



Federal Trade Commission

Cigarette Report

For 1999

ISSUED: 2001

I. INTRODUCTION

This is the latest in a series of reports on cigarette sales, and advertising and promotional expenditures that the Federal Trade Commission (“the Commission”) has prepared since 1967.

The statistical tables appended to this report provide information on domestic sales and advertising and promotional activity for U.S. manufactured cigarettes for the years 1963 through 1999. The tables were compiled from raw data contained in special reports submitted to the Commission pursuant to compulsory process by the five major cigarette manufacturers in the United States: Brown & Williamson Tobacco Corporation, Liggett Group, Inc., Lorillard Tobacco Company, Philip Morris Incorporated, and R.J. Reynolds Tobacco Company.¹

This report shows the first year of spending affected by the tobacco industry’s Master Settlement Agreement (“MSA”) with the State Attorneys General. Among other things, the MSA imposed phased-in restrictions on the companies’ use of outdoor and transit advertising and brand name sponsorships, their distribution of free samples, and their distribution and sale of apparel and merchandise with brand-name logos.² These restrictions might account, in part, for observed changes in certain industry promotional expenditure categories.

The report shows that cigarette sales fell by 10.3 percent from 1998 to 1999, but total advertising and promotional expenditures rose 22.3 percent to \$8.24 billion, the most ever reported to

¹ The Commission recently learned that one manufacturer’s reports have not included some of its sales in, or any of its advertising and marketing expenditures for, the Commonwealth of Puerto Rico and the U.S. territories. Such sales and expenses will be included in the future.

² The prohibitions on sampling except at adult-only facilities became effective when the MSA was executed. Similarly, the MSA immediately banned the placement of new outdoor and transit cigarette advertisements, but existing ones did not have to be removed until April, 1999. The restrictions on the distribution and sale of apparel and merchandise with tobacco brand-name logos went into effect in July 1999. The MSA also limits each company to one brand name sponsorship per year, but does not require a company to terminate a sponsorship contract before November 2001 if that contract was in existence on August 1, 1998.

the Commission. Increases in expenditures for promotional allowances and retail value added account for virtually all of the overall rise in spending. The industry also reported significant percentage increases in spending for newspapers (up 73.0 percent) magazines (up 34.2 percent), sampling (up 133.5 percent) and direct mail (up 63.8 percent), but all of these expenditure categories are relatively small in terms of overall spending. Substantial decreases were reported for outdoor advertising (down 81.7 percent from 1998 to 1999) and transit advertising (down 86.1 percent).

II. DISCUSSION OF CIGARETTE SALES DATA

Table 1 displays annual cigarette sales by manufacturers to wholesalers and retailers. In 1999, the major domestic cigarette manufacturers sold 411.3 billion cigarettes domestically, 47.2 billion fewer than the 458.6 they sold in 1998. This 10.3 percent decrease from the 1998 level follows a 4.2 percent decrease in sales from 1997 to 1998.

Because the cigarette sales data that are reported to the Commission by the manufacturers are based on factory shipments, and thus can reflect changes in inventory holdings by cigarette wholesalers and retailers, the Commission has recently been including in its reports information from the cigarette consumption series produced by the U.S. Department of Agriculture (USDA), which is based on an estimate of the number of cigarettes actually sold to consumers. USDA's cigarette consumption estimates, which are also included in Table 1, show a decline from 465 billion cigarettes in 1998 to 435 billion in 1999.

Table 2 shows U.S. adult per capita cigarette sales per year, and is generated by dividing manufacturers' sales to wholesalers and retailers by the U.S. adult population. Based on the data reported to the Commission by the manufacturers, per capita sales fell from 2,287 in 1998 to 2,175 in 1999, a decline of 4.9 percent, or 112 cigarettes per person.

III. DISCUSSION OF CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURE DATA

Tables 3 through 3F show the amounts spent on cigarette advertising and promotion for the years 1970, and 1975 through 1999.³ These tables list the amounts spent on the different types of media advertising (*e.g.*, newspapers and magazines) and sales promotion activities (*e.g.*, distribution of cigarette samples and specialty gift items) and also give the percentage of the total amount spent for the various types of advertising and promotion.

Table 3F shows that overall, \$8.24 billion was spent on cigarette advertising and promotion in 1999, the most ever reported by the major cigarette manufacturers. The \$8.24 billion represents an increase of 22.3 percent from the \$6.73 billion spent in 1998, and of 45.5 percent from the \$5.66 billion spent in 1997.

Newspaper advertising expenditures rose from \$29.4 million to \$51.0 million between 1998 and 1999, an increase of 73.0 percent; however, this advertising category still accounts for just over one-half of 1 percent of all expenditures. Although newspaper spending accounted for 23.1 percent of total expenditures in 1981, it has accounted for less than 1 percent of expenditures since 1992.

The manufacturers reported spending \$377.4 million on magazine advertising in 1999, an increase of 34.2 percent from 1998. Magazine advertising represented 4.6 percent of total spending. Spending on magazine advertising peaked in 1984, when the cigarette companies reported spending \$425.9 million (20.3 percent of total advertising and promotional expenditures).

Spending on outdoor advertising (*e.g.*, billboards) totaled \$53.8 million in 1999, an 81.7

³ The reported figures include all advertising, merchandising, and promotional expenditures related to cigarettes, regardless of whether such advertising would constitute “commercial speech” or would be protected from law enforcement action under the First Amendment. The Commission began requiring tobacco companies to include expenditures for such protected speech in 1989.

percent decrease from 1998, when \$294.7 million was spent. In 1999, outdoor advertising expenditures comprised 0.7 percent of total advertising and promotional spending.

Spending on transit advertising (*i.e.*, advertising on public transportation) declined from \$40.2 million in 1998 to \$5.6 million in 1999, a decrease of 86.1 percent. Transit advertising accounted for only about one-tenth of 1 percent of all expenditures.

Spending on point of sale promotional materials (ads posted at the retail location) grew by \$38.7 million (13.3 percent) from 1998 (\$290.7 million) to 1999 (\$329.4 million). Point of sale advertising accounted for 4.0 percent of total advertising and promotion in 1999. These expenditures peaked in 1993 at \$400.9 million.

Promotional allowances (*e.g.*, payments made to retailers to facilitate sales) were \$3.54 billion in 1999, up 23.1 percent from the \$2.88 billion spent in 1998. As it has been each year since 1994, this was the single largest category of advertising and promotional expenditures, accounting for 43.0 percent of all 1999 spending. Since 1991, spending on promotional allowances has tripled.

Money spent giving cigarette samples to the public (“sampling distribution”) rose from \$14.4 million in 1998 to \$33.7 million in 1999, an increase of 133.5 percent. Cigarette sampling distribution accounted for only 0.4 percent of the total spent on advertising and promotion in 1999; these expenditures accounted for 7.9 percent of total spending in 1982.

In 1999, \$335.7 million was spent on specialty item distribution through the mail, at promotional events, or by any means other than at the point-of-sale with the purchase of cigarettes.⁴ (Specialty items distributed along with the purchase of cigarettes were redesignated as retail value

⁴ Specialty item advertising is the practice of branding items such as T-shirts, caps, sunglasses, key chains, calendars, lighters and sporting goods with a brand’s logo, and then giving them away or selling them to consumers.

added expenses beginning in 1988.) Specialty item distribution expenditures declined \$20.2 million (5.7 percent) from 1998, and accounted for 4.1 percent of total advertising and promotional expenditures in 1999.

Spending on public entertainment (*e.g.*, sponsorship of concerts, auto racing, and fishing tournaments) increased by 7.6 percent (\$18.8 million) from 1998 to 1999. With expenditures reported at \$267.4 million, public entertainment accounted for 3.3 percent of total advertising and promotion expenditures in 1999.

The cigarette companies reported a total of \$94.6 million for direct mail advertising in 1999, 63.8 percent more than the \$57.8 million reported in 1998.⁵

All reporting companies indicated that no money had been spent on endorsements and testimonials for cigarettes in 1998. No expenditures have been reported in this category since 1988.

The industry reported spending \$531.0 million on coupons, a decline of 14.9 percent from the \$624.2 million spent in 1998.⁶

Spending on retail value added (offers such as “buy one, get one free” or “buy three, get free T-shirt,” where the cigarette product and the bonus item often are packaged together as a single unit) grew by \$1.00 billion (64.6 percent) from 1998 (\$1.56 billion) to 1999 (\$2.56 billion). Retail value added accounted for 31.1 percent of total advertising and promotion in 1999.

⁵ This category does not include direct mail containing coupons. Coupons sent via direct mail were reported in the coupon and retail value added category from 1988 to 1996, and, as noted below, were reported separately for the first time in the report to Congress for 1997.

⁶ From 1988 to 1996, the Commission collected information about spending on coupons and retail value added as a single expenditure category. This category, which included cents-off coupons, multiple pack promotions and retail value added offers, was the single largest category of expenditures from 1990 to 1993. Beginning with its report to Congress for 1997, the Commission reported information about expenditures on coupons and retail value added separately, to provide better information on industry marketing trends.

In 1999, the companies reported spending \$650,000 on Internet advertising, which is less than 0.008 percent of the year's total advertising and promotional expenditures. This category includes the Internet, World Wide Web, commercial online services and direct mail advertising using electronic mail messages.

In 1988, the Commission began requiring the cigarette companies to state separately the amount of money spent on sports and sporting events. For 1999, the major domestic cigarette companies reported that they spent \$113.6 million on sports and sporting events,⁷ a decrease from the \$125.6 million in 1998.

Cigarette manufacturers reported that they paid no money or other form of compensation to have any cigarette brand names or tobacco products appear in any motion pictures or television shows.⁸ This practice has been reported as unfunded since 1989.

The data on cigarette advertising and promotional expenditures reported in Tables 3 through 3F were not collected in their present form until 1975. Therefore, Tables 4 and 5, which report cigarette advertising expenditures from 1963 through 1974 and 1970 through 1974, respectively, have been retained in the report for comparative purposes.

Tables 6 gives the domestic market share of cigarettes with tar ratings of 15 milligrams (mg.) or less for the years 1967 through 1999. The data for the years since 1982 are further broken down

⁷ This includes expenditures for: (1) the sponsoring, advertising or promotion of sports or sporting events; support of an individual, group, or sports team; and purchase of or support for equipment, uniforms, sports facilities and/or training facilities; (2) all expenditures for advertising in the name of the cigarette company or any of its brands in a sports facility, on a scoreboard, or in conjunction with the reporting of sports results; and (3) all expenditures for functional promotional items (clothing, hats, etc.) connected with a sporting event.

⁸ In 1989, the Commission began requiring the cigarette companies to declare whether any money or other form of compensation had been paid to have any cigarette brand names or tobacco products appear in any motion pictures or television shows.

into sub-categories according to tar ratings, *e.g.*, 3 mg. or less, 6 mg. or less, etc. (categories are presented cumulatively). In 1999, 86.6 percent of the domestic cigarette market was cigarettes with tar ratings of 15 mg. or less. Cigarettes with tar ratings of 3 mg. or less -- the lowest rated portion of the market -- made up only 1.6 percent of the market.

As shown in Table 7, filtered cigarettes have dominated the market since the Commission began collecting this information in 1963. Filtered cigarettes held 98 percent of the market in 1999.

Table 8 provides the domestic market share of the various cigarette length categories. The King-size (79-88 mm) category continues to be the biggest seller, with 59 percent of the market. This category is followed by the Long (94-101 mm) group, which held 38 percent of the market in 1999. Regular (68-72 mm) and Ultra-Long (110-121 mm) cigarettes accounted for 1 percent and 2 percent, respectively, of the market in 1999.

Table 9 gives the market share of menthol and non-menthol cigarettes. In 1999, the market share of menthol cigarettes was 26 percent, while non-menthols held 74 percent of the market.

In 1994, the Commission began requiring the cigarette companies to indicate whether “tar” and nicotine ratings were displayed on cigarette packaging and advertising. Tables 10 and 10A show: (1) the percentage of the overall cigarette market represented by varieties with different tar ratings, and (2) within each tar group, the market share of those varieties that disclose tar and nicotine ratings on their packs. Table 10A shows that cigarette varieties that printed tar and nicotine ratings on their packs represented only 4.1 percent of the overall market in 1999, down from 5.3 percent in 1998.

TABLE 1

DOMESTIC CIGARETTE SALES (BILLIONS OF CIGARETTES)*
DATA REPORTED BY CIGARETTE MANUFACTURERS

<u>YEAR</u>	<u>TOTAL SALES</u>	<u>UNIT CHANGE FROM PRIOR YEAR</u>	<u>% CHANGE FROM PRIOR YEAR</u>	<u>USDA CIGARETTE CONSUMPTION ESTIMATES**</u>
1963	516.5	---	---	523.9
1964	505.0	(11.5)	(2.2)	511.2
1965	521.1	16.1	3.2	528.7
1966	529.9	8.8	1.7	541.2
1967	525.8	5.9	1.1	549.2
1968	540.3	4.5	.8	545.7
1969	527.9	(12.4)	(2.3)	528.9
1970	534.2	6.3	1.1	536.4
1971	547.2	13.0	2.4	555.1
1972	561.7	14.5	2.7	566.8
1973	584.7	23.0	4.1	589.7
1974	594.5	9.8	1.7	599.0
1975	603.2	8.7	1.5	607.2
1976	609.9	6.7	1.1	613.5
1977	612.6	2.7	.4	617.0
1978	615.3	2.7	.4	616.0
1979	621.8	6.5	1.1	621.5
1980	628.2	6.4	1.0	631.5
1981	636.5	8.3	1.3	640.0
1982	632.5	(4.0)	(.6)	634.0
1983	603.6	(28.9)	(4.6)	600.0
1984	608.4	4.8	.8	600.4
1985	599.3	(9.1)	(1.5)	594.0
1986	586.4	(12.9)	(2.2)	583.8
1987	575.4	(11.0)	(1.9)	575.0
1988	560.7	(14.7)	(2.6)	562.5
1989	525.6	(35.1)	(6.3)	540.0
1990	523.7	(1.9)	(.4)	525.0
1991	510.9	(12.8)	(2.4)	510.0
1992	506.4	(4.5)	(.9)	500.0
1993	461.4	(45.0)	(8.9)	485.0
1994	490.2	28.8	6.2	486.0
1995	482.2	(8.0)	(1.6)	487.0
1996	484.1	1.9	.4	487.0
1997	478.6	(5.5)	(1.1)	480.0
1998	458.6	(20.1)	(4.2)	465.0
1999	411.3	(47.2)	(10.3)	435.0

* Sales by manufacturers to wholesalers and retailers within the U.S. and to armed forces personnel stationed outside the U.S.

** USDA: Tobacco Situation and Outlook Report, Sept. 2000, TBS-247, Table 1, page 5.

TABLE 2

PER CAPITA DOMESTIC CIGARETTE SALES*

<u>YEAR</u>	<u>CIGARETTES</u>
1963	4,286
1964	4,143
1965	4,196
1966	4,197
1967	4,175
1968	4,145
1969	3,986
1970	3,969
1971	3,982
1972	4,018
1973	4,112
1974	4,110
1975	4,095
1976	4,068
1977	4,015
1978	3,965
1979	3,937
1980	3,858
1981	3,818
1982	3,733
1983	3,513
1984	3,497
1985	3,400
1986	3,288
1987	3,190
1988	3,073
1989	2,846
1990	2,827
1991	2,724
1992	2,680
1993	2,414
1994	2,546
1995	2,482
1996	2,467
1997	2,416
1998	2,287
1999	2,175

* Total domestic cigarette sales, as reported by the manufacturers (from Table 1) divided by the number of U.S. residents 18 years of age and older and overseas military personnel. Source of population figure is the U.S. Department of Commerce, Bureau of Census, and The U.S. Dept. of Defense.

TABLE 3

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 1970, 1975-1977
(THOUSANDS OF DOLLARS)

<u>TYPE OF ADVERTISING</u>	<u>1970</u>	<u>% OF TOTAL</u>	<u>1975</u>	<u>% OF TOTAL</u>
Newspapers	\$14,026	3.9	\$104,460	21.3
Magazines	50,018	13.9	131,199	26.6
Outdoor	7,338	2.0	84,329	17.2
Transit	5,354	1.5	10,852	2.2
Point of Sale	11,663	3.2	35,317	7.2
Promotional Allowances	33,789	9.4	72,018	14.7
Sampling Distribution	11,775	3.3	24,196	4.9
Specialty Item				
Distribution	5,652	2.6	10,088	2.1
Public Entertainment	544	0.2	8,484	1.7
All Others*	<u>220,841</u>	61.1	<u>10,311</u>	2.0
Total**	\$361,000	100.0	\$491,254	100.0

<u>TYPE OF ADVERTISING</u>	<u>1976</u>	<u>% OF TOTAL</u>	<u>1977</u>	<u>% OF TOTAL</u>
Newspapers	\$155,808	24.4	\$190,677	24.5
Magazines	148,032	23.2	173,296	22.2
Outdoor	102,689	16.1	120,338	15.4
Transit	19,341	3.0	21,530	2.8
Point of Sale	44,176	6.9	46,220	5.9
Promotional Allowance	82,523	12.9	108,227	13.9
Sampling Distribution	40,390	6.3	47,683	6.1
Specialty Item				
Distribution	20,030	3.1	35,797	4.6
Public Entertainment	7,946	1.3	9,538	1.2
All Others*	<u>18,182</u>	2.8	<u>26,157</u>	3.4
Total**	\$639,117	100.0	\$779,463	100.0

* Includes TV and Radio advertising expenditures of \$207,324,000 and \$12,492,000, respectively, for 1970. Broadcast advertising was banned after January 1, 1971. Expenditures for direct mail, endorsements, testimonials, and audio-visual are included in the "All Others" category to avoid disclosure of individual company data.

** Because of rounding, sums of percentages may not equal 100 percent.

TABLE 3A

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 1978-1981
(THOUSANDS OF DOLLARS)

<u>TYPE OF ADVERTISING</u>	<u>1978</u>	<u>% OF TOTAL</u>	<u>1979</u>	<u>% OF TOTAL</u>
Newspapers	\$186,947	21.4	\$240,978	22.2
Magazines	184,236	21.1	257,715	23.8
Outdoor	149,010	17.0	162,966	15.0
Transit	22,899	2.6	21,151	2.0
Point of Sale	57,384	6.6	66,096	6.1
Promotional Allowances	125,148	14.3	137,111	12.7
Sampling Distribution	47,376	5.4	64,286	5.9
Specialty Item				
Distribution	48,281	5.5	62,029	5.7
Public Entertainment	11,590	1.3	10,783	1.0
All Others*	<u>42,100</u>	4.8	<u>60,310</u>	5.6
Total**	\$874,971	100.0	\$1,083,425	100.0

<u>TYPE OF ADVERTISING</u>	<u>1980</u>	<u>% OF TOTAL</u>	<u>1981</u>	<u>% OF TOTAL</u>
Newspapers	\$304,380	24.5	\$358,096	23.1
Magazines	266,208	21.4	291,227	18.8
Outdoor	193,333	15.6	228,081	14.7
Transit	26,160	2.1	21,931	1.4
Point of Sale	79,799	6.4	98,968	6.4
Promotional Allowances	179,094	14.4	229,077	14.8
Sampling Distribution	50,459	4.1	81,522	5.3
Specialty Item				
Distribution	69,248	5.6	115,107	7.5
Public Entertainment	16,914	1.4	37,423	2.4
All Others*	<u>56,694</u>	4.6	<u>86,226</u>	5.6
Total**	\$1,242,289	100.0	\$1,547,658	100.0

* Expenditures for direct mail, endorsements, testimonials, and audio-visual are included in the "All Others" category to avoid disclosure of individual company data.

** Because of rounding, sums of percentages may not equal 100 percent.

TABLE 3B

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR THE YEARS 1982-1985
(THOUSANDS OF DOLLARS)

<u>TYPE% OF ADVERTISING</u>	<u>1982</u>	<u>% OF TOTAL</u>	<u>1983</u>	<u>% OF TOTAL</u>
Newspapers	\$282,897	15.8	\$200,563	10.6
Magazines	349,229	19.5	388,365	20.4
Outdoor	266,925	14.9	295,226	15.5
Transit	24,135	1.3	26,652	1.4
Point of Sale	116,954	6.5	170,059	8.9
Promotional Allowances	272,269	15.2	366,153	19.3
Sampling Distribution	141,178	7.9	125,968	6.6
Specialty Item				
Distribution	95,246	5.3	127,186	6.6
Public Entertainment	63,168	3.5	76,648	4.0
All Others*	<u>181,813</u>	10.1	<u>123,951</u>	6.5
Total**	\$1,793,814	100.0	\$1,900,771	100.0

<u>TYPE OF ADVERTISING</u>	<u>1984</u>	<u>% OF TOTAL</u>	<u>1985</u>	<u>% OF TOTAL</u>
Newspapers	\$193,519	9.2	\$203,527	8.2
Magazines	425,912	20.3	395,129	16.0
Outdoor	284,927	13.6	300,233	12.1
Transit	25,817	1.2	33,136	1.3
Point of Sale	167,279	8.0	142,921	5.8
Promotional Allowances	363,247	17.3	548,877	22.2
Sampling Distribution	148,031	7.1	140,565	5.7
Specialty Item				
Distribution	140,431	6.7	211,429	8.5
Public Entertainment	59,988	2.9	57,581	2.3
All Others*	<u>286,035</u>	13.7	<u>443,043</u>	17.9
Total**	\$2,095,231	100.0	\$2,476,441	100.0

* Expenditures for direct mail, endorsements, testimonials, and audio-visual are included in the "All Others" category to avoid disclosure of individual company data.

** Because of rounding, sums of percentages may not equal 100 percent.

TABLE 3C

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 1986-1989
(THOUSANDS OF DOLLARS)

<u>TYPE OF ADVERTISING</u>	<u>1986</u>	<u>% OF TOTAL</u>	<u>1987</u>	<u>% OF TOTAL</u>
Newspapers	\$119,629	5.0	\$95,810	3.7
Magazines	340,160	14.3	317,748	12.3
Outdoor	301,822	12.7	269,778	10.5
Transit	34,725	1.5	35,822	1.4
Point of Sale	135,541	5.7	153,494	5.9
Promotional Allowances	630,036	26.4	702,430	27.2
Sampling Distribution	98,866	4.1	55,020	2.1
Specialty Item				
Distribution	210,128	8.8	391,351	15.2
Public Entertainment	71,439	3.0	71,389	2.8
Direct Mail	187,057	7.9	187,931	7.3
Endorsements and				
Testimonials	384	---	376	---
All Others*	<u>252,570</u>	10.0	<u>299,355</u>	11.6
Total**	\$2,382,357	100.0	\$2,580,504	100.0

<u>TYPE ADVERTISING</u>	<u>1988</u>	<u>% OF TOTAL</u>	<u>1989</u>	<u>% OF TOTAL</u>
Newspapers	\$105,783	3.2	\$76,993	2.1
Magazines	355,055	10.8	380,393	10.5
Outdoor	319,293	9.7	358,583	9.9
Transit	44,379	1.4	52,294	1.4
Point of Sale	222,289	6.8	241,809	6.7
Promotional Allowances	879,703	26.9	999,843	27.6
Sampling Distribution	74,511	2.3	57,771	1.6
Specialty Item				
Distribution	190,003	5.8	262,432	7.3
Public Entertainment	88,072	2.7	92,120	2.5
Direct Mail	42,545	1.3	45,498	1.3
Endorsements and				
Testimonials	781	---	---	---
Coupons and Retail				
Value Added	874,127	26.7	959,965	26.5
All Others*	<u>78,366</u>	2.4	<u>89,290</u>	2.5
Total**	\$3,274,853	100.0	\$3,616,993	100.0

* Expenditures for audio-visual are included in the "All Others" category to avoid disclosure of individual company data.

** Because of rounding, sums of percentages may not equal 100 percent.

TABLE 3D

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 1990-1993
(THOUSANDS OF DOLLARS)

<u>TYPE OF ADVERTISING</u>	<u>1990</u>	<u>% OF TOTAL</u>	<u>1991</u>	<u>% OF TOTAL</u>
Newspapers	\$71,174	1.8	\$48,212	1.0
Magazines	328,143	8.2	278,110	6.0
Outdoor	375,627	9.4	386,165	8.3
Transit	60,249	1.5	60,163	1.3
Point of Sale	303,855	7.6	344,580	7.4
Promotional Allowances	1,021,427	25.6	1,156,280	24.9
Sampling Distribution	100,893	2.5	56,970	1.2
Speciality Item				
Distribution	307,037	7.7	184,348	4.0
Public Entertainment	125,094	3.1	118,622	2.6
Direct Mail	51,875	1.3	65,002	1.4
Endorsements/Testimonials	---	---	---	---
Coupons and Retail				
Value Added	1,183,798	29.6	1,882,905	40.4
All Others*	<u>62,917</u>	1.6	<u>68,758</u>	1.5
Total**	\$3,992,008	100.0	4,650,114	100.0
<u>TYPE OF ADVERTISING</u>	<u>1992</u>	<u>% OF TOTAL</u>	<u>1993</u>	<u>% OF TOTAL</u>
Newspapers	\$35,467	.7	36,220	.6
Magazines	237,061	4.5	235,253	3.9
Outdoor	295,657	5.7	231,481	3.8
Transit	53,293	1.0	39,117	.6
Point of Sale	366,036	7.0	400,943	6.6
Promotional Allowances	1,514,026	28.9	1,557,635	25.8
Sampling Distribution	49,315	.9	40,202	.7
Speciality Item				
Distribution	339,997	6.5	755,780	12.5
Public Entertainment	89,739	1.7	84,276	1.4
Direct Mail	34,345	.7	31,463	.5
Endorsements/Testimonials	---	---	---	---
Coupons and Retail				
Value Added	2,175,373	41.6	2,559,387	42.4
All Others*	<u>41,608</u>	.8	<u>63,680</u>	1.2
Total**	\$5,231,917	100.0	6,035,437	100.0

* Expenditures for audio-visual are included in the "All Others" category to avoid disclosure of individual company data.

** Because of rounding, sums of percentages may not equal 100 percent.

TABLE 3E

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 1994 - 1996
(THOUSANDS OF DOLLARS)

<u>TYPE OF ADVERTISING</u>	<u>1994</u>	<u>% OF TOTAL</u>	<u>1995</u>	<u>% OF TOTAL</u>
Newspapers	\$24,143	.5	\$19,122	.4
Magazines	251,644	5.2	248,848	5.1
Outdoor	240,024	5.0	273,664	5.6
Transit	29,323	.6	22,543	.5
Point of Sale	342,650	7.1	259,035	5.3
Promotional Allowances	1,678,917	34.7	1,865,657	38.1
Sampling Distribution	6,974	.1	13,836	.3
Speciality Item				
Distribution	850,810	17.6	665,173	13.6
Public Entertainment	81,292	1.7	110,669	2.3
Direct Mail	31,187	.7	34,618	.7
Endorsements/Testimonials	---	---	---	---
Coupons and Retail				
Value Added	1,248,896	25.8	1,348,378	27.5
All Others*	<u>47,672</u>	1.0	<u>33,680</u>	.7
Total**	\$4,833,532	100.0	4,895,223	100.0

<u>TYPE OF ADVERTISING</u>	<u>1996</u>	<u>% OF TOTAL</u>
Newspapers	\$14,067	.3
Magazines	243,046	4.8
Outdoor	292,261	5.7
Transit	28,865	.6
Point of Sale	252,619	4.9
Promotional Allowances	2,150,838	42.1
Sampling Distribution	15,945	.3
Speciality Item		
Distribution	544,345	10.7
Public Entertainment	171,177	3.4
Direct Mail	38,703	.8
Endorsements/Testimonials	---	---
Coupons and Retail		
Value Added	1,308,708	25.6
Internet***	432	.0
All Others*	<u>46,696</u>	.9
Total**	\$5,107,700	100.0

* Expenditures for audio-visual are included in the "All Others" category to avoid disclosure of individual company data.

** Because of rounding, sums of percentages may not equal 100 percent.

*** 1996 was the first year the FTC identified the Internet as a separate category of expenditures.

TABLE 3F

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 1997 - 1999
(THOUSANDS OF DOLLARS)

<u>TYPE OF ADVERTISING</u>	<u>1997</u>	<u>% OF TOTAL</u>	<u>1998</u>	<u>% OF TOTAL</u>
Newspapers	\$16,980	.3	\$29,444	.4
Magazines	236,950	4.2	281,296	4.2
Outdoor	295,334	5.2	294,721	4.4
Transit	26,407	.5	40,158	.6
Point of Sale	305,360	5.4	290,739	4.3
Promotional Allowances	2,438,468	43.1	2,878,919	42.8
Sampling Distribution	22,065	.4	14,436	.2
Speciality Item				
Distribution	512,602	9.6	355,835	5.3
Public Entertainment	195,203	3.4	248,536	3.7
Direct Mail	37,310	.7	57,772	.9
Endorsements/Testimonials	---	---	---	---
Internet	215	.0	125	.0
Coupons***	552,550	9.8	624,199	9.3
Retail Value Added***	970,363	17.1	1,555,391	23.1
All Others*	<u>50,207</u>	<u>1.0</u>	<u>61,584</u>	<u>.9</u>
Total**	\$5,660,014	100.0	\$6,733,157	100.0

<u>TYPE OF ADVERTISING</u>	<u>1999</u>	<u>% OF TOTAL</u>
Newspapers	\$50,952	.6
Magazines	377,364	4.6
Outdoor	53,787	.7
Transit	5,573	.1
Point of Sale	329,429	4.0
Promotional Allowances	3,542,950	43.0
Sampling Distribution	33,711	.4
Speciality Item		
Distribution	335,680	4.1
Public Entertainment	267,379	3.3
Direct Mail	94,610	1.2
Endorsements/Testimonials	---	---
Internet	651	.0
Coupons	531,004	6.5
Retail Value Added	2,559,883	31.1
All Others*	<u>54,658</u>	<u>.7</u>
Total**	8,237,631	100.0

* Expenditures for audio-visual are included in the "All Others" category to avoid disclosure of individual company data.

** Because of rounding, sums of percentages may not equal 100 percent.

*** 1997 was the first year the FTC required the cigarette companies to report separately their expenditures for

coupons and for retail value added.

TABLE 4

DOMESTIC CIGARETTE ADVERTISING EXPENDITURES
BY MEDIA FOR YEARS 1963 - 1974*
(MILLIONS OF DOLLARS)

<u>YEAR</u>	<u>TV</u>	<u>NEWSPAPER MAGAZINES</u>	<u>RADIO</u>	<u>DIRECT</u>	<u>OTHER</u>	<u>TOTAL</u>
1963	\$151.7	45.6	31.6	13.2	7.4	249.5
1964	170.2	45.2	25.5	14.6	5.8	261.3
1965	175.6	41.9	24.8	14.7	6.0	263.0
1966	198.0	43.4	31.3	17.9	6.9	297.5
1967	226.9	41.2	17.5	20.3	6.0	311.5
1968	217.2	44.6	21.3	21.6	6.0	310.7
1969	221.3	48.7	13.6	13.4	8.9	305.9
1970	205.0	64.2	12.4	16.9	16.2	314.7
1971	2.2	157.6	0	27.0	64.8	251.6
1972	0	159.2	0	22.9	75.5	257.6
1973	0	157.7	0	15.2	74.6	247.5
1974	0	195.1	0	31.1	80.6	306.8

* The data reported in Tables 3 through 3E were not collected in their present form until 1975. Thus, Tables 4 and 5, which report cigarette advertising expenditures from 1963 through 1974 and from 1970 through 1974, respectively, have been retained in this report for comparative purposes.

TABLE 5

DOMESTIC CIGARETTE ADVERTISING EXPENDITURES
BY MEDIA FOR YEARS 1970 - 1974*
(MILLIONS OF DOLLARS)

<u>YEAR</u>	<u>TV</u>	<u>RADIO</u>	<u>NEWSPAPER</u>	<u>MAGAZINES</u>	<u>OUTDOOR/ TRANSIT</u>	<u>DIRECT</u>	<u>OTHER</u>	<u>TOTAL</u>
1970	\$205.0	\$12.4	\$14.7	\$49.5	\$11.7	\$16.9	\$4.5	\$314.7
1971	2.2	0	59.3	98.3	60.6	27.0	4.2	251.6
1972	0	0	63.1	96.1	67.5	22.9	8.0	257.6
1973	0	0	65.3	92.4	63.2	15.2	11.4	247.5
1974	0	0	80.5	114.6	71.4	31.1	9.2	306.8

* The data reported in Tables 3 through 3E were not collected in their present form until 1975. Thus, Tables 4 and 5, which report cigarette advertising expenditures from 1963 through 1974 and from 1970 through 1974, respectively, have been retained in this report for comparative purposes.

TABLE 6
DOMESTIC MARKET SHARE OF CIGARETTES BY TAR YIELD

Year	Market share of cigarettes having tar yields of:				
	15 mg. or less	12 mg. or less	9 mg. or less	6 mg. or less	3 mg. or less
1967	2.0%	NA	NA	NA	NA
1968	2.5%	NA	NA	NA	NA
1969	3.0%	NA	NA	NA	NA
1970	3.6%	NA	NA	NA	NA
1971	3.8%	NA	NA	NA	NA
1972	6.6%	NA	NA	NA	NA
1973	8.9%	NA	NA	NA	NA
1974	8.9%	NA	NA	NA	NA
1975	13.5%	NA	NA	NA	NA
1976	15.9%	NA	NA	NA	NA
1977	22.7%	NA	NA	NA	NA
1978	27.5%	NA	NA	NA	NA
1979	40.9%	NA	NA	NA	NA
1980	44.8%	NA	NA	NA	NA
1981	56.0%	NA	NA	NA	NA
1982	52.2%	43.8%	27.8%	8.9%	2.9%
1983	53.1%	44.9%	27.9%	9.4%	3.1%
1984	51.0%	43.4%	26.3%	9.4%	2.9%
1985	51.9%	43.1%	25.3%	8.4%	2.3%
1986	52.6%	44.5%	22.3%	9.9%	2.6%
1987	55.4%	47.8%	20.2%	10.0%	2.5%
1988	54.2%	48.7%	20.1%	10.7%	3.1%
1989	55.1%	48.4%	21.5%	11.4%	2.4%
1990	60.6%	51.5%	25.5%	12.2%	2.8%
1991	60.5%	52.6%	22.0%	12.7%	2.6%
1992	68.7%	52.9%	24.9%	12.7%	2.5%
1993	66.5%	53.3%	23.4%	12.6%	1.9%
1994	71.2%	53.7%	23.1%	12.3%	2.1%
1995	72.7%	53.6%	27.1%	12.2%	2.2%
1996	67.4%	55.5%	22.3%	11.9%	1.9%
1997	70.2%	55.6%	21.9%	11.5%	1.7%
1998	81.9%	56.8%	22.9%	13.2%	1.6%
1999	86.6%	57.3%	25.3%	13.6%	1.6%

TABLE 7

DOMESTIC MARKET SHARE OF FILTER
AND NON-FILTER CIGARETTES

<u>YEAR</u>	<u>NON-FILTER</u>	<u>FILTER</u>	<u>CHARCOAL</u>	<u>NON-CHARCOAL</u>
1963	42%	58%	*	*
1964	39%	61%	*	*
1965	36%	64%	*	*
1966	32%	68%	*	*
1967	28%	72%	*	*
1968	26%	74%	6%	68%
1969	23%	77%	6%	71%
1970	20%	80%	6%	74%
1971	18%	82%	6%	76%
1972	16%	84%	6%	87%
1973	15%	85%	5%	80%
1974	14%	86%	5%	81%
1975	13%	87%	5%	82%
1976	12%	88%	4%	84%
1977	10%	90%	4%	86%
1978	10%	90%	3%	87%
1979	9%	91%	3%	88%
1980	8%	92%	3%	89%
1981	8%	92%	2%	90%
1982	7%	93%	2%	91%
1983	7%	93%	2%	91%
1984	7%	93%	2%	91%
1985	6%	94%	1%	93%
1986	6%	94%	1%	93%
1987	4%	96%	**	**
1988	5%	95%	**	**
1989	5%	95%	**	**
1990	5%	95%	**	**
1991	4%	96%	**	**
1992	3%	97%	**	**
1993	3%	97%	**	**
1994	3%	97%	**	**
1995	3%	97%	**	**
1996	3%	97%	**	**
1997	2%	98%	**	**
1998	2%	98%	**	**
1999	2%	98%	**	**

* Figures for charcoal filter cigarettes for the years 1963 through 1967 were not obtained.

** Beginning with 1987, figures for charcoal filter cigarettes have no longer been reported.

TABLE 8

DOMESTIC MARKET SHARE OF CIGARETTES
BY LENGTH IN MILLIMETERS (mm)

<u>YEAR</u>	<u>68-72 mm</u>	<u>79-88 mm</u>	<u>94-101 mm</u>	<u>110-121 mm</u>
1967	14%	77%	9%	---
1968	12%	74%	13%	--- *
1969	11%	74%	16%	--- *
1970	9%	73%	18%	---
1971	8%	72%	20%	---
1972	8%	71%	21%	---
1973	7%	71%	22%	---
1974	6%	71%	23%	--- **
1975	6%	69%	24%	1%
1976	5%	69%	24%	2%
1977	5%	67%	26%	2%
1978	5%	65%	27%	2% *
1979	4%	65%	30%	2% *
1980	3%	63%	32%	2%
1981	3%	62%	33%	2%
1982	3%	61%	34%	2%
1983	3%	60%	34%	2%
1984	3%	59%	36%	2%
1985	3%	58%	37%	2%
1986	2%	58%	37%	3%
1987	2%	57%	38%	3%
1988	2%	57%	38%	2%
1989	2%	57%	39%	2%
1990	2%	57%	39%	2%
1991	2%	56%	40%	2%
1992	2%	56%	41%	2% *
1993	1%	55%	42%	2%
1994	1%	56%	41%	2%
1995	1%	57%	40%	2%
1996	1%	57%	40%	2%
1997	1%	58%	39%	2%
1998	1%	59%	38%	2%
1999	1%	59%	38%	2%

* Because of rounding, the total of the individual percentages may not equal 100 percent in some instances.

** The 110-121 mm length was combined with 94-101 mm length.

TABLE 9

DOMESTIC MARKET SHARE OF MENTHOL
AND NON-MENTHOL CIGARETTES

<u>YEAR</u>	<u>MENTHOL</u>	<u>NON-MENTHOL</u>
1963	16%	84%
1964	16%	84%
1965	18%	82%
1966	19%	81%
1967	20%	80%
1968	21%	79%
1969	22%	78%
1970	23%	77%
1971	24%	76%
1972	24%	76%
1973	25%	75%
1974	27%	73%
1975	27%	73%
1976	28%	72%
1977	28%	72%
1978	28%	72%
1979	29%	71%
1980	28%	72%
1981	28%	72%
1982	29%	71%
1983	28%	72%
1984	28%	72%
1985	28%	72%
1986	28%	72%
1987	28%	72%
1988	28%	72%
1989	27%	73%
1990	26%	74%
1991	27%	73%
1992	26%	74%
1993	26%	74%
1994	25%	75%
1995	25%	75%
1996	25%	75%
1997	25%	75%
1998	26%	74%
1999	26%	74%

TABLE 10

DISCLOSURE OF TAR AND NICOTINE RATINGS
ON CIGARETTE PACKS (1994 - 1996)

1994

Overall market share of cigarette varieties that disclose ratings on the cigarette pack: 6.3 percent.

tar rating of cigarette <u>variety</u>	market share of varieties <u>in tar group</u>	market share of varieties in tar group that disclose <u>ratings on pack</u>
more than 15 mg. tar	28.8%	0.0%
12-15 mg. tar	19.3%	0.0%
8-11 mg. tar	38.6%	2.4%
4-7 mg. tar	11.2%	30.7%
3 mg. or less tar	<u>2.1%</u>	91.8%
	100%	

1995

Overall market share of cigarette varieties that disclose ratings on the cigarette pack: 6.3 percent.

tar rating of cigarette <u>variety</u>	market share of varieties <u>in tar group</u>	market share of varieties in tar group that disclose <u>ratings on pack</u>
more than 15 mg. tar	27.3%	0.0%
12-15 mg. tar	21.0%	0.1%
8-11 mg. tar	38.7%	2.8%
4-7 mg. tar	10.8%	30.1%
3 mg. or less tar	<u>2.2%</u>	89.1%
	100%	

1996

Overall market share of cigarette varieties that disclose ratings on the cigarette pack: 6.1 percent.

tar rating of cigarette <u>variety</u>	market share of varieties <u>in tar group</u>	market share of varieties in tar group that disclose <u>ratings on pack</u>
more than 15 mg. tar	32.7%	0.0%
12-15 mg. tar	15.3%	0.1%
8-11 mg. tar	39.2%	2.6%
4-7 mg. tar	10.9%	29.3%
3 mg. or less tar	<u>1.9%</u>	97.2%
	100%	

TABLE 10A

DISCLOSURE OF TAR AND NICOTINE RATINGS
ON CIGARETTE PACKS (1997 - 1999)**1997**

Overall market share of cigarette varieties that disclose ratings on the cigarette pack: 5.8 percent.

tar rating of cigarette <u>variety</u>	market share of varieties <u>in tar group</u>	market share of varieties in tar group that disclose <u>ratings on pack</u>
more than 15 mg. tar	29.8%	0.0%
12-15 mg. tar	16.7%	0.1%
8-11 mg. tar	41.0%	2.3%
4-7 mg. tar	10.8%	28.6%
3 mg. or less tar	<u>1.7%</u>	97.3%
	100%	

1998

Overall market share of cigarette varieties that disclose ratings on the cigarette pack: 5.3 percent.

tar rating of cigarette <u>variety</u>	market share of varieties <u>in tar group</u>	market share of varieties in tar group that disclose <u>ratings on pack</u>
more than 15 mg. tar	18.0%	0.0%
12-15 mg. tar	29.1%	0.1%
8-11 mg. tar	39.4%	3.2%
4-7 mg. tar	11.9%	20.7%
3 mg. or less tar	<u>1.6%</u>	97.4%
	100%	

1999

Overall market share of cigarette varieties that disclose ratings on the cigarette pack: 4.1 percent.

tar rating of cigarette <u>variety</u>	market share of varieties <u>in tar group</u>	market share of varieties in tar group that disclose <u>ratings on pack</u>
more than 15 mg. tar	16.6%	0.0%
12-15 mg. tar	29.4%	0.1%
8-11 mg. tar	40.1%	1.6%
4-7 mg. tar	12.5%	16.2%
3 mg. or less tar	<u>1.4%</u>	92.3%
	100%	