are available) to $13.5 billion (in 2006 dollars). Over time, expenditures have shifted dramatically from traditional print advertising to promotional activities, primarily price discounting. These trends have had a major impact on the milieu of media messages that affect tobacco-related attitudes and behaviors.

Introduction

For at least 50 years, cigarettes have been one of the most heavily marketed consumer products in the United States. This chapter reviews the types and extent of tobacco advertising and promotion as well as how the scope and nature of tobacco marketing have changed over time. The first part of the chapter addresses the types of tobacco advertising and promotion used, including emerging marketing practices. The second part of the chapter reviews the extent of tobacco advertising and promotion and long-term trends in marketing expenditures. This chapter, like the monograph as a whole, focuses on the United States, but developments in other countries are occasionally mentioned for illustrative purposes.

In 2005, the U.S. tobacco industry spent $13.5 billion (in 2006 dollars) on tobacco advertising and promotion. Since 1981, as cigarette consumption and sales in the United States have declined, tobacco industry expenditures on advertising and promotion have grown 10 times greater.[1] The tobacco industry has mastered and dominated nearly all forms of communications media during the past 100 years. In the early 1900s, these included promotional items such as trading cards (often included with a pack of cigarettes). In the 1920s and 1930s, these forms of communications included print media such as magazine and newspaper advertising. In the 1940s and early 1950s, the tobacco industry was one of the prime sponsors of radio. In the 1950s and 1960s, the tobacco industry was predominant in television advertising.[2,3] In the 1970s and 1980s, tobacco manufacturers dominated sports and event sponsorships, billboards, and magazine advertising. In the 1980s and 1990s, point-of-sale advertising, direct mail advertising, sponsorships, and promotions on the Internet became major marketing tools for cigarette manufacturers. Today, in response to factors such as restrictions on tobacco advertising, the mix of promotional channels has evolved further into areas such as promotional allowances and viral marketing techniques.

Information on the extent of tobacco advertising and promotion is important for several reasons. First, the pervasiveness of tobacco advertising and promotion determines the level of consumers' exposure to marketing messages and images. The "dose" of exposure, in turn, is likely to correlate with the impact of media communications. (Impact might be measured using outcomes such as brand recognition, attitudes toward smoking, and smoking behavior.) However, susceptibility to smoking and receptivity to advertising and promotion vary among individuals and population subgroups (chapters 5 and 7), and it is important to measure relative exposure levels among them.

Second, widely dispersed tobacco advertising and promotion are likely to affect social norms concerning tobacco use. In outlining direct and indirect mechanisms by which advertising might increase tobacco consumption, the 1989 Surgeon General's report points out this indirect effect: "the ubiquity and familiarity of tobacco advertising and promotion may contribute to an environment in which tobacco use is perceived by users to be socially acceptable, or at least less socially objectionable and less hazardous than it is in fact."[4(p.502)]

Third, heavy spending for cigarette advertising in a particular media outlet tends to suppress coverage of smoking-and-health issues in that medium[5] (chapter 9). Similarly, heavy spending for cigarette promotion, sponsorships, philanthropy, and public relations targeting certain sporting activities, cultural institutions, or community organizations (e.g., groups representing women or minorities) "may create political support for, or mute opposition to, the industry's marketing and policy objectives."[4(p.502)] These two effects provide additional indirect mechanisms by which tobacco advertising and promotion may increase tobacco consumption.[4(p.502)]

Fourth, "saturation" advertising facilitates the penetration of marketing messages into communities where more populations are found that are vulnerable to take up and maintain tobacco use, especially when communication channels are selectively chosen to reach those populations. Fifth, policymakers wishing to enact a comprehensive ban on tobacco advertising and promotion need to be aware of the many types of tobacco advertising and promotion, so as to avoid ambiguities in legislation that would allow manufacturers to shift marketing expenditures from "banned" media to "allowed" media (see below and chapters 3 and 8).

Finally, it is important to know the dose and duration of a population's exposure to tobacco advertising and promotion to estimate the amount of "corrective communication" that may be needed to negate or overcome the effects of many years of protobacco marketing. Again, varying susceptibility to smoking and receptivity to advertising and promotion need to be taken into account in determining the optimal amount of corrective communication. In the civil (i.e., noncriminal) lawsuit waged by the U.S. Department of Justice (DOJ) against tobacco manufacturers, alleging violations of the Racketeer Influenced Corrupt Organizations (RICO) Act, the DOJ proposed extensive remedies including corrective communication concerning the adverse health effects of smoking and exposure to secondhand smoke, the addictiveness of smoking and nicotine, "low-tar" cigarettes, and the impact of tobacco marketing on youth.[6] (Federal Judge Gladys Kessler, in a decision issued on August 17, 2006, concluded that "adoption of such a public education and countermarketing campaign would unquestionably serve the public interest." However, she ruled that "under the narrow standard for §1964(a) remedies articulated in [Court of Appeals] Judge [David] Sentelle's Opinion [*United States v. Philip Morris USA Inc., et al.,* 396 F.3d 1190 (D.C. Cir. 2004)], the Court cannot enter such a remedy because it is not specifically aimed at preventing and restraining future RICO violations."[7])

Sources of Data

Information on the types and extent of tobacco advertising and promotion comes from many sources, including the Federal Trade Commission (FTC), advertising trade publications such as *Advertising Age* and *Adweek,* research published in scholarly journals and reports, and the lay press. The FTC is a major source of data on tobacco advertising and promotional expenditures. The Federal Cigarette Labeling and Advertising Act of 1965 and the Public Health Cigarette Smoking Act of 1969 required the FTC to transmit an annual report to Congress concerning current practices and methods of cigarette advertising and promotion.[4] These reports have been transmitted to Congress since 1967.[1,8] The Comprehensive Smokeless Tobacco Health Education Act of 1986 required the FTC to report to Congress every other year on current advertising and marketing practices for smokeless tobacco products;[4] ten such reports have been transmitted to Congress, with the first report issued in 1987 (but dated 1986) and the most recent issued in 2007.[9,10] The FTC has obtained information on advertising and promotion from the largest cigarette and smokeless tobacco manufacturers through a compulsory data collection process.

Beginning with fiscal year 2000, the Federal Reports Elimination and Sunset Act of 1995 (Public Law 104-66) terminated most periodic reporting requirements established before 1993, including those requiring the FTC to transmit to Congress reports on cigarette and smokeless tobacco advertising and promotion. A Senate Committee has reviewed the legislative history and detail surrounding that action.[11] In April 2001, the FTC announced that it was soliciting public comments "to help it determine whether to continue to issue reports on the sales, advertising and promotion of cigarettes and smokeless tobacco products, as well as the formats for any such reports."[12(p.18640)] At least 98 public comments were submitted to the agency, almost all of which supported continued publication.[12] As noted above, the FTC has continued to issue reports on cigarette and smokeless tobacco marketing since the sunset of statutory requirements.

The FTC has produced one report on cigar advertising and promotion[13] that presented data on advertising and promotional expenditures for 1996 and 1997 (summarized later in this chapter). The agency collected these data "in response to information showing a resurgence of cigar use in the United States," by issuing special orders to the five leading domestic cigar manufacturers at that time (Consolidated Cigar Corporation; General Cigar Co., Inc.; Havatampa Inc.; John Middleton Inc.; and Swisher International, Inc.).

Types of Tobacco Advertising and Promotion

FTC Definitions

To facilitate data collection, monitoring, and reporting, the FTC has developed categories and definitions of advertising and promotion expenditures, with particular reference to the tobacco industry. These categories, drawn from FTC reports on cigarette, cigar, and smokeless tobacco advertising and promotion (especially the cigarette report for 2004/2005[1]), are presented below, alphabetically. As explained within the definitions, this classification system has been structured to avoid double counting of expenditures in more than one category. For example, expenditures for a magazine advertisement promoting a cigarette-sponsored event appear in the "sponsorships" category but are excluded from the "magazines" category.

Audiovisual. Audiovisual or video advertising on any medium of electronic communications not subject to the Federal Communications Commission's jurisdiction, including screens at motion picture theaters, video cassettes, and monitors in stores, but excluding expenditures in connection with Internet advertising.

Company Web site. All expenditures associated with advertising on any company Internet Web site.

Coupons. All costs associated with coupons for the reduction of the retail price of tobacco products, whether redeemed at the point of sale or by mail, including all costs associated with advertising or promotion, design, printing, distribution, and redemption. However, when coupons are distributed for free tobacco products and no purchase or payment is required to obtain the coupons or tobacco products, these activities are considered as sampling rather than couponing. This category has been separate from the "retail-value-added" category in the FTC's cigarette reports since 1997.

Direct mail. Advertising sent via direct mail to the consumer, excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, retail value added, and Internet advertising.

Endorsements and testimonials. This category includes, but is not limited to, all expenditures made to procure tobacco use; the mention of a tobacco product or company name; the appearance of a tobacco product, name, or package; or other representation associated with a tobacco product or company, in any situation (e.g., motion pictures, stage shows, or public appearances by, or photographs of, a celebrity or public figure) in which such use, mention, or appearance may come to the public's attention.

Internet—other. Internet advertising other than on the company's own Web site, including on the World Wide Web, on commercial online services, and through electronic mail messages.

Magazines. Magazine advertising, but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail value added.

Newspapers. Newspaper advertising, but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail value added.

Outdoor. Billboards; signs and placards in arenas, stadiums, and shopping malls, whether they are open air or enclosed; and any other advertisements placed outdoors, regardless of their size, including those on cigarette retailer property; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail value added.

Point-of-sale (point-of-purchase) advertising. Advertising posted in retail outlets, but excluding expenditures in connection with outdoor advertising, sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail value added.

Price discounts. Price discounts paid to tobacco retailers or wholesalers to reduce the price of tobacco products to consumers, including off-invoice discounts, buy downs, voluntary price reductions, and trade programs, but excluding retail-value-added expenditures for promotions involving free tobacco products and expenditures involving coupons.

Promotional allowances—retail. Payments to tobacco retailers to facilitate the sale or placement of any tobacco product, including payments for stocking, shelving, displaying, and merchandising brands, volume rebates, and incentive payments, but excluding expenditures in connection with newspapers, magazines, outdoor, audiovisual, transit, direct mail, point of sale, and price discounts.

Promotional allowances—wholesale. Payments to tobacco wholesalers to facilitate the sale or placement of any tobacco product, including payments for volume rebates, incentive payments, value-added services, promotional execution and satisfaction-of-reporting requirements, but excluding expenditures in connection with newspapers, magazines, outdoor, audiovisual, transit, direct mail, point of sale, price discounts, and retail promotional allowances.

Public entertainment—adult only. Public entertainment events bearing or otherwise displaying the name or logo or an image of any portion of the package of any of a company's tobacco products or otherwise referring or relating to tobacco products, which take place in an adult-only facility, including all expenditures made by the company in promoting and/or sponsoring such events. The definition for this category for cigars specifically mentions the inclusion of "dinners, wine or spirit tastings, and weekends or other vacations featuring cigar smoking."[13]

Public entertainment—general audience. The same as "public entertainment—adult only," except that the public entertainment events do *not* take place in an adult-only facility.

Retail value added—bonus tobacco products. Retail-value-added expenditures for promotions involving free tobacco products (e.g., buy two packs, get one free), whether or not the free tobacco products are physically bundled together with the purchased tobacco products, including all expenditures and costs associated with the value added to the purchase of tobacco products (e.g., excise taxes paid for free cigarettes and increased costs under the Master Settlement Agreement [MSA]).

Retail value added—non-tobacco-product bonus. Retail-value-added expenditures for promotions involving free nontobacco items (e.g., buy two packs, get a cigarette lighter), including all expenditures and costs associated with the value added to the purchase of tobacco products.

Sampling distribution. Sampling of tobacco products, including the costs of the products, all associated excise taxes and increased costs under the MSA, and the cost of organizing, promoting, and conducting sampling. Sampling includes the distribution of tobacco products for consumer testing or evaluation when consumers are able to use the tobacco products outside of a facility operated by the company, but does not include the cost of actual clinical testing or market research associated with such tobacco product distributions. Sampling also includes the distribution of coupons for free tobacco products, when no purchase or payment is required to obtain the coupons or tobacco products.

Specialty item distribution—branded. All costs of distributing items other than cigarettes (whether the items are sold, redeemed by coupon, or otherwise distributed) that bear the name or logo or depict an image of any portion of the package of a tobacco product, including the costs of the items distributed but subtracting any payments received for the item. The costs associated with distributing nontobacco items in connection with sampling or retail-value-added programs are reported in those categories, not as specialty item distribution. Examples of specialty items distributed as part of tobacco promotions are sunglasses, key chains, calendars, sporting goods, T-shirts, caps, and other clothing.

Specialty item distribution—nonbranded. The same as "specialty item distribution—branded," except that the specialty items do *not* bear the name or logo or depict an image of any portion of the package of a tobacco product.

Sponsorships. For cigarettes, this category is defined as sponsorships of sports teams or individual athletes but excludes endorsements.[1] For smokeless tobacco, this category is called "sports and sporting events," is duplicative of expenditures for other categories, and is defined as follows: "All costs associated with sponsoring, advertising or promotion of sports or sporting events, including football, weight lifting, sailing, rodeo, automobile, race car, funny car, motorcycle, bicycle, truck, monster truck, tractor-pull, fishing, and hunting events, competitions, tournaments, and races."[10(p.32)] In the FTC's report on cigar advertising and promotion,[13] this category is called "sports" and also was duplicative of expenses reported in other categories.

Telephone. Telephone advertising, including costs associated with the placement of telemarketing calls or the operation of incoming telephone lines that allow customers to participate in any promotion or hear pre-recorded product messages; but excluding costs associated with having customer service representatives available for responding to consumer complaints or questions.

Television and radio. This category was used for the FTC's report on cigar advertising and promotion,[13] and was defined as advertising on any medium of electronic communications subject to the jurisdiction of the Federal Communications Commission such as broadcast television, cable television, and radio. For that report, this category was combined with the "audiovisual" category. Broadcast advertising has been prohibited by law for manufactured cigarettes (since 1971), smokeless tobacco (since 1986), and "little cigars" (since 1973) but is still permitted for other cigars, pipe tobacco, and roll-your-own cigarette tobacco[4] (chapter 8).

Transit. Advertising on or within private or public vehicles and all advertisements placed at, on, or within any bus stop, taxi stand, transportation waiting area, train station, airport, or any other transportation facility; but excluding expenditures in connection with sampling, specialty item distribution, public entertainment, endorsements, sponsorships, coupons, and retail value added.

All other. Advertising and promotional expenditures not covered by another category.

Indirect Advertising

Indirect advertising, a form of trademark diversification, is often used by manufacturers where partial advertising bans are in force. This term, also called *brand sharing* or *brand stretching,* refers to the application of cigarette brand names, logos, or other distinctive elements of cigarette brands (and their ads) to nontobacco products.[14,15] For example, after enactment of a cigarette advertising ban in Norway in 1975, Camel boots were introduced in that country, with advertisements that were virtually identical to earlier ads for Camel cigarettes.[16] Other examples include "Marlboro Classics" clothing, sold in at least 29 countries; Marlboro and Camel lighters, Pall Mall matches, Peter Stuyvesant Travel, and Camel footwear in France, following the tobacco advertising restrictions imposed by the *Loi Veil* legislation in 1976; Camel boots in Finland, after direct tobacco advertising was banned in 1976; "Camel adventures" (travel tours) in Sweden, after tobacco advertising was restricted in 1979; Liggett & Myers (L&M) matches, Camel scooters, Gauloises travel excursions, and Bastos cassettes in Belgium, after the enactment of advertising limits under the Royal Decree of 20 December 1982; the Benson & Hedges Bistro in Kuala Lumpur, Malaysia, where direct tobacco advertising is banned; Camel Trophy "adventure boots" in Turkey, after its 1997 ban on tobacco advertising; and plain (nontobacco) *pan masala* as an advertising surrogate for tobacco-containing *pan masala* in India, where advertising of tobacco products has been banned since 2004.[14,17–21]

A Web site description of a Marlboro Classics clothing store in Hong Kong reads,

> Although Marlboro Classics clothing chain is part of the Marlboro cigarettes company, one thing is for sure: their clothes are a lot healthier, and better looking. There are great chinos, shirts, T-shirts and accessories, including shoes. You will walk out looking like you just did a photo shoot in the Wild West for, well, a cigarette advert. But nevertheless, the quality is high, the prices fair, and the style is definitely cool.[22]

Two R.J. Reynolds (RJR) France documents, "Communication Strategy and Strategic Plan 1992–1996" and "Worldwide Brands, Inc. Strategic Plan 1993–1997" describe how to circumvent legal restrictions by promoting nontobacco products and services bearing the Camel and Winston brand names.[23,24] These documents were made public in a court judgment (Tribunal de Grande Instance de Paris 19 October 1998).[15] According to RJR France's 1992–1996 strategic plan,[23(p.4)]

> Compared to most competitors, RJR France seems better prepared to successfully confront the new legal restrictions thanks to a larger number of available logo licensing activities, (Camel Trophy watches, Camel boots, Camel collection/shops, Winston wear) allowing a satisfactory communication continuity behind [the] Camel and Winston [brands].

Tobacco control research has also borne out the connection between brand stretching and promotion of the sponsoring tobacco products. Initial research shows that advertising for the nontobacco product or service is consistently seen as advertising for the sponsoring tobacco brand,[25,26] while 15-year-olds' awareness of brand stretching is independently associated with being a smoker.[27] Thus, indirect advertising serves as a powerful tool for maintaining a product brand identity, particularly in the absence of traditional promotional channels.

Advertising on the Package

As the "face" of the product being sold, packaging is always an important part of the firm's advertising and promotion considerations. For cigarettes, packaging is even more important because the package is not opened once and discarded, as with many purchases, but is opened each time a cigarette is removed. The visibility of the package under these circumstances makes packaging an important advertising vehicle. An additional advantage of advertising on tobacco packaging is that it does not fall within any of the FTC's categories of advertising and promotion; hence, expenditures for this marketing vehicle are not reported to the FTC.

Internal tobacco corporate documents make it clear that the industry understands and appreciates the value of packaging in influencing smokers and potential smokers. A 1963 Liggett & Myers report states, "The primary job of the package is to create a desire to purchase and try. To do this, it must look new and different enough to attract the attention of the consumer."[28(Bates no. TI3072-9042)]

Philip Morris's comment regarding its efforts to target women provides one example of how packaging is used to influence specific target markets or niches:

> Some women admit they buy Virginia Slims, Benson & Hedges, etc. when they go out at night, to complement a desire to look more feminine and stylish….[29(Bates no. 2060037888)] Women are a primary target for our innovative packaging task.[29(Bates no. 2060037905)]

In appealing to the youth segment, Lorillard developed unique packaging for Zack (a new brand in the 1970s). "Zack's strength in appealing to young adults is its unusual name, denim pack and graphic entity."[30(Bates no. 91260420)] Similar strategies have been followed by Gauloises in France and Brown & Williamson (B&W) in the United States. Special package design for *Légères,* a brand made by Gauloises, portrays a seductive young female in a dungeons and dragons setting.[31] Referring to an innovative Kool package that opens as a book and has rounded corners and vivid colors, B&W vice president Ludo Cremers commented, "The response from consumers is 'this is a pack to be seen with'."[32(p.C11)]

Many other examples of new cigarette packaging shapes or materials[33] and vivid or creative imagery on cigarette packs[34–36] have been reported. A collector of cigarette packs—who claims to have collected more than 33,500 cigarette packs from more than

Cigarette Packaging as Seen by the Tobacco Industry

The impact of cigarette packaging was explored in detail in one study of industry documents. This study concluded that pack imagery has significant effects on an individual's perception of the cigarette product and encourages trial smoking, and in highly competitive or restricted environments, the pack acts as an advertisement that creates or reinforces brand imagery.[a] When the pack shows signs of weakness, redesign is quick to follow:

> Marlboro is significantly under-represented in the 27.5% menthol category. The existing Marlboro Menthol has a 0.2 market share, or less than 1% of the category.… Three new products have been developed.… The full flavor pack has been redesigned to achieve a fresher more contemporary look while preserving the basic identity of the original.[b]

British American Tobacco focused on packaging even when it considered selling individual cigarettes to people in less-developed countries: "The brand image must be enhanced by the new packaging … if you just say, this is a cheap cigarette … they're not going to go for it."[c] In addition, cigarette packages have been designed to appeal to particular target groups, such as young adults or women.

[a]Wakefield, M., C. Morley, J. K. Horan, and K. M. Cummings. 2002. The cigarette pack as image: New evidence from tobacco industry documents. *Tobacco Control* 11 Suppl. 1: i73–I80.

[b]Fuller, S. Marlboro menthol. 30 Sep 1987. Philip Morris. Bates No. 2048517809/7813. http://legacy.library.ucsf.edu/tid/jqm92e00.

[c]Muggli, M. E., and R. D. Hurt. 2003. Listening between the lines: What BAT really thinks of its consumers in the developing world. *Tobacco Control* 12 (1): 104.

140 countries, dating from the 1890s to the present—has more than 1,700 images and illustrations of cigarette packs on the collection's Web site.[37] It includes, for example, dozens of different images of Camel iconography (including Joe Camel) on cigarette packs sold in Argentina, Austria, France, Germany, Italy, Mexico, Norway, Switzerland, and the United States.[37]

Packaging accessories provide yet another channel for advertising imagery. In Hong Kong, Philip Morris introduced a plastic outer cover for Marlboro cigarette packs, featuring a series of images of the Marlboro cowboy. Besides presenting powerful visuals of the "Marlboro Man," the cover also seems designed to obscure the health warning on the underlying pack.[38]

Cigarette package design can be an important feature of in-store advertising. An American Tobacco Company memorandum stated that "an integrated package design look can provide for a greater in-store presence,"[39(Bates no. 94600013)] and Wakefield and colleagues explained that "the arrangement of packs at the point of purchase themselves become an advertisement for the brand family."[40(p.i76)]

Similarly, a British American Tobacco report states,

> Given the consequences of a total ban on advertising, a pack should be designed to give the product visual impact as well as brand imagery.… The pack itself can be designed so that it achieves more visual impact in the point of sale environment than its competitors.[41(Bates no. 102699354)]

Colors on packaging, like the colors in traditional advertising (chapter 3), can contribute to brand image. For example, tobacco companies have used lighter colors on packages to convey a sense of a lighter and perhaps healthier cigarette.

In a 1979 report, RJR pointed to lighter colors for the Camel's filter brand as playing a key role in creating the image of "reduced strength":

> Refinements in the [Camel Filter brand] Package consist mainly of increasing the amount of white space on the pack and lightening the brown color tones, … to give the revised package the appearance of reduced strength.[42(Bates no. 500566631)]

A Canadian ministerial advisory committee on tobacco control concluded,

> The colours and designs of cigarette packages continue to reinforce the notion that some brands are less harmful. The hue and density of the colours applied within a brand family follow a natural spectrum of intensity, with the lightest colours matched to the 'lightest' brand.[43(p.10)]

The committee recommended a ban on the use of "deceptive descriptors such as 'light' and 'mild' on cigarette packaging and marketing … [and] the use of other words, *colours* or devices that result in an erroneous perception of a difference in health risks and/or tar/nicotine deliveries."[43(p.11)] (emphasis added)

Beyond the issue of perceiving products as light or mild, tobacco packaging has been shown in general to both reinforce brand imagery and reduce the impact of health warnings.[44–47] Conversely, when fewer brand image cues appear on the packaging, adolescents are able to recall nonimage health information more accurately.[47] Plain packaging limits the ease with which consumers associate particular images with cigarette brands and significantly influences smoking behavior.[44] Thus, packaging not only plays a role in product branding but can also be used effectively in policy interventions designed to counter the desirability of smoking.

Viral (or Stealth) Marketing

One strategy that tobacco marketers have used increasingly is called *viral* or *buzz* marketing or, more pejoratively, as *stealth* or *guerilla* marketing. It is described as the situation in which "the advertiser creates an environment in which the idea can replicate and spread. It's the virus that does the work, not the marketer."[48(p.26)] Examples might include paying teens to talk to their friends about a product or to infiltrate a chat room, commissioning footpath graffiti, or creating Web sites or sponsoring events that support a

Integrating Packaging and Marketing: The "Kool Mixx" Campaign

One example of combining custom packaging with merchandising for an integrated product marketing effort was Brown & Williamson's 2004 hip-hop music-themed "Kool Mixx" campaign for Kool cigarettes. The campaign included (1) a series of limited-edition cigarette packs featuring artists' renditions of the elements of hip-hop culture—"MC-ing" (rapping), "disc jockeying" (DJ-ing), break dancing, and creating graffiti art; (2) a "Mixx Stick" radio, free with the purchase of a limited-edition two-pack set; (3) free magazine subscriptions for various hip-hop themed magazines; (4) an interactive Kool Mixx compact disc featuring video clips of Kool Mixx events and interviews and performances from rappers, DJs, graffiti artists, and dancers; (5) "Mixx"-branded desktop wallpaper to be downloaded to the user's computer; (6) three "test your hip-hop skills" interactive games; (7) a selection of audio tracks; and (8) DJ software enabling the user to create original music mixes.[a]

[a]Hafez, N., and P. M. Ling. 2006. Finding the Kool Mixx: How Brown & Williamson used music marketing to sell cigarettes. *Tobacco Control* 15 (5): 359–66.

product but without overt brand imagery.[49,50] The labels for this marketing activity reflect how it works: the marketers orchestrate a "tsunami of chatter"[49]—or buzz—that helps an idea or product spread like a virus. Commercial sponsorship is surreptitious so that consumers believe they are discovering something on their own—hence, the descriptors "stealth" and "guerrilla."[50]

Although the terms *viral marketing* and *stealth marketing* are relatively new, they are not different from two other concepts familiar to social scientists. A parallel, earlier concept familiar to communication researchers is the multistep flow in persuasion efforts. This process refers to the fact that those around us can and do influence us, but this influence comes as a consequence of the media messages to which we are all exposed.[51] A bandwagon effect represents a similar concept that R.J. Reynolds recognized decades ago. Widespread exposure to a brand's advertising creates an initial focus on the brand. A bandwagon, or virus, then allows the brand's share of the market to grow. Once 30% of underage smokers adopt a brand, its lasting success in the marketplace is said to be ensured.[52]

An article on stealth marketing in *Business Week*[49] describes the use of the technique to reinvigorate a well-known cigarette brand:

> Brown & Williamson Tobacco Corp. and its ad agency, Bates, decided to add buzz to Lucky Strike's equation. The result was the Lucky Strike Force, attractive couples working trendy neighborhoods such as Miami's South Beach, New York's Soho, and Santa Monica, Calif., proffering hot coffee and cell-phone calls to shivering smokers in winter or iced coffee and lounge chairs in spring and summer. 'Send up a smoke signal, and we'll be there,' local teaser ads urged. The Strike Force has helped the onetime icon edge back toward broad availability. 'As a marketer, you hope to have your consumer do your marketing for you,' explains Sharon Smith, director of Lucky Strike. 'It is credible, less expensive, and enormously believable.'

The Internet has played a crucial role in viral marketing. Camel was the sponsor of a German Web site for a new rock band, featuring English headings such as "party previews," "love parade," and "Berlin fashion," and a picture of the members of a mixed-sex band fondling each other nude.[53] A nontobacco example is the Web-based company Tremor. With 280,000 teens (1% of total teenage population), the firm, which is formally linked to major (nontobacco) marketers, seeks to involve teenagers in the marketing process. One example of the process is the naming of the movie *Eurotrip*. More than 60,000 Tremor members submitted title suggestions after reviewing a brief movie synopsis. Dreamworks, the movie's producer, narrowed down the list, picked its favorites, and then chose the official title. The winning title had been submitted by 20 Tremor members.[54]

Although not formally linked to tobacco firms, Internet "virtual teen smoking clubs" make positive smoking images for youths the norm.[55] Ribisl[55] reviews a number of sites, including (1) http://www.smokingcelebs.com/teenceleb.html, one of a dozen or more Web sites dedicated to smoking by celebrities; (2) online clubs, such as the Yahoo! Club "Smoking_Girls_in_Movies" or the newsgroup alt.smokers.glamour; (3) Teen Smokers Home Page, described as a "place for teen smokers to hang out"; and (4) Badteengirlssmokingden, a Yahoo! site that has almost 1,500 members. In addition, teen smokers participate in online polls and message boards.

British American Tobacco (BAT) has developed an independent Web site that features BAT retailers who appear to offer independent advice on nightlife to young people. The youth are directed to bars, clubs, or restaurants where BAT cigarettes are being sampled or promoted.[56]

Another approach to viral, or stealth, marketing is embodied by trend influence marketing, which involves an alliance among the tobacco industry, the alternative press, and bars and nightclubs.[57] The alternative press includes free periodicals distributed in trendy nightclubs and found at stores and coffee houses frequented by the club crowd. These periodicals, which lend "hip credibility" to the advertised brands, have become a major outlet for modern tobacco marketing. A sampling of two prominent alternative weeklies (one in San Francisco and the other in Philadelphia) found a dramatic increase in tobacco advertising from 1994 to 1999: the number of ads increased from 8 to 337 in the San Francisco weekly, and from 8 to 351 in the Philadelphia weekly.[58] In addition, smoking "hipsters" are recruited clandestinely (from the bar and nightclub scene) to surreptitiously sell tobacco products to unsuspecting young adults in bars and elsewhere.[57]

BAT's "Project Whisper," a good example of a viral strategy, was intended to capitalize on social interactions within bars to influence bar patrons:

> The rationale of Project Whisper is straightforward—influence an opinion leader with your product communication and you are at the same time achieving dissemination of that communication throughout his sociometric network. An additional aspect of this type of communication is that it typically takes place where a high degree of opinion transfer and modelling behaviour is observed. This is seen in the British public house or night club, and has equivalent phenomena in all societies.[59(Bates no. 542003684)]

Young marketers (or "roachers") are hired by tobacco companies to sell cigarettes in trendy bars and clubs in Sydney, Australia. Selected for their good looks, style, and charm, the roachers often appear at special dance events where tents filled with bean bags, a bar, and a DJ help them create "fantastic themed sales points."[60]

Viral marketing techniques are spread across several of the FTC's categories of advertising and promotion, but some of these techniques may not be captured by those categories. In addition, a clear definition of viral marketing for purposes of estimating the extent of its use has not been developed, so no information is available on expenditures and trends for viral marketing of tobacco products.

Internet Marketing

Aside from its use in viral marketing, as described above, the Internet has been used to actually sell tobacco products. In a 2002 study, Ribisl[55] found 195 Internet cigarette vendors in the United States. A majority of vendors (105) were in New York State, and most of these were in the western part of the state on Indian reservations. A total of 88 Web sites sold other tobacco products: 42%, cigars; 39%, smokeless tobacco; 18%, clove cigarettes; and 8%, bidis.

The 2001 National Household Survey on Drug Abuse found that 3.3% of 12- to 17-year-olds reported having purchased cigarettes over the Internet at least once during the past month.[20] Data from additional studies indicate that buying cigarettes on the Internet is easier than in retail outlets, suggesting the potential for future growth. As one example, a youth tobacco purchase survey found that four 11- to 15-year-olds were successful in 76 (92%) of 83 attempts to purchase cigarettes via the Internet.[55]

States have taken a variety of steps to attempt to control tobacco sales over the Internet to ensure that state tobacco taxes are applied and that illegal sales to minors do not occur.[61] However, the extent to which these actions may have reduced Internet-based tobacco sales and marketing is unclear.

In March 2000, an attorney with Philip Morris Corporate Services commented on the use of the company's Australian Web site:

> As you are no doubt aware, our ability to communicate about the Company and its positions through traditional media is severely restricted. As a result, the website takes an *[sic]* added significance."[62(Bates no. 2072557317A)]

Nevertheless, the attorney added that "the site will be purely an information site and will not have any elements of marketing, branding or e-commerce."[62(Bates no. 2072557317A)]

As noted above, the FTC now requires tobacco manufacturers to report to the agency their expenditures on advertising and promotion, according to several categories, two of which pertain to the Internet: (1) expenditures associated with advertising on any of the tobacco company's Internet Web sites ("Company Web site"); and (2) expenditures for Internet advertising other than on the company's own Web site, including on the World Wide Web, on commercial online services, and through electronic mail messages ("Internet—other"). From 1996 to 2001, there was only one (combined) category for Internet expenditures, and for these years, the major cigarette companies reported the following expenditures for Internet advertising: $432,000 (1996); $215,000 (1997); $125,000 (1998); $651,000 (1999); $949,000 (2000); and $841,000 (2001). The companies reported a 285% increase in spending for advertising on company Web sites from 2002 ($940,000) to 2005 ($2,675,000). For those four years, however, they reported no expenditures for "Internet—other" advertising, such as banner ads on third-party Web sites or direct mail advertising using e-mail.[1] The major smokeless tobacco companies, using one combined category for Internet advertising, reported no expenditures for that category before 2000 but reported spending $155,405 in 2000 and $413,000 in 2005, a 266% increase.[10]

In a repeated cross-sectional survey of New Jersey adults, the proportion of Internet users reporting exposure to online tobacco-product advertising increased from 6.9% in 2001 to 15.6% in 2002 to 17.8% in 2005. The 2005 survey showed significantly higher recall of online tobacco-product advertising among those aged 18–24 years than among older groups.[63] The 2004 National Youth Tobacco Survey found that 34.1% of middle school students and 39.2% of high school students reported seeing advertisements for tobacco products on the Internet.[64]

In a 2003 fact sheet on Internet tobacco marketing (http://www.tobaccofreekids.org/research/factsheets/pdf/0081.pdf), the Campaign for Tobacco-Free Kids reported that RJR had created a Web site to sell Eclipse cigarettes, a product purported to lower the risks of smoking.[65] When the Web site (now located at http://www.tobaccopleasure.com/ECL/home.aspx) was reviewed in February 2007, it discussed "The Eclipse Concept," including assertions that the product "responds to concerns about certain illnesses caused by smoking, including cancer" and "reduces secondhand smoke by 80%." The site explained how to use the product and promoted "special introductory offers": (1) two free coupons for $4 off three packs or a carton, and (2) "Give 3 adult friends our Eclipse Get-Acquainted Form and get a $4.00 off coupon for each friend that signs up." Persons requesting coupons had to go through a registration process; a question on how the registrant heard about the Web site included the following response choices: direct mail, from a friend, magazine, newspaper, alternative weekly/local city publication, phone, cigarette pack, cigarette carton, bar coasters/

napkins, matchbooks, retail display, pocket card, other. The site offered a store locator, a "Smokers' Bulletin Board," and a list of 135 "key publications and presentations relevant to the scientific evaluation of Eclipse." The Web site informed visitors that it was no longer selling Eclipse online, but that the product was available for purchase via a toll-free telephone number.

As reviewed in chapter 8, the European Union's directive on tobacco advertising bans tobacco promotion on the Internet, and the World Health Organization's (WHO's) Framework Convention on Tobacco Control (FCTC) mentions Internet advertising in the context of Article 13, which directs each party to the treaty to ban all tobacco advertising, promotion, and sponsorship "in accordance with its constitution or constitutional principles."[66(p.11)]

Kenyon and Liberman have explored the challenges of regulating tobacco advertising on the Internet.[67] A presentation at the 13th World Conference on Tobacco OR Health in July 2006, for example, reported a 27% increase in the number of protobacco Web sites on the Russian-speaking Internet since 2004, most of which violated advertising norms such as age restrictions.[68]

Video Games

Video games are a $9.4 billion business in the United States, with sales higher than that of the movie box office. There are 100 million video gaming consoles in households, 60 million handheld games, and growing numbers of game-enabled cell phones. The average gamer is 29 years of age. Younger audiences, in particular, regard video games as a more important form of entertainment than television.[69] According to Nielsen Media Research data, males aged 18–34 years now spend as much time with video games as with television; yet, while advertisers spent more than $8 billion in 2003 to try to reach that market segment, less than $15 million was spent on video games as an advertising vehicle.[70]

In 2003–2004, Nielsen data recorded a significant drop in television viewership among young males, seemingly in favor of video games. This has triggered a major initiative on the part of the advertising industry to explore the use of video games for marketing purposes. In fact, video games are becoming a significant part of the advertiser's media planning strategy. Major marketers, including McDonald's, PUMA, P&G, AT&T Wireless, Nokia, Coca Cola's Sprite, and Nestlé's Butterfinger, have embedded their brands into some of the most popular video games.[69] Massive, a firm in partnership with Viacom, is developing a system for inserting ads into video games and tracking their impact.[71] The firm conducted a survey of gamers 12–36 years of age. Of these, 70% thought ads in video games would greatly enhance the quality and realism of the gaming experience and indicated they would feel more positive about a brand or product advertised in a video game.[72] A 2004 survey of nearly 1,000 males aged 18–34 years, conducted by Activision and Nielsen Entertainment, found that 52% of "heavy gamers" like games to contain real products and 35% of male gamers agree that advertising in video games helps them decide which products to buy (http://news.gamewinners.com/index.php/news/92/).

Just as the tobacco industry has begun to use the Internet as a strategic advertising vehicle in reaching target audiences, tobacco control advocates have concern that video games will be used in the same way. The Entertainment Software Rating Board is an independent rating system established by the computer and video game industry in 1994. Its "Principles and Guidelines," established by its Advertising Review Council (ARC), states as a basic principle, "Companies must not specifically target advertising for entertainment software products rated 'Teen,' 'Mature,' or 'Adults Only' to consumers for whom the product is not rated as appropriate." Among the core guidelines that the ARC indicates it will focus on with concern is the following: "glamorizing, encouraging and/or depicting the consumption of alcohol." However, there is no statement with regard to tobacco products.[73] Even if tobacco advertisers formally avoid the teen category, any placement in the mature (M) category might influence them as well, given the breadth of appeal of these games to youth.

Some game content incorporates or features tobacco products. A review of 396 video games indicated that 6 of these involved tobacco and/or alcohol.[74] In one video game, *The Chronicles of Riddick: Escape from Butcher Bay* (rated M), cigarettes are used as a reward, with each pack revealing some aspect of a new, related Riddick movie. In this video game, cigarettes are made to seem "cool" and the cigarette warning labels are mocked.[75]

In *Halo 2* (rated M), the most popular video game for the Xbox game console for almost two years after its debut in November 2004,[76] a character named Sergeant Major Avery Johnson smokes a cigar and discarded cigars are featured. On a Web site devoted to "Xbox Hints and Tips," a hint entitled "Johnson's Cigar In Cairo Station" is described as follows:

> In the first level, as soon as you get off the lift do not go on the train. Instead, look to your right to find a trash can. Go over to it, crouch, and look in between the can and the wall. There should be a Johnson Cigar burning away. Additionally, go to the armory. As you are coming up the stairs, you will hear the man shooting his shotgun and talking. Kill the Elites and go through the door. Jump over the turret and look to the right. Jump on the lights sticking out of the wall, then jump over the rail. Get on one of the beams and jump off it onto one of the rails. There will be a small room with no doors. Jump onto that and bash the trash can. When you look on the floor, you will see Johnson's cigar.[77]

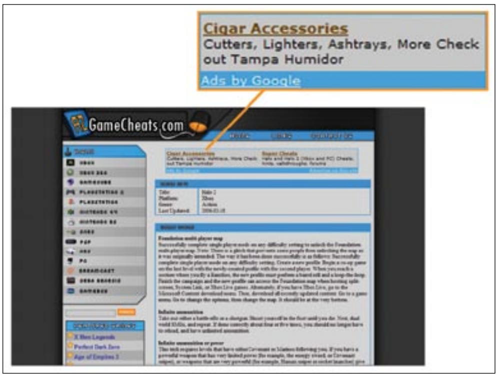
Xbox game "Halo 2" character Sergeant Major Avery Johnson with cigar

A posting on an online forum for *Halo* explains that Sergeant Johnson "obviously wasn't aloud *[sic]* to smoke on 'Cairo Station' so he hid his cigar behind a trash can."[78] That posting includes two screenshot images and a downloadable game-playing videoclip showing the discarded cigar.

Another Web site devoted to "Halo 2 cheats" includes a posting (entitled "Smoke a cigar") about another appearance of the cigar in this game:

> On the first level if you go to the boxes near the sheild *[sic]* re-charger and hit them all together u will c a cigar in the middle then take out your battle rifle and shoot it your screen should turn white and then if you die you will see a cigar on the floor next to your body. This only works on legendary and should give u extra power in your melee.[79]

It is unclear whether the images and usages of cigars were built into *Halo 2* as the result of paid advertising (i.e., product placement). The MSA [Section III, subsection (e)] bans "payment or other consideration" to promote tobacco products "in any motion picture, television show, theatrical production or other live performance, live or recorded



Cigar accessories advertised to "Halo 2" players

performance of music, commercial film or video, or *video game*" (emphasis added).[80(p.18)] Cigar manufacturers, however, are not parties to the MSA between the major cigarette firms and 46 state attorneys general.

When viewing a Web site description of the cigar "cheat code" in *Halo 2,*[81] a banner advertisement for cigar accessories was visible at the top of the Web page. This illustrates the complex (and often unpredictable) interplay between video games, the Internet, and digital advertising. More research is needed to track the appearance and use of tobacco products in video games, to determine whether these depictions are the result of paid promotion or "artistic" design, and to evaluate their impact on video game players' attitudes and behaviors related to tobacco use (see chapter 10).

Paid Placement of Tobacco Products in Movies

The portrayal of tobacco use and the appearance of tobacco products, brand names, and brand imagery in movies and other entertainment media can occur in exchange for promotional fees (product placement) or because of artistic (noncommercial) decision making by producers. Strong evidence links the placement of cigarette products in films and on television with adolescent smoking.[82–85] Product placement is a form of promotion, is captured by the FTC's categories of advertising and promotion, and is the focus of this section. Chapter 10, on the other hand, focuses on both paid and unpaid depictions of tobacco in entertainment media, in the context of examining the role of these media in promoting or discouraging tobacco use.

A chronology of events developed by Mekemson and Glantz[86] in reviewing the paid placement of tobacco products in movies is presented in table 4.1. The discussion below, reviewing the evidence available (largely through internal corporate documents), is also drawn from Mekemson and Glantz.[86]

R.J. Reynolds. Executives of the public relations firm charged with developing product placements for R.J. Reynolds recognized the importance of tying celebrities to smoking on (and off) the screen: "Our primary objective will remain … to have smoking featured in a prominent way, especially when it is tied to celebrities."[87(Bates no. 503579240)] The firm detailed one placement in a James Bond movie:

> For a financial consideration of [U.S.] $10,000 … Sean Connery, and other principal players, will smoke Winston and Camel cigarettes. A Salem Spirit billboard will be used in an action scene. No other cigarette company will be represented.[88(Bates no. 503579592)]

Other placements by Rogers & Cowan for R.J. Reynolds include those in *The Jazz Singer, Backroads, Cannonball Run, Pennies from Heaven,* and *Blowout.*[86]

Philip Morris. Philip Morris products were placed in more than 191 movies between 1978 and 1988; 48 were rated PG, 10 were PG-13, 91 were R, and 1 was G *(The Muppet Movie).* Among the movies listed during that period were *Grease, Rocky II, Airplane, Little Shop of Horrors, Crocodile Dundee,*

Table 4.1 Chronology of Tobacco Industry Activities Related to Smoking in Motion Pictures, 1972–2001

1972	Productions Inc.,[a] a movie and television company, informs R.J. Reynolds (RJR) that product placement in movies is "better than any commercial that has been run on Television or any magazine, because the audience is totally unaware of the sponsor involvement."
1978	Philip Morris begins working with Charles Pomerance to place tobacco products in movies.
1979	Brown & Williamson (B&W) contracts with the product placement firm of Associated Film Promotions for placing B&W products in movies.
1979	Philip Morris pays to have Marlboros featured in the movie *Superman II.*
1980	RJR contracts with Rogers & Cowan to develop a relationship with the television and movie industry that includes product placement, providing free products to key entertainment industry workers, and promoting star use of RJR products through national media.
1982	American Tobacco contracts with Unique Product Placement (UPP) to place American Tobacco products in films.
1982	Rogers & Cowan reports to RJR that it has arranged to have Sean Connery and others smoke Winston and Camel cigarettes in *Never Say Never Again* for $10,000.
1983	In the spring, B&W launches a campaign placing cigarette ads in 3,000 movie theatres. During July, a Kool ad is run during the G-rated Disney film *Snow White* in Boston; antismoking activists create extensive controversy.
1983	In the fall, B&W implements a critical audit of relationship with Associated Film Promotions, questioning the effectiveness and control of the product placement program.
1984	B&W cancels product placement and in-theatre ad programs.
1984	Twentieth Century Fox Licensing and Merchandising Corporation seeks tobacco company product placement agreements that would feature products and guarantee exclusivity in films for $20,000 to $25,000 per film.
1988	Philip Morris pays $35,000 for the use of Larks in the James Bond movie *License to Kill* and for rights to run a media promotion effort to coincide with the movie's opening in Japan.
1989	A Philip Morris[b] marketing study notes that most "strong, positive images for cigarettes and smoking are created and perpetuated by cinema and television."
1989–90	Congressman Thomas Luken's Subcommittee on Transportation, Tourism, and Hazardous Materials conducts public hearings on product placement.
1990	The Federal Trade Commission (FTC) conducts an inquiry into product placement activities of various tobacco firms.
1990	RJR International contracts with Rogers & Cowan International for the placement of RJR products in films produced outside the United States.
1990	Cigarette companies modify the voluntary Cigarette Advertising and Promotion Code to prohibit paid product placement.
1991	After declining through the 1960s, 1970s, and 1980s, the frequency of smoking in the movies begins a rapid increase.
1992	The UPP contract with American Tobacco is modified to limit UPP's engagements with filmmakers to reactive efforts rather than proactive ones.
1996–97	The FTC notes that expenditures by the cigar industry for "celebrity endorsements, and appearances, and payment for product placement in movies and television more than doubled between 1996 and 1997."[c]
1998	The Cigar Manufacturers' Association adopts a voluntary policy discouraging (but not outlawing) paid and donated cigar placements in movies and on television.
1998	The Master Settlement Agreement prohibits participating cigarette manufacturers from product placement activities.
2000	The average amount of smoking in movies exceeds levels observed in the 1960s.
2001	Studies of films during the 1990s find continuing brand use depiction in movies with about 80% of the exposures being Philip Morris products, primarily Marlboro; identifiable brand use by high-profile stars is higher than before the tobacco industry's voluntary restrictions on product placement in movies.

Note. From Mekemson, C., and S. A. Glantz. 2002. How the tobacco industry built its relationship with Hollywood. *Tobacco Control* 11 Suppl. 1: 81–91.

[a]Richards, R. P. We are about to go into production with the motion picture, "Run Sheep Run," a suspense, thriller, set in Los Angeles. 25 Aug 1972. R.J. Reynolds. Bates No. 500201423/1424. http://legacy.library.ucsf.edu/tid/ylm89d00.

[b]Kelly Weedon Shute Advertising. Philip Morris cigarette marketing—A new perspective. Nov 1989. Bates No. 2501057693/7719. http://legacy.library.ucsf.edu/tid/lti49e00.

[c]Federal Trade Commission. 1999. Cigar sales and advertising and promotional expenditures for calendar years 1996 and 1997. http://www.ftc.gov/os/1999/07/cigarreport1999.htm.

Die Hard, Who Framed Roger Rabbit, and *Field of Dreams.*[86]

A contract between Leo Burnett, the agency for Marlboro/Philip Morris, and the producers (Danjaq S.A; Switzerland) documents an exclusive placement of Lark cigarettes in a James Bond movie, *License to Kill,* in return for $350,000. Another contract documents placement of Marlboro in *Superman II* for £20,000.[86,89]

Brown & Williamson. B&W contracted with the product placement firm AFP, which arranged to pay $500,000 to Sylvester Stallone for using B&W tobacco products "in no less than five feature films."[90(Bates no. 685083119)] A 1983 audit of AFP revealed that B&W paid $965,500 to Kovoloff, of which $575,000 was for movies that had not yet been released.[91] B&W was prepared to pay $100,000–$200,000 "on special movie placement where a star actually smokes our brand … and where our presence in the movie is more apparent."[92(Bates no. 680118052)]

Liggett and American Tobacco. Hearings held in 1989 by the Subcommittee on Transportation and Hazardous Materials, Committee on Energy and Commerce, U.S. House of Representatives—under the leadership of Subcommittee Chairman Thomas A. Luken—revealed that Liggett paid $30,000 to place Eve cigarettes in *Supergirl* and that American Tobacco paid $5,000 to have Lucky Strike appear in *Beverly Hills Cop.*[83]

Cigars. General Cigar Company, Inc. contracted with the product placement firm Keppler Entertainment Inc. for $27,000 to place its products on the television shows *Friends, Baywatch, Mad About You, Spin City, Suddenly Susan,* and *Third Rock from the Sun.*[86] As late as 1996 and 1997, "Expenditures on celebrity endorsements and appearances, and payment for product placements in movies and television, more than doubled."[12] It was only in 1998 that the Cigar Association of America formally precluded paid placement in movies and on television.

Paid Placement in Movies Made in India and Nigeria

Information on paid placement of tobacco products in movies by U.S. tobacco firms has surfaced through congressional hearings and investigations and the disclosure of previously secret tobacco industry documents. In the absence of similar investigations and industry document disclosure in other countries, it is difficult to determine whether tobacco depictions in movies made outside the United States are the result of promotional payments from tobacco companies. However, circumstantial evidence suggests that paid placement of tobacco products is occurring in India, which has the world's largest motion-picture industry (including Bollywood, the popular Hindi-language film industry), and in Nigeria, whose film industry (Nollywood) has become the world's third largest.[93]

The Burning Brain Society in Chandigarh, India, with support from WHO and the Indian Ministry of Health and Family Welfare, studied the appearance of tobacco scenes in a random sample of 110 Hindi movies released in 2004 and 2005.[94] They found that 98 (89%) of the movies contained tobacco scenes, 74 (67%) showed the main protagonist using tobacco, and 30 (27%) trivialized or mocked the dangers of tobacco use. A key observation is that 45 (41%) of the movies displayed a specific brand of tobacco (usually a shot of the cigarette pack) or include a verbal mention of the brand name. More than 90% of brand appearances were for cigarettes made by Philip Morris (Marlboro) or ITC (Wills and Gold Flake).

By contrast, a WHO study found 62 brand exposures in 395 high-revenue Bollywood movies released during 1990–2002 (16%, assuming that each exposure occurred in a different film).[95] Goswami and Kashyap suggest that the increase in brand exposures in movies released in 2004–2005 occurred because of tobacco industry efforts to circumvent the Cigarettes and Other Tobacco Products Act, 2003, which banned all forms of direct and indirect tobacco advertising as of 2004.[94]

Although movie producers may choose to portray tobacco use in films for artistic or other noncommercial purposes, such portrayals would typically not use overt brand identifications (e.g., close-up shots of cigarette packs or cartons). Thus, the substantial increase in brand exposures in Indian movies, coinciding with legislative restrictions on tobacco advertising, suggests that paid placement is occurring. Further suggestive evidence comes from disclosures by several Indian movie actors, producers, and directors that they have received requests from tobacco companies for tobacco brand endorsements or product placements.[94] One movie producer-director in India said that his company had rejected approaches from tobacco companies, explaining that "we are in a comfortable position and we can be responsible"; he added, however, that "there are many needy producers who will do anything for money. Corruption is part of our culture and money overrules everything."[95(p.20)]

Tobacco depictions in Bollywood movies, whether resulting from paid placement or "artistic" design, are particularly worrisome to public health advocates because of the popularity of Bollywood movies. India produces about 1,000 films a year (accounting for more than one-quarter of the global film production by volume), in more than eight languages, seen by more than 188 million persons each year. An estimated 15 million people watch a Bollywood (Hindi-language) film each day. Cable and satellite television features more than 10 movie channels showing movies around the clock. Four of these channels show 5–10 movies per week, reaching 60%–70% of the cable and satellite audience each week. Pirated copies of films are viewed in India by an estimated 230,000 people each day. Mainstream Indian films target an estimated 250 million youth in India, and the films appeal to millions of diaspora Indians in South Asia, the Middle East, and parts of the United Kingdom, United States, Europe, and Africa.[94–96]

Nollywood, Nigeria's "thriving" straight-to-video film industry, produces more than 400 movies each year. Most are filmed for less than $15,000 within two weeks' time; they are then copied onto videocassettes and sold in open-air markets for about $3.[97] The organization Environmental Rights Action/Friends of the Earth Nigeria (ERA/FoEN) screened a random sample of 10 new Nollywood movies.[98] A program manager for ERA/FoEN reported that "smoking scenes, mostly unnecessary and of no value to the plot, were prevalent,"[98] and that brand placements occurred in 6 of the 10 movies. As noted above in the case of Bollywood movies, the visibility of brand placements in several of the movies suggests that paid product placement has occurred. Another spokesperson for ERA/FoEN reported that all but one of the 10 movies had smoking scenes, and the one movie lacking a smoking scene had an image of an actor smoking on the sleeve of the video compact disc.[98] The frequent depiction in Nollywood movies of smoking and tobacco brand names, and the likelihood of paid brand placements, are as worrisome to public health advocates as are similar occurrences in Bollywood movies. Nollywood movies are popular across the African continent and are brought to Europe and North America by expatriates, where they are distributed to the African diaspora.[93,97]

Restrictions on Cigarette Placements in Movies

In 1990, the Cigarette Advertising and Promotion Code introduced a voluntary ban on paid product placement in the United States; however, it did not include a prohibition on providing free products, signs, or other props. As noted above, the MSA provided legal backing for the ban on paid product placement of any type, including paid placement in motion pictures and commercial films or videos.[80] The major U.S. cigarette firms have denied paying for product placement in movies since the Federal Trade Commission began to request information on such payments in 1989.[83]

The FCTC (chapter 8) calls on each country that has ratified the treaty to enact a comprehensive ban of all tobacco advertising, promotion, and sponsorship "in accordance with its constitution or constitutional principles" (Article 13).[66(p.11)] The treaty's definitions of "tobacco advertising and promotion" and "tobacco sponsorship" (Article 1) includes paid placement: "'tobacco advertising and promotion' means any form of commercial communication, recommendation or action with the aim, effect or likely effect of promoting a tobacco product or tobacco use either directly or indirectly,"[66(p.4)] and "'tobacco sponsorship' means any form of contribution to any event, activity or individual with the aim, effect or likely effect of promoting a tobacco product or tobacco use either directly or indirectly." By April 2008, 154 countries had become parties to the FCTC, including India (in 2004) and Nigeria (in 2005) but excluding the United States.

On May 31 (World No Tobacco Day), 2005, the health minister of India announced new rules banning all scenes showing smoking, cigarette packs, or tobacco advertisements in movies and television programs, to become effective as law in August of that year.[96,99] After intense opposition arose from the Information and Broadcasting Ministry and the film industry, the Indian government set aside the ban and began to explore alternative control strategies, including (1) movie industry self-regulation, using a self-regulatory body similar to the Advertising Standards Council of India, to vet films before sending them to a censor board for certification, and (2) certification of films showing smoking scenes as "A"—only for adult viewing.[100–102]

Chapter 10 reviews strategies and efforts to reduce tobacco exposures in entertainment media (e.g., movie rating systems and self-regulation) and to modify viewers' response to exposures through, for example, antitobacco advertising in theaters and "media literacy" interventions (educational approaches to help viewers better understand media influence).

Extent of Tobacco Advertising and Promotion

As mentioned earlier, the FTC has issued reports on expenditures for tobacco advertising and promotion, providing annual data on expenditures for 1970–2005 for cigarettes, for 1996–1997 for cigars, and for 1985–2005 for smokeless tobacco. The FTC reports are the most readily available sources of quantitative data on the extent of tobacco advertising and promotion. Information on the extent of tobacco advertising and promotion is useful for (1) assessing the level of consumers' exposure to marketing messages and images, particularly among vulnerable populations; (2) understanding how marketing affects social norms concerning tobacco use; (3) predicting whether cigarette advertising will suppress coverage of smoking-and-health issues in various media; (4) informing policymakers on how to avoid or close loopholes in tobacco advertising bans; and (5) determining the amount of corrective communications needed to negate or overcome the effects of many years of protobacco marketing.

Expenditures on Advertising and Promotion for Cigarettes

From 1940 to 2005, the tobacco industry spent about $250 billion on cigarette advertising and promotion—averaging more than $10 million per day. (Unless otherwise stated, all figures for cigarette marketing expenditures presented in this section are adjusted to 2006 values, using the consumer price index for all items.) In 2005, the last year for which figures are available, the industry spent just over $13.5 billion[1]—or $37 million per day ($36 million in unadjusted dollars). The unadjusted expenditure in 2005 is equivalent to $63 per person aged 18 years and older, or $47 per capita for the entire population (using 2000 census data). The total annual expenditures from 1970 to 2005 (in 5-year increments until 1995, and then annually) are presented in table 4.2.

Table 4.2 Cigarette Advertising and Promotional Expenditures in the United States, 1970–2005 (in millions of dollars)

Year	Total Expenditures: Unadjusted ($)	Total Expenditures: Adjusted ($)[a]
1970	361.0	1,875.7
1975	491.3	1,841.0
1980	1,242.3	3,039.4
1985	2,476.4	4,639.8
1990	3,992.0	6,157.5
1995	4,895.2	6,475.5
1996	5,107.7	6,562.9
1997	5,660.0	7,109.4
1998[b]	6,733.2	8,327.7
1999	8,237.6	9,968.2
2000	9,592.6	11,230.4
2001	11,216.2	12,775.1
2002	12,466.4	13,970.1
2003	15,146.0	16,594.8
2004	14,150.0	15,101.3
2005	13,111.0	13,533.9

Note. Federal Trade Commission. 2007. *Federal Trade commission cigarette report for 2004 and 2005.* http://www.ftc.gov/reports/tobacco/2007cigarette2004-2005.pdf.

[a]Adjusted to 2006 dollars, using the consumer price index (all items).

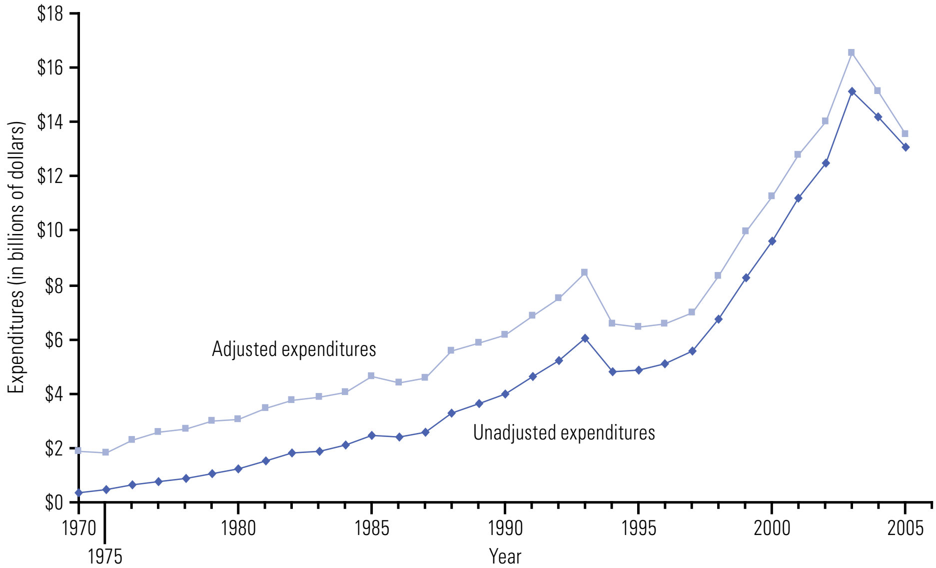
[b]Year the Master Settlement Agreement was signed.

As indicated in table 4.2, total expenditures climbed from $1.9 billion in 1970 to $7.1 billion in 1997. Since the MSA, the rate of increase has climbed dramatically, with the total almost doubling from 1997 (just prior to the settlement coming into effect) to $13.5 billion in 2005.[1] Figure 4.1 shows the increase in cigarette advertising and promotional expenditures from 1970 to 2005 using both adjusted and unadjusted dollar figures. Expenditures peaked in 2003 at $16.6 billion and dropped during the subsequent two years to $13.5 billion.

The nature of the expenditures, following the definitions provided earlier, are detailed in table 4.3. The "price discounts" category now accounts for the overwhelming percentage of advertising and promotional expenditures (77.3% in 2004 and 74.6% in 2005). (For the sake of convenience, the term *marketing expenditures* is often used below to refer to advertising and promotional expenditures.) Because this category was not previously broken out separately, it is difficult to determine its rate of growth relative to previous years. Once the "price discounts" category is extracted, the two categories that earlier accounted for the bulk of marketing expenditures are now considerably diminished:

1. In 2005, just under $1 billion, or just under 7% of total marketing expenditures, was spent on "promotional allowances."
2. Because the FTC cigarette reports had listed "coupons" together with the "retail-value-added" category until 1997, the two categories are combined in table 4.4 for comparative purposes. Expenditures for this category were,

Figure 4.1 Cigarette Advertising and Promotional Expenditures in the United States, 1970–2005



Note. Source of data: Federal Trade Commission. 2007. *Federal Trade Commission cigarette report for 2004 and 2005.* http://www.ftc.gov/reports/tobacco/2007cigarette2004-2005.pdf. Adjusted expenditures are adjusted to 2006 dollars using the consumer price index (all items).

in 2004, $1.5 billion, or 10% of total marketing expenditures, and in 2005, $1.7 billion, or 12% of total marketing expenditures.[1]

The predominance of price discounts among the cigarette industry's marketing activities is an effective marketing tool, given smokers' sensitivity to cigarette prices, especially those who are young or in otherwise vulnerable population groups. The price elasticity of demand for cigarettes is –0.3 to –0.5, meaning that a 10% increase in price will reduce overall cigarette consumption by 3%–5%.[103] Moreover, studies indicate that adolescents and young adults are two to three times more sensitive to cigarette price than are adults.[103] In addition, there is evidence indicating greater cigarette price sensitivities among low-income persons, less-educated persons, and minority populations.[103] Thus, price-discount promotions—by making cigarettes more affordable—will tend to increase cigarette sales and will undercut the impact of cigarette tax increases on cigarette consumption.[104]

As can be seen in table 4.5, from 1970 to 2005 the pattern of marketing expenditures shifted dramatically: from 82% allocated for advertising in "measured media" (i.e., syndicated marketing research services estimate the audiences for magazines, television, radio, newspapers, and billboards) in 1970 to almost 0% in 2005. Correspondingly, the percentage of marketing expenditures devoted to promotional activities increased during this period, from 18% to almost 100%.

The cigarette industry's shift away from advertising in measured media is also reflected in data on the advertising-to-sales (A-S) ratio for cigarettes in comparison to other products and services. The A-S ratio—the ratio of advertising

Table 4.3 Cigarette Advertising and Promotional Expenditures in the United States, 2005 (in millions of dollars)

Advertising medium/promotional activity[a]	Expenditures		Percentage of total expenditures[c]
	Unadjusted ($)	Adjusted ($)[b]	
Newspapers	1.6	1.7	—
Magazines	44.8	46.2	—
Outdoor	9.8	10.1	—
Transit	0.0	0.0	—
Point of sale	182.2	188.1	1.4
Price discounts	9,776.1	10,091.5	74.6
Promotional allowances—retail	435.8	449.9	3.3
Promotional allowances—wholesalers	410.3	423.5	3.1
Promotional allowances—other	1.5	1.5	—
Sampling distribution	17.2	17.8	—
Specialty item distribution—branded	5.3	5.5	—
Specialty item distribution—nonbranded	225.3	232.6	1.7
Public entertainment—adult only	214.1	221.0	1.6
Public entertainment—general audience	0.15	0.2	—
Sponsorships	30.6	31.6	—
Direct mail	51.8	53.5	—
Endorsements and testimonials	0.0	0.0	—
Coupons	870.1	898.2	6.6
Retail value added—bonus cigarettes	725.0	748.4	5.5
Retail value added—noncigarette bonus	7.5	7.7	—
Company Web site	2.7	2.8	—
Internet—other	0.0	0.0	—
Telephone	0.06	0.1	—
Other[d]	99.0	102.2	1.0
Total	13,111.0	13,533.9	100.0

Note. Federal Trade Commission. 2007. *Federal Trade Commission cigarette report for 2004 and 2005.* http://www.ftc.gov/reports/tobacco/2007cigarette2004-2005.pdf.

[a]See “FTC Definitions” earlier in this chapter for explanation of terms.

[b]Adjusted to 2006 dollars, using the consumer price index (all items).

[c]Figures are rounded to nearest percentage point; “—” indicates values of less than 1%.

[d]Expenditures for audiovisual are included in the “other” category to avoid disclosure of individual company data.

expenditures to net sales—is a measure of the intensity of advertising for a particular company or industry. The trade magazine *Advertising Age* publishes annual data on the A-S ratio for the 200 industries with the largest dollar volume of advertising in measured media. As shown in table 4.6, the median A-S ratio for these industries typically ranges from 0.8% to 3.0%. The A-S ratio for cigarettes was substantially higher than the median value in past decades, with correspondingly high rankings among the top-200 advertisers. However, for four of the past five years (2002–06), the A-S ratio for cigarettes was less than the median value, and cigarettes ranked in the

Table 4.4 Cigarette Advertising and Promotional Expenditures in the United States, 1995–2005 (in billions of dollars[a])

	Total advertising and promotional expenditures ($)	Expenditures on promotional allowances[b]		Expenditures on coupons & retail value added[b]		Expenditures on price discounts[c]	
		($)	(%)	($)	(%)	($)	(%)
1995	6.414	2.444	38	1.766	28	—	—
1996	6.501	2.737	42	1.666	26	—	—
1997	7.042	3.034	43	1.894	27	—	—
1998	8.249	3.527	43	2.670	32	—	—
1999	9.873	4.247	43	3.704	38	—	—
2000	11.124	4.539	41	4.823	43	—	—
2001	12.647	5.020	40	6.048	48	—	—
2002	14.000	1.997	14	1.806	13	8.627	63
2003	16.594	2.098	13	1.477	9	11.842	71
2004	15.101	1.060	7	1.497	10	11.665	77
2005	13.534	0.907	7	1.654	12	10.095	75

Note. Federal Trade Commission. 2007. *Federal Trade Commission cigarette report for 2004 and 2005.* http://www.ftc.gov/reports/tobacco/2007cigarette2004-2005.pdf.

[a]Adjusted to 2006 dollars, using the consumer price index (all items). Figures are rounded to nearest million.

[b]Percentages represent the share of total expenditures devoted to the category listed.

[c]Price discounts were itemized separately beginning in 2002.

Table 4.5 Cigarette Advertising and Promotional Expenditures in the United States, 1970–2005, with Relative Emphasis on Advertising Versus Promotion (in millions of dollars[a])

	Advertising expenditures in measured media[b]		Promotional expenditures and "others"[c]		
	($)	(%)	($)	(%)	Total ($)
1970	1,526	82	332	18	1,858
1975	1,228	67	596	33	1,824
1980	1,915	64	1,096	36	3,011
1985	1,730	38	2,867	62	4,597
1990	1,276	21	4,823	79	6,099
1995	740	12	5,674	88	6,414
2000	413	4	10,711	96	11,124
2003	171	1	16,424	99	16,594
2004	126	1	14,976	99	15,101
2005	58	0	13,475	100	13,534

Note. Federal Trade Commission. 2007. *Federal Trade Commission cigarette report for 2004 and 2005.* http://www.ftc.gov/reports/tobacco/2007cigarette2004-2005.pdf.

[a]Adjusted to 2006 dollars, using the consumer price index (all items).

[b]Advertising expenditures include newspapers, magazines, outdoor, and transit.

[c]Promotional expenditures include point of sale, promotional allowances, sampling distribution, specialty item distribution, public entertainment, direct mail, endorsements/testimonials, Internet, coupons, retail value added, and all others.

Table 4.6 Advertising-to-Sales Ratios (expressed as percentages) for Selected Product Categories, 1975–2006

	A-S ratios for the top-200 advertisers[a]			A-S ratios for cigarettes	
	Mean (%)	Median (%)	Range (%)	A-S Ratio (%)	Rank
1975	1.8	0.8	0.1–20.1	8.0	11
1980	2.0	1.3	0–10.7	6.3	11
1985	2.5	1.8	0–16.7	4.2	42
1990	3.4	2.4	0.3–18.8	3.9	61
1995	3.2	2.4	0.2–18.1	4.1	47
1997	3.53	2.7	0.3–17.4	5.9	33
1998	3.80	2.7	0.1–14.9	8.2	27
1999	3.84	3.0	0.3–27.1	3.9	70
2000	4.17	3.0	0.1–22.1	2.9	98
2001	4.14	2.95	0.1–46.3	8.4	25
2002	3.78	2.4	0.1–61.2	1.8	116
2003	3.50	2.5	0.1–38.4	1.8	116
2004	3.10	2.2	0.0–15.8	4.0	53
2005	3.22	2.2	0.0–30.4	1.6	115
2006	3.27	2.2	0.1–18.4	2.2	100

Note. Sources of data: *Advertising Age* (1975–1995). Data for 1975: October 19, 1981, p. 42. Data for 1980: August 17, 1981, p. 38. Data for 1985: September 15, 1986, p. 60. Data for 1990: September 16, 1991, p. 32. Data for 1995: August 14, 1995, p. 26. Data for 1997–2006: http://adage.com/datacenter/article.php?article_id=106575. A-S ratio = advertising-to-sales ratio (advertising expenditures as a percentage of net sales).

[a]The 200 industries with the largest dollar volume of advertising in measured media.

lower one-half of the top 200 industries for advertisement spending (table 4.6).

In a ranking of total domestic advertising spending in measured media by industry, "cigarettes & tobacco" ranked 29th in both 2004 and 2005.[105] The largest industries in advertising spending in each of those years were automotive, retail, and telecom/Internet/Internet service provider, respectively. Again, this relatively low ranking for cigarettes is likely related to the cigarette industry's movement of its marketing dollars into promotional activities during the past few decades.

Until 1980, when advertising in measured media dominated the tobacco industry's marketing portfolio, each of the major companies was ranked among the largest advertisers across all industries.[106–113]

As seen in table 4.7, in 1955 L&M/Liggett was ranked as the 17th-largest advertiser in the United States, spending $70 million in measured media. In 1980, Philip Morris was ranked as the third largest, spending $782 million. Also in 1980, RJR was ranked as the 5th-largest advertiser in the country, spending $720 million. In 1965, each of the six major tobacco firms was among the 25 leading national advertisers (table 4.7).

In 2005, Altria Group (the corporate name adopted by Philip Morris in 2003) was the 20th leading advertiser in the United States, spending $1.49 billion on advertising that year ($1.53 billion in 2006 dollars).[105] Other cigarette companies were not among the 100 leading national advertisers in 2005, probably because of the shift of the cigarette industry's marketing efforts from advertising in measured media

Table 4.7 Cigarette Company Advertising Expenditures, 1945–1980 (in millions of dollars[a])

	L&M/Liggett		Lorillard/Loews		Am. Tobacco		B&W/BAT		RJR		Philip Morris		No. 1 Ranked Company	
	Rank	AE ($)	Rank	AE ($)	Rank	AE ($)	Rank	AE ($)	Rank	AE ($)	Rank	AE ($)	Company	AE ($)
1945	17	57.120	—	—	—		28	40.971	26	33.932	21	49.400	P&G	317.471
1950	13	69.772	22	46.734	8	80.966	90	—	11	74.285	20	46.639	P&G	226.052
1955	17	70.396	18	68.258	9	130.279	62	24.469	10	114.748	36	38.734	GM	334.441
1960	26	126.782	18	170.007	12	198.706	17	170.706	9	232.481	15	175.883	GM	832.469
1965	20	226.975	21	222.127	11	371.479	24	210.439	8	446.881	19	241.290	P&G	1,136.902
1970	28	187.138	—	—	13	304.337	21	242.650	7	436.383	12	346.585	P&G	978.994
1975	24	190.582	—	—	23	212.276	30	173.252	6	420.400	9	341.976	P&G	1,045.259
1980	95	199.120	—	—	40	218.993	31	194.400	5	719.605	3	781.701	P&G	1,335.167

Note. Expenditures are for advertising in measured media for all tobacco and nontobacco products sold by each company. Sources of data: *Advertising Age* (1946–1981). Data for 1945: April 22, 1946, p. 2. Data for 1950: February 28, 1951, p. 59. Data for 1955: March 26, 1956, pp. 120–21. Data for 1960: August 28, 1961, p. 43. Data for 1965: August 29, 1966, p. 45. Data for 1970: August 30, 1971, p. 24. Data for 1975: August 23, 1976, p. 30. Data for 1980: September 10, 1981, p. 12. "—" signifies that the company's advertising expenditures ranked below the top 100 for that time period. L&M = Liggett & Myers; Am. = American; B&W = Brown & Williamson; BAT = British American Tobacco; RJR = R.J. Reynolds; AE = adjusted expenditures; P&G = Proctor & Gamble; GM = General Motors.

[a]All figures adjusted to 2006 dollars, using the consumer price index (all items).

Table 4.8 Cigarette Company Advertising Expenditures for Selected Brands in Selected Years between 1972 and 2000 (in millions of dollars[a])

	Philip Morris				Lorillard Loews			R.J. Reynolds			BAT/B&W			
	Marlboro ($)	Merit ($)	Virginia Slims ($)	Benson & Hedges ($)	Newport ($)	Kent ($)	TRUE ($)	Camel ($)	Winston ($)	Salem ($)	Kool ($)	Capri ($)	Carlton ($)	Raleigh ($)
2000	110	33	47	—	—	—	—	—	—	—	—	—	—	—
1999	115	39	37	24	—	—	—	54	66	—	—	—	—	—
1998	166	32	34	22	—	—	—	96	71	—	—	—	—	—
1997	144	33	35	22	—	—	—	78	44	—	—	—	—	—
1996	143	35	40	22	—	—	—	62	5	—	57	25	24	—
1995	172	39	35	35	—	—	—	36	20	—	70	25	23	—
1994	131	42	34	55	—	—	—	44	17	—	45	22	21	—
1993	106	14	24	6	48	12	—	60	25	5	29	21	—	8
1992	123	45	27	14	52	8	—	33	21	14	8	20	—	7
1991	150	—	41	—	65	21	—	50	67	14	29	27	—	14
1990	132	—	68	—	81	15	—	48	29	39	9	23	—	2
1989	164	88	72	61	79	10	13	44	39	48	32	48	—	—
1988	203	94	54	98	75	15	12	41	52	60	33	53	—	—
1978	133	136	—	92	—	39	49	110	128	134	114	—	73	36
1977	138	141	—	92	—	96	35	21	146	112	95	—	74	31
1976	111	157	—	49	—	80	43	23	108	86	81	—	75	21
1975	82	—	—	54	—	62	27	37	117	89	75	—	37	20
1974	104	—	—	75	—	61	33	46	133	88	69	—	15	42
1973	94	—	—	73	—	70	31	30	99	91	72	—	10	34
1972	102	—	—	74	—	59	30	32	105	84	96	—	0	34

Note. Source of data: *Advertising Age* (1979–2001). "—" indicates not available. BAT = British American Tobacco; B&W = Brown & Williamson.

[a]All figures adjusted to 2006 dollars, using the consumer price index (all items).

to promotional activities, as well as the increasing market share—and advertising "share of voice"—of Altria/Philip Morris.

Table 4.8 documents how much money was committed for selected brands in selected years, from 1972 to 2000. Since 1976, Philip Morris has consistently committed more than $100 million per year to advertising for Marlboro, the industry's dominant brand. In 2005, the Marlboro brand had 40% of the market and Philip Morris brands overall had 50% of the market.[114]

Table 4.9 demonstrates another metric in measuring the success of the advertising and promotional efforts for Marlboro. In 2006, the Marlboro brand was estimated to be worth $21.35 billion in brand equity—the 12th most valuable brand worldwide.[115]

Marlboro has also achieved stature in annual and semiannual rankings by *Advertising Age* of the "top 200 brands" (according to total measured U.S. advertising spending). For example, Marlboro was ranked as 71 in 1997, 67 in 1998, 126 in 1999, and 142 in 2000,[116] surpassing in 2000 "brands" that are entire companies, such as FedEx delivery services, Toys "R" Us stores, and Victoria's Secret women's apparel. The Camel cigarette brand was ranked as 163 in 1997 and 138 in 1998.[116]

Table 4.10 shows the percentage of total advertising expenditures in three media (outdoor, magazines, and newspapers) that were devoted to cigarette advertising, for 1984, 1985, and 1988. Consistent with the shift in cigarette marketing expenditures from advertising in measured media to promotional activities (table 4.5), the percentage of total advertising expenditures devoted to cigarette advertising declined in each of these media, from 21.1% to 16.9% for outdoor media, from 8.4% to 5.7% for magazines, and from 1.0% to 0.4% for newspapers.[117,118] These trends have continued, as reflected in the declining expenditures for cigarette advertising in newspapers, magazines, and outdoor media from 1988 to 2005;[1] during that time, cigarette advertising expenditures fell (in 2006 dollars) from $180.3 million to $1.6 million for newspapers, from $605.1 million to $46.2 million for magazines, and from $544.1 million to $10.1 million for outdoor media. The drop in cigarette advertising in outdoor media in the years following 1998 was due in large part to the MSA's ban on billboard cigarette advertising.

Table 4.9 Global Brand Equity for Leading Brands, 2006 (in billions of dollars)

1	Coca-Cola	$67.00
2	Microsoft	$56.93
3	IBM	$56.20
4	GE	$48.91
5	Intel	$32.32
6	Nokia	$30.13
7	Toyota	$27.94
8	Disney	$27.85
9	McDonald's	$27.50
10	Mercedes-Benz	$21.80
11	Citi	$21.46
12	Marlboro	$21.35
13	HP	$20.46
14	American Express	$19.64
15	BMW	$19.62
16	Gillette	$19.58
17	Louis-Vuitton	$17.61
18	Cisco	$17.53
19	Honda	$17.05
20	Samsung	$16.17
21	Merrill Lynch	$13.00
22	Pepsi	$12.69
23	Nescafe	$12.51
24	Google	$13.38
25	Dell	$12.26

Note. Source of data: *Business Week*. 2006, http://bwnt.businessweek.com/brand/2006. IBM = International Business Machines; GE = General Electric; HP = Hewlett-Packard; BMW = Bavarian Motor Works.

Table 4.10 Percentage of Total Advertising Expenditures in Selected Media Devoted to Cigarette Advertising, United States, 1984–1988

	1984 (%)	1985 (%)	1988 (%)
Outdoor media	21.1	22.3	16.9
Magazines	8.4	7.1	5.7
Newspapers	1.0	0.8	0.4

Note. Sources of data: Davis, R. M. 1987. Current trends in cigarette advertising and marketing. *New England Journal of Medicine* 316 (12): 725–32. Centers for Disease Control and Prevention. 1990. Cigarette advertising—United States, 1988. *Morbidity and Mortality Weekly Report* 39 (16): 261–65.

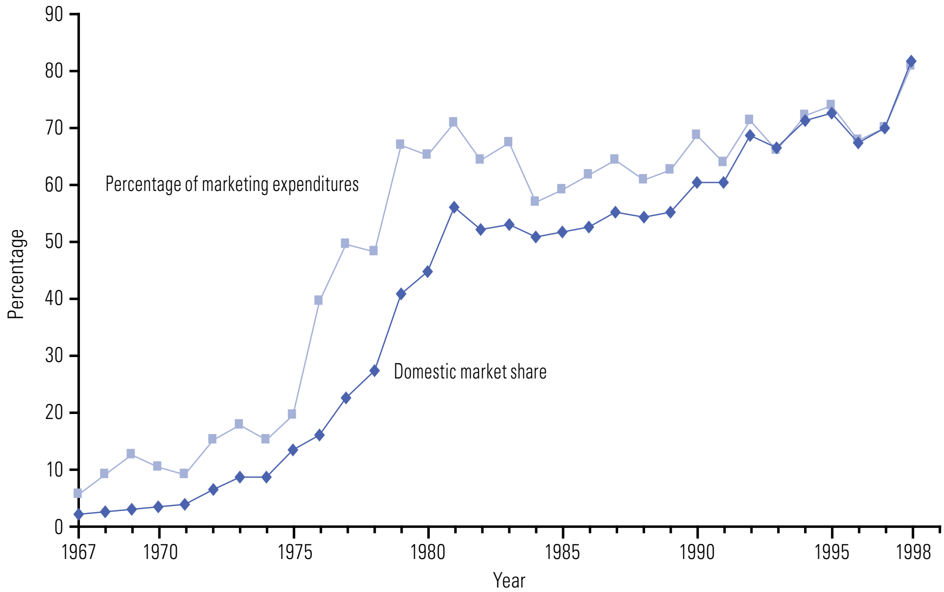
According to the Media Records classification system used in the 1980s,[117,118] national advertising expenditures for products and services were classified into major categories (e.g., alcoholic beverages, automotive products, foods, tobacco, and transportation) and subcategories (e.g., beer, passenger cars, nonalcoholic beverages, cigarettes, and airlines). By using the subcategories in this classification system, it was found that cigarettes were the most heavily advertised product or service in outdoor media and the second most heavily advertised product or service in magazines (after passenger cars) in both 1985 and 1988. For newspaper advertising, cigarettes were ranked third (after passenger cars and airlines) in 1985 and sixth in 1988.[117,118]

The nature of the cigarettes both advertised and purchased changed over the decades, with "light" cigarettes (defined as less than 15 milligrams of "tar") coming to dominate both categories. Figure 4.2 illustrates (1) the trend with regard to the percentage of the tobacco industry's advertising and promotion dollars that were allocated annually to light cigarettes from 1967 to 1998, the years for which the FTC reported these data in their annual reports on cigarettes;[119] and (2) the annual percentage of total cigarette sales represented by light cigarettes. Until the 1990s, the percentage of dollars allocated to advertising and promotion for light cigarettes exceeded their share of the market. Two possible explanations for this disparity are that the low-tar segment of the market is more competitive than higher-tar segments, or the companies were trying to drive smokers toward low-tar brands, perhaps in the hope that health-conscious smokers would be less likely to quit if they switched to a brand perceived as less hazardous.[117] For most of the 1990s, perhaps because of a "ceiling effect" (both percentages could realistically go only so high), the two sets of percentages were more closely aligned. The 2000 FTC report (presenting data for 1998) was the last report that provided the percentage of the industry's sales and marketing dollars allocated to light cigarettes. Chapter 5 reviews the content of advertisements for low-tar cigarettes and other brands aimed at "concerned smokers."

Expenditures on Advertising and Promotion for Cigars

As mentioned above, the FTC has produced one report on cigar advertising and promotion,[13] which presents data on advertising and promotional expenditures for 1996 and 1997. Total expenditures for cigar advertising and promotion in the United States increased by 32% from 1996 ($30.9 million) to 1997 ($41.0 million), coinciding with substantial increases in cigar sales volume and revenues. The largest expenditure categories in 1997 were promotional allowances (39.8% of total marketing expenditures), magazines (24.1%), and point of sale (13.0%) (table 4.11).

Figure 4.2 Share of Market for Light Cigarettes and Percentage of Marketing Expenditures Devoted to Light Cigarettes, 1967–1998



Note. Source of data: Federal Trade Commission. 2000. Report to Congress for 1998 pursuant to the Federal Cigarette Labeling and Advertising Act. http://www.ftc.gov/reports/cigarettes/cig98rpt.pdf. Light cigarettes are defined as < 15 mg of tar. Percentage of marketing expenditures is the proportion of total cigarette advertising and promotional expenditures devoted to light cigarettes.

As noted above, broadcast advertising has been prohibited by law for manufactured cigarettes (since 1971), smokeless tobacco (since 1986), and "little cigars" (since 1973) but is still permitted for other cigars, pipe tobacco, and roll-your-own cigarette tobacco. The FTC report on advertising for cigars showed that cigar manufacturers spent $327,000 in 1996 and $325,000 in 1997 on television, radio, and audiovisual advertising. The report also noted

> Some portion of the $339,000 reported as expenditures for endorsements and product placements was money spent to place cigars on television shows. Moreover, the extent of cigar advertising on television and radio is greater than simply the major manufacturers' expenditures reported herein. For instance, it has come to the Commission's attention that individual cigar retailers in several parts of the country have run cigar advertisements recently on local television and radio stations.[13]

Because of the FTC's belief that cigars and other tobacco products should be regulated in a consistent manner, it recommended "that Congress enact legislation prohibiting the advertisement of cigars on television, radio, or any other electronic media regulated by the Federal Communications Commission."[13]

The National Cancer Institute's Smoking and Tobacco Control Monograph 9 includes a chapter on the marketing and promotion of cigars.[120] It reviews the content of cigar advertisements and provides data on advertising expenditures in measured media for cigar brands sold by seven different

Table 4.11 Cigar Advertising and Promotional Expenditures for Years 1996 and 1997 (in millions of dollars[a])

	1996		1997	
Type of Advertising	$	% of total	$	% of total
Magazines	6.63	21.4	9.88	24.1
Newspapers	0.19	0.6	0.67	1.6
Television, radio, audiovisual	0.33	1.1	0.33	0.8
Internet	0.08	0.3	0.22	0.5
Outdoor	0.04	0.1	0.05	0.1
Transit		0.0		0.0
Point of sale	3.84	12.4	5.23	13.0
Coupons and retail value added	3.91	12.7	2.72	6.7
Direct mail	0.21	0.7	0.24	0.6
Endorsements and product placements	0.14	0.5	0.34	0.8
Promotional allowances	12.36	40.0	16.29	39.8
Promotional items	0.31	0.9	0.66	1.6
Public entertainment	0.69	2.2	1.02	2.5
Sampling	0.31	1.0	0.42	1.0
All other	1.89	6.1	2.91	7.0
Total expenditures	30.91	100.0	40.98	100.1[b]
Sports[c]	0.37	1.2	0.38	0.9

Note. Source of data: Federal Trade Commission. 1999. *Cigar sales and advertising and promotional expenditures for calendar years 1996 and 1997.* http://www.ftc.gov/os/1999/07/cigarreport1999.htm.

[a]Figures are in nominal (unadjusted) dollars rounded to the nearest million.

[b]Total percentages are not exact due to rounding.

[c]"Sports" includes all expenses (reported in any other category) in sponsoring or promoting sports activities or sports figures in connection with a sport.

cigar manufacturers. The chapter presented three conclusions:

1. Cigar use began to increase in the United States after promotional activities for cigars increased beginning in 1992.
2. Promotional activities for cigars have increased the visibility of cigar consumption, normalized cigar use, and broken down barriers to cigar use.
3. Although the use of sex and celebrity to sell cigarettes has been forbidden by the cigarette industry's voluntary code since 1965, these appeals are a regular feature of cigar marketing.[120(p.217)]

Expenditures on Advertising and Promotion for Smokeless Tobacco

The FTC's 2007 report on smokeless tobacco[10] provides detailed data on expenditures for advertising and promotion in 2005, the most recent data available. The total amount spent (a small amount compared with that spent on cigarette advertising and promotion) was $258.9 million. The largest categories (using 2006 dollars) were "price discounts" ($102.9 million, or 40% of the total), "coupons" ($29.5 million, or 11% of the total), and "sampling" ($29.1 million, or 11% of the total). "Point of sale" accounted for $21.4 million (8%), and "magazines"

Table 4.12 Smokeless Tobacco Advertising and Promotional Expenditures by Category for 2005 (in millions of dollars[a])

	Expenditure ($)	% of total[b]
Newspapers	0.5	<1
Magazines	21.7	8
Outdoor	0.2	<1
Audio, visual	0.1	<1
Transit	0	0
Direct mail	8.5	3
Point-of-sale	21.4	8
Price discounts	102.9	40
Promotional allowances	16.5	6
Sampling	29.1	11
Specialty item distribution	0.2	<1
Public entertainment	0.3	<1
Endorsements & testimonials	0.4	<1
Sponsorships	4.3	2
Coupons	29.5	11
Retail value added	14.2	5
Company websites	0.3	<1
Internet—other	0.4	<1
Telephone	0.1	<1
All other	8.3	3
Total	258.9	100

Note. Source of data: Federal Trade Commission. 2007. *Smokeless tobacco report for the years 2002–2005.* http://www.ftc.gov/reports/tobacco/02-05smokeless0623105.pdf.

[a]Adjusted to 2006 dollars, using the consumer price index (all items).

[b]Rounded to nearest percentage point.

for $21.7 million (8%). Table 4.12 lists the advertising categories, the dollars spent in each category by the smokeless tobacco companies, and the percentage of total marketing expenditures spent in that category. Various aspects of smokeless tobacco advertising have been described elsewhere[121–124] and in chapters 3 and 5.

Shift in Emphasis by the Tobacco Industry to In-Store Promotion

Importance of Convenience Stores to the Cigarette Industry

Considerable evidence exists for how and why the tobacco industry has shifted its resources from advertising in measured media to promotion in and around stores, particularly convenience stores.[125] There is also considerable evidence indicating how this shift has influenced target populations.

About 60% of all cigarettes sold in the United States are purchased in convenience stores.[126,127] In a ranking of the top 10 in-store product categories for the convenience store industry (in terms of consumer sales, excluding gasoline), cigarettes and "other tobacco" (cigars, smokeless tobacco, and loose tobacco) ranked first and fifth, respectively, in 2005.[128] These two categories accounted for 34.5% and 2.8%, respectively, of convenience stores' in-store sales in 2003.[127]

In a national study conducted for the Point-of-Purchase Advertising Institute (now called Point-of-Purchase Advertising International, or POPAI), customers were interviewed regarding products they had purchased at 120 stores of five retail chains. The 2002 report indicates that, on average, customers recalled in-store advertising for 29% of products purchased. Among the 10 products listed in the report, cigarettes ranked highest, followed by carbonated beverages, coffee, food service, noncarbonated beverages, beer, candy/gum/mints, salty snacks, sweet snacks, and milk.[129]

Mechanics of Promotional Allowances

As discussed above, cigarette industry expenditures for promotional allowances accounted for just under $1 billion in 2005, or 7% of the industry's marketing expenditures during that year (table 4.4). Philip Morris/Altria, the largest tobacco company, presents retailers with three levels or "category merchandise options" (CMOs) for displaying Philip Morris products and the commensurate remuneration received for adopting each option. Dipasquale explains how the CMOs work:

> All require that Philip Morris brands get the percentage of shelf space equal to the company's share of sales in that location, determined by averaging share of market and share in that store. The amount of space is the same at each level; only the configuration of the display changes.[126]

CMO3 ("Horizontal Set") is the highest retail merchandising level, at which Philip Morris pays the highest incentive, 90 cents per carton, to retailers. At this level, Philip Morris gets the most desirable shelf space—a horizontal portion at the very top of the fixture. The bottom horizontal portion can be stocked as the retailer chooses. At this level, competitors' permanent (more than 30 days) signs are prohibited outside the store or anywhere inside the store beyond the tobacco fixture.

CMO2 ("Combination Set") is the second level. At this level, Philip Morris brands are placed in a vertical and horizontal L-shaped combination beginning at the top left of the fixture. The retailer gets 60 cents per carton at this level.

CMO3 ("Vertical Set") is the lowest level. At this level, Philip Morris brands are placed vertically in the middle of the tobacco fixture, allowing the retailer to choose how to stock the vertical space on either side. The retailer gets 40 cents per carton at this level.

Observational Assessments of the Shift to In-Store Promotion

The shift to in-store promotion during recent decades and, particularly since the MSA in 1998, is evidenced not only in the marketing expenditure data reported annually by the industry to the FTC, but also in empirical observational studies of retail outlets. In 1999, the presence of tobacco point-of-purchase advertising was examined in a national U.S. study covering 3,000 retail outlets. Almost all stores (92%) had some form of tobacco point-of-purchase advertising. Four of five (80%) had interior tobacco point-of-purchase advertising. More than two-thirds (69%) had at least one tobacco-branded functional item (e.g., counter change mats or shopping baskets). More than one-third (36%) had self-service cigarette pack placement, and one-quarter (25%) had multipack discounts.[130]

Significant increases in tobacco promotion have been noted from the period just before implementation of the billboard ban (pursuant to the MSA) to the period just after the settlement. These included increases in (1) the percentage of stores carrying interior store advertising for tobacco products and the extent of that advertising; (2) the percentage of stores carrying exterior advertising for tobacco products and the extent of that advertising; (3) the percentage of stores carrying a range of promotions, including gift with purchase, cents-off promotions, and multipack discounts; and (4) the percentage of stores carrying tobacco-related functional objects and the extent to which these objects were in the store.[131]

In 2001, a cross section of 586 California retailers was found to have more than 17 tobacco point-of-purchase ads, on average, in or around the store. More than four-fifths of these (85%) were located within four feet of the counter; 11% had large exterior signs—in violation of the MSA; 48% had ads at or below child level (three feet); and 23% had cigarette product displays next to candy.[132]

Concerns about the heavy volume and high visibility of tobacco promotions at the point of sale are heightened given the frequency of youth shopping at convenience stores. When asked where they have shopped during the past 30 days, 44% of adolescents aged 12–17 years mentioned convenience stores (behind shopping malls and centers [58%] and discount stores [45%]), and 52% of teenagers aged 16–17 years cited convenience stores (second only to shopping malls and centers [63%]).[133] In a study of more than 3,000 students in grades 9–12 who smoked, Wakefield and colleagues found that their cigarette brand preferences correlated with the brands most heavily advertised in the convenience stores within a one-mile radius of their schools.[134]

Summary

Tobacco products remain among the most heavily promoted consumer products in the United States. The allocation of cigarette marketing expenditures has changed dramatically in recent decades, shifting from traditional print advertising to promotional activities. Cigarette marketing at the point of sale increased substantially after the 1998 MSA prohibited cigarette advertising on billboards.

In response to the changing regulatory climate, tobacco firms are exploring new ways to promote their products, such as viral marketing and a presence on the Internet. In the meantime, tobacco marketing expenditures overwhelmingly involve discounting and promotional allowances for in-store marketing, together with other channels such as coupons and specialty item distribution. Leading cigarette brands, especially Marlboro, still maintain substantial brand equity, even within today's regulatory environment, and continue to rank as leading brands among consumer products in the United States.

Data on trends in tobacco advertising and promotion highlight the economic importance of effective marketing efforts for tobacco industry interests. These trends, combined with shifts in marketing expenditures across categories of advertising and promotion, underscore the need to critically examine the evolution of tobacco advertising and promotional efforts. Such an examination, in turn, must continue to inform ongoing tobacco control efforts aimed at reducing the morbidity and mortality associated with smoking and other forms of tobacco use.

Conclusions

1. Cigarettes are one of the most heavily marketed products in the United States. Between 1940 and 2005, U.S. cigarette manufacturers spent about $250 billion (in 2006 dollars) on cigarette advertising and promotion. In 2005, the industry spent $13.5 billion (in 2006 dollars) on

cigarette advertising and promotion ($37 million per day on average).

2. Most of the cigarette industry's marketing budget is allocated to promotional activities, especially for price discounts, which accounted for 75% ($10.1 billion in 2006 dollars) of total marketing expenditures in 2005. From 1970 to 2005, the pattern of marketing expenditures shifted dramatically; the proportion of expenditures allocated for advertising in "measured media" decreased from 82% in 1970 to almost none in 2005. Measured media include television, radio, newspapers, magazines, and billboards. Correspondingly, the proportion of marketing expenditures devoted to promotional activities increased from 18% to almost 100%.

3. During the past three decades, Philip Morris has consistently committed more than $100 million per year (in 2006 dollars) to advertising for Marlboro, the industry's dominant brand, which currently has 40% of the U.S. market share. In 2006, the Marlboro brand was the 12th most highly valued brand worldwide, with an estimated $21.4 billion in brand equity.

4. Expenditures for smokeless tobacco advertising and promotion reached $259 million (in 2006 dollars) in 2005. The five largest categories of expenditure were price discounts (40%), coupons (11%), sampling (11%), point of sale (8%), and magazines (8%).

5. Cigarette advertising and promotion are heavy in volume and high in visibility at the point of sale, particularly in convenience stores. Cigarette marketing at the point of sale increased substantially after the 1998 Master Settlement Agreement, which included a ban on cigarette advertising on billboards. About 60% of all cigarettes sold in the United States are purchased in convenience stores, where cigarettes are the top in-store product category in terms of consumer sales.

6. As cigarette advertising is being curtailed in some traditional media, cigarette companies are exploring the use of new or nontraditional media for distributing protobacco messages and images, including the Internet and cigarette packages. In addition, cigarette firms (like other companies) are experimenting with viral (stealth) marketing to create a "buzz" about a product.

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