

PURPOSE

This report is the latest in a series on cigarette sales, advertising, and promotion that the Federal Trade Commission (the Commission) has submitted annually to Congress since 1967 pursuant to the Federal Cigarette Labeling and Advertising Act:¹

The Federal Trade Commission shall transmit a report to the Congress . . . concerning (1) the current practices and methods of cigarette advertising and promotion, and (2) such recommendations for legislation as it may deem appropriate.²

INTRODUCTION

The statistical tables appended to this report provide information on domestic sales, consumption, and advertising and promotional activity for U.S. manufactured cigarettes for the years 1963 through 1994. 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.³

¹Pub. L. No. 89-92, 79 Stat. 282 (1965), as amended by Pub. L. No. 98-474, 98 Stat. 2204 (1984) and by Pub. L. No. 99-92, § 11, 99 Stat. 393, 402-04 (1985), current version at 15 U.S.C. § 1331 (1982 & Supp. IV 1986).

²15 U.S.C. § 1337(b) (Supp. IV 1986).

³In 1995, B.A.T, the parent corporation of Brown & Williamson, acquired The American Tobacco Company.

COMMISSION ACTIVITY

On August 11, 1995, the Food and Drug Administration published proposed regulations Restricting the Sale and Distribution of Cigarettes and Smoking Tobacco Products to Protect Children and Adolescents. The FTC submitted a comment that offered general support for FDA's goal of reducing the incidence of underage tobacco use and expressing the Commission's view that the First Amendment gives FDA latitude to impose appropriate advertising restrictions designed to reduce the appeal and use of tobacco products by children and adolescents. The Commission recommended that FDA use the comment period to ensure that its regulations are narrowly tailored to meet First Amendment requirements.

In April 1995, the Commission approved B.A.T Industries' acquisition of The American Tobacco Company after B.A.T agreed to divest itself of certain cigarette brands and a cigarette manufacturing facility. The divestitures must be made to a Commission-approved purchaser, and are intended to preserve the competition that otherwise would have been eliminated by the acquisition. The consent agreement with B.A.T also prohibits B.A.T for a period of ten years from acquiring, without prior Commission approval, interests in any company engaged in the manufacture and sale of cigarettes in the United States. In November 1995, B.A.T requested approval from the Commission to divest certain cigarette brands to Lorillard Tobacco Company. In April 1996, the Commission rejected B.A.T's proposed divestiture, citing concerns that Lorillard would not compete aggressively in the discount market, and that the divestiture in all likelihood would cause a cigarette plant that was part of the proposed divestiture to close. In July 1996, B.A.T applied to divest six of

the brands in question and the plant to Commonwealth Brands. As of September 1996, the Commission was evaluating that application.

On July 20, 1994, the Commission asked the National Cancer Institute to convene a consensus conference to address certain issues concerning the FTC cigarette testing methodology and ratings system. NCI, which shortly before had received a similar request from then-House Subcommittee Chairman Henry A. Waxman, convened the conference in December 1994. At the close of the conference, the Ad Hoc Committee of the President's Cancer Panel issued a statement recommending, *inter alia*, that the information currently provided to consumers be expanded to reflect more accurately the tar, nicotine, and carbon monoxide that smokers actually get from the cigarettes they smoke. The Commission is considering the issues raised by the Committee's findings concerning revisions to the FTC test methodology.

DISCUSSION OF THE DATA

Table 1 displays annual cigarette sales by manufacturers to wholesalers and retailers. In 1994, the major domestic cigarette manufacturers sold 490.2 billion cigarettes domestically, which is 28.8 billion more cigarettes than they sold in 1993. This 6.2 percent rise above the 1993 level is the first increase in sales in the last 10 years, and contrasts with an 8.9 percent decrease in sales in 1993. This recent volatility in cigarette sales by manufacturers is not reflected, however, in the cigarette consumption series produced by the U.S. Department of Agriculture (USDA). The USDA consumption estimates for the years 1992 through 1994 are 500 billion, 485 billion, and 486 billion

cigarettes, respectively.⁴ Construed together, the two data sets suggest that some increase in the number of cigarettes actually sold to consumers occurred in 1994, but that the dramatic increase reported to the Commission likely reflects, in large part, changes in inventories rather than actual retail sales.

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. Per capita sales increased from 2,414 in 1993, to 2,516 in 1994, an increase of 4.2 percent, or 102 cigarettes per person. Per capita sales had declined 9.8 percent, or 261 cigarettes, from 1992 to 1993. As with Table 1, the changes in per capita sales may reflect changes in wholesalers' and retailers' inventories.

Tables 3 through 3E show the amounts spent on cigarette advertising and promotion for the years 1970, and 1975 through 1994.⁵ These tables break out the amounts spent on the different types of media advertising (e.g., newspapers and magazines) and sales promotion activities (e.g.,

⁴USDA, Tobacco Situation and Outlook Report, TBS-236, June 1996, Table 1, p. 4. Differences between the FTC and USDA series may reflect changes in inventory holdings by cigarette wholesalers and retailers. Shifts in inventories can influence the numbers of cigarettes sold annually by cigarette manufacturers to wholesalers and retailers, which is the statistic reported to the FTC and contained in the annual cigarette reports. In contrast, year-to-year changes in wholesaler inventories are not reflected in the USDA series, which is based on an estimate of the number of cigarettes actually sold to consumers.

⁵The 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.

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 3E shows that overall, \$4.83 billion was spent on cigarette advertising and promotion in 1994, a decrease of \$1.2 billion, or 19.9 percent, from the \$6.03 billion spent in 1993. This is the first decrease in spending since 1986, when expenditures declined \$94.1 million, or 3.8 percent, from the previous year.

Newspaper advertising expenditures decreased 33.3 percent between 1993 and 1994, from \$36.2 million to \$24.1 million; this advertising category accounts for one-half of 1 percent of all expenditures. There has been a continuing trend away from newspaper advertising since 1981, when newspaper spending accounted for 23.1 percent of total expenditures.

A total of \$251.6 million was spent on magazine advertising in 1994, an increase of 7.0 percent from 1993. As a percentage of total advertising, magazine advertising increased from 3.9 to 5.2 percent. Spending on magazine advertising peaked in 1984, when the cigarette companies reported spending \$426 million, or 20.3 percent of total advertising and promotional expenditures, for advertising in magazines.

Spending on outdoor advertising totaled \$240.0 million in 1994, a slight increase of \$8.5 million from 1993, when \$231.5 million was spent. In 1994, outdoor advertising expenditures

comprised 5.0 percent of total advertising and promotional spending, down from a high of 15.5 percent in the early 1980's.

Spending on transit advertising decreased from \$39.1 million in 1993 to \$29.3 million in 1994, a drop of 25.0 percent; however, this category, like newspapers, accounts for only about one-half of 1 percent of all expenditures.

Spending on point-of-sale promotional materials decreased by \$58.3 million (14.5 percent) from 1993 (\$400.9 million) to 1994 (\$342.7 million). As a percentage of total advertising and promotion, point-of-sale advertising has remained near 7 percent since 1988.

Promotional allowances were \$1.7 billion in 1994, up 7.8 percent from \$1.6 billion in 1993. In 1993, these expenditures accounted for 25.8 percent of the total; they accounted for 34.7 percent of all expenditures for 1994, and for the first time since 1985, this was the largest category of advertising and promotional expenditures.

Money spent giving cigarette samples to the public ("sampling distribution") decreased significantly in 1994. In 1993, \$40.2 million was spent on sampling, while in 1994, \$7.0 million was spent, a decrease of 82.7 percent. Cigarette sampling distribution accounted for only 0.1 percent of the total spent on advertising and promotion in 1994. Cigarette sampling expenditures reached a high of 7.9 percent of the total spent on advertising and promotion in 1982.

In 1994, \$850.8 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. This is an increase from 1993 of \$95.0 million, and accounted for 17.6 percent of the total advertising and promotional expenditures for 1994. Specialty items distributed along with the purchase of cigarettes were redesignated as retail value added expenses beginning in 1988.⁶

Spending on public entertainment decreased by \$3.0 million from 1993 to 1994. With expenditures reported of \$81.3 million, public entertainment in 1994 accounted for 1.7 percent of total expenditures.

The cigarette companies reported a total of \$31.2 million for direct mail advertising in 1994, virtually no change from the \$31.5 million reported in 1993. This category does not include direct mail containing coupons. Coupons sent via direct mail have been reported in the coupon and retail value added category since 1988.

All reporting companies indicated that no money had been spent on endorsements and testimonials for cigarettes in 1994. No expenditures have been reported in this category since 1988.

Coupons and retail value added promotions expenditures were cut in half in 1994, dropping \$1.31 billion from an all time high of \$2.56 billion in 1993 to \$1.25 billion in 1994. This 51.2

⁶Specialty 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.

percent decrease in what had been the largest advertising category since 1990 accounts for almost all of the 19.9 percent overall drop in expenditures for 1994. This category includes cents-off coupons, multiple pack promotions, and retail value added offers.⁷ The cigarette companies were first asked to report these expenses as a distinct category in 1988, when \$874 million was spent.

The Commission collects expenditure information in two categories that do not appear as line items on the charts because they may span several categories. In 1988, the Commission began requiring the cigarette companies to state separately the amount of money spent on sports and sporting events. For 1994, the major domestic cigarette companies reported that they spent \$76 million on sports and sporting events.⁸ This is down by \$2 million from 1993 and \$6 million from the amount spent in 1992.

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. This practice has been reported as unfunded since 1989.

⁷Multiple pack offers are additional packs of cigarettes that are given free with cigarette purchases, such as "buy one, get one free." Retail value added offers include non-cigarette items, such as key chains or lighters, given away at the point of sale with the purchase of cigarettes.

⁸This 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.

The data on cigarette advertising and promotional expenditures reported in Tables 3 through 3D 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 through 6C give the domestic market share of, and the percentage of total cigarette advertising expenditures devoted to, cigarettes yielding 15 milligrams (mg) or less tar for the years 1967 through 1994. The data are broken down into separate categories according to tar yields of less than 3, 6, 9, 12, and 15 mg (categories are presented cumulatively).

In 1994, 71.2 percent of the domestic cigarette market was cigarettes yielding 15 mg or less of tar. The market share for cigarettes yielding 15 mg tar or less has increased gradually since 1982, when it accounted for 52.2 percent.

Since 1979, the cigarette companies have reported that the majority of advertising and promotional spending has been devoted to cigarettes yielding 15 mg or less tar. For 1994, they reported that 72.2 percent of all advertising and promotion was spent on cigarettes that yield 15 mg tar or less.

As shown in Table 7, filtered cigarettes have dominated the market since the Commission began collecting this information in 1963, rising from 58 percent at that time to 97 percent in 1992. The market share of filtered cigarettes remained constant in 1994 at 97 percent. Table 8 shows that

the cigarette companies have reported a close correlation between advertising and promotion expenditures and domestic market share for filter cigarettes in recent years.

Table 9 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 56 percent of the market. This category is followed by the Long (94-101 mm) group, which holds 41 percent of the market. Regulars (68-72 mm) and Ultra-Longs (110-121 mm) continued to account for 1 percent and 2 percent, respectively, of the market in 1994.

Tables 10 and 10A provide the domestic market share and percentage of total advertising and promotional expenditures devoted to Long and Ultra-Long cigarettes for 1967 through 1981, and 1982 through 1994, respectively. In 1994, the market share for longer cigarettes decreased slightly (44 percent to 43 percent), while the percentage of total advertising and promotional expenditures rose from 41 percent to 43 percent.

Table 11 gives the market share of menthol and non-menthol cigarettes. In 1994, the market share of menthol cigarettes declined from 26 percent to 25 percent of the market, while non-menthols rose from 74 percent to 75 percent.

In 1994, the Commission began requiring the cigarette companies to indicate whether “tar” and nicotine ratings were displayed on cigarette packaging and advertising. Table 12 shows that cigarette varieties that printed tar and nicotine ratings on their packs represented only 6.3 percent of the overall market. Table 12 also shows: (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 1
DOMESTIC CIGARETTE SALES
(BILLIONS OF CIGARETTES)*

<u>YEAR</u>	<u>TOTAL SALES</u>	<u>UNIT CHANGE FROM PRIOR YEAR</u>	<u>% CHANGE FROM PRIOR YEAR</u>
1963	516.5	---	---
1964	505.0	(11.5)	(2.2)
1965	521.1	16.1	3.2
1966	529.9	8.8	1.7
1967	525.8	5.9	1.1
1968	540.3	4.5	.8
1969	527.9	(12.4)	(2.3)
1970	534.2	6.3	1.1
1971	547.2	13.0	2.4
1972	561.7	14.5	2.7
1973	584.7	23.0	4.1
1974	594.5	9.8	1.7
1975	603.2	8.7	1.5
1976	609.9	6.7	1.1
1977	612.6	2.7	.4
1978	615.3	2.7	.4
1979	621.8	6.5	1.1
1980	628.2	6.4	1.0
1981	636.5	8.3	1.3
1982	632.5	(4.0)	(.6)
1983	603.6	(28.9)	(4.6)
1984	608.4	4.8	.8
1985	599.3	(9.1)	(1.5)
1986	586.4	(12.9)	(2.2)
1987	575.4	(11.0)	(1.9)
1988	560.7	(14.7)	(2.6)
1989	525.6	(35.1)	(6.3)
1990	523.7	(1.9)	(.4)
1991	510.9	(12.8)	(2.4)
1992	506.4	(4.5)	(.9)
1993	461.4	(45.0)	(8.9)
1994	490.2	28.8	6.2

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

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	2,829
1991	2,724
1992	2,675
1993	2,414
1994	2,516

*Total domestic cigarette sales by 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.

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 directmail, 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.

** 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	28
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 OF 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.

***1993 data have been revised from totals previously reported to reflect company revisions submitted to the FTC in 1995.

TABLE 3E

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEAR 1994
(THOUSANDS OF DOLLARS)

<u>TYPE OF ADVERTISING</u>	<u>1994</u>	<u>% OF TOTAL</u>
Newspapers	\$24,143	.5
Magazines	251,644	5.2
Outdoor	240,024	5.0
Transit	29,323	.6
Point of Sale	342,650	7.1
Promotional Allowances	1,678,917	34.7
Sampling Distribution	6,974	.1
Speciality Item Distribution	850,810	17.6
Public Entertainment	81,292	1.7
Direct Mail	31,187	.7
Endorsements/Testimonials	---	---
Coupons and Retail Value Added	1,248,896	25.8
All Others*	<u>47,672</u>	1.0
Total**	\$4,833,532	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 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 3D 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 3D 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 AND EXPENDITURES FOR ADVERTISING
AND OTHER PROMOTIONAL ACTIVITIES FOR CIGARETTES YIELDING
FIFTEEN MILLIGRAMS (mg.) OR LESS OF TAR
(1967 - 1981)

<u>YEAR</u>	<u>DOMESTIC MARKET SHARE CIGARETTES YIELDING 15 mg. OR LESS TAR</u>	<u>PERCENTAGE OF TOTAL EXPENDITURES* FOR ADVERTISING AND OTHER PROMOTIONAL ACTIVITIES DEVOTED TO CIGARETTES YIELDING 15 mg. OR LESS TAR</u>
1967	2.0%	5.5%
1968	2.5%	9.2%
1969	3.0%	12.7%
1970	3.6%	10.5%
1971	3.8%	9.3%
1972	6.6%	15.1%
1973	8.9%	17.8%
1974	8.9%	15.2%
1975	13.5%	19.6%
1976	15.9%	39.6%
1977	22.7%	49.4%
1978	27.5%	48.1%
1979	40.9%	66.9%
1980	44.8%	65.1%
1981	56.0%	70.8%

*Promotional activities, which the reporting companies did not consider to be "advertising," are not included in the data for years prior to 1975.

TABLE 6A

DOMESTIC MARKET SHARE OF AND EXPENDITURES FOR ADVERTISING
AND OTHER PROMOTIONAL ACTIVITIES FOR CIGARETTES YIELDING
FIFTEEN MILLIGRAMS (mg.) OR LESS OF TAR
(1982 - 1987)

	1982 MARKET <u>SHARE</u>	1982 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>	1983 MARKET <u>SHARE</u>	1983 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>
15 mg. or less tar	52.2%	64.3%	53.1%	67.4%
12 mg. or less tar	43.8%	57.8%	44.9%	58.8%
9 mg. or less tar	27.8%	41.4%	27.9%	35.1%
6 mg. or less tar	8.9%	15.6%	9.4%	15.7%
3 mg. or less tar	2.9%	5.7%	3.1%	4.2%

	1984 MARKET <u>SHARE</u>	1984 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>	1985 MARKET <u>SHARE</u>	1985 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>
15 mg. or less tar	51.0%	57.1%	51.9%	59.0%
12 mg. or less tar	43.4%	51.7%	43.1%	46.9%
9 mg. or less tar	26.3%	33.4%	25.3%	30.1%
6 mg. or less tar	9.4%	12.3%	8.4%	9.5%
3 mg. or less tar	2.9%	4.3%	2.3%	3.1%

	1986 MARKET <u>SHARE</u>	1986 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>	1987 MARKET <u>SHARE</u>	1987 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>
15 mg. or less tar	52.6%	61.9%	55.4%	64.4%
12 mg. or less tar	44.5%	53.4%	47.8%	54.3%
9 mg. or less tar	22.3%	26.1%	20.2%	26.7%
6 mg. or less tar	9.9%	11.5%	10.0%	11.9%
3 mg. or less tar	2.6%	3.8%	2.5%	3.3%

TABLE 6B

DOMESTIC MARKET SHARE OF AND EXPENDITURES FOR ADVERTISING
AND OTHER PROMOTIONAL ACTIVITIES FOR CIGARETTES YIELDING
FIFTEEN MILLIGRAMS (mg.) OR LESS OF TAR
(1988 - 1993)

	1988 MARKET <u>SHARE</u>	1988 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>	1989 MARKET <u>SHARE</u>	1989 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>
15 mg. or less tar	54.2%	60.7%	55.1%	62.6%
12 mg. or less tar	48.7%	54.4%	48.4%	53.6%
9 mg. or less tar	20.1%	26.1%	21.5%	27.2%
6 mg. or less tar	10.7%	12.9%	11.4%	13.0%
3 mg. or less tar	3.1%	4.2%	2.4%	2.8%
	1990 MARKET <u>SHARE</u>	1990 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>	1991 MARKET <u>SHARE</u>	1991 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>
15 mg. or less tar	60.6%	68.6%	60.5%	64.0%
12 mg. or less tar	51.5%	55.4%	52.6%	53.9%
9 mg. or less tar	25.5%	30.3%	22.0%	23.7%
6 mg. or less tar	12.2%	12.6%	12.7%	12.8%
3 mg. or less tar	2.8%	2.5%	2.6%	2.6%
	1992 MARKET <u>SHARE</u>	1992 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>	1993 MARKET <u>SHARE</u>	1993 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>
15 mg. or less tar	68.7%	71.3%	66.5%	65.9%
12 mg. or less tar	52.9%	55.7%	53.3%	54.8%
9 mg. or less tar	24.9%	27.3%	23.4%	20.8%
6 mg. or less tar	12.7%	13.3%	12.6%	12.4%
3 mg. or less tar	2.5%	2.3%	1.9%	3.7%

TABLE 6C

DOMESTIC MARKET SHARE OF AND EXPENDITURES FOR ADVERTISING
AND OTHER PROMOTIONAL ACTIVITIES FOR CIGARETTES YIELDING
FIFTEEN MILLIGRAMS (mg.) OR LESS OF TAR
(1994)

	1994 MARKET <u>SHARE</u>	1994 PERCENTAGE OF TOTAL ADVERTISING <u>EXPENDITURES</u>
15 mg. or less tar	71.2%	72.1%
12 mg. or less tar	53.7%	54.5%
9 mg. or less tar	23.1%	20.9%
6 mg. or less tar	12.3%	11.0%
3 mg. or less tar	2.1%	1.4%

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%	**	**

* 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 AND EXPENDITURES
FOR ADVERTISING AND OTHER PROMOTIONAL ACTIVITIES
FOR FILTER CIGARETTES

<u>YEAR</u>	<u>DOMESTIC MARKET SHARE OF FILTER CIGARETTES</u>	<u>PERCENTAGE OF TOTAL EXPENDITURES FOR ADVERTISING AND OTHER PROMOTIONAL ACTIVITIES DEVOTED TO FILTER CIGARETTES*</u>
1963	58%	75%
1964	61%	78%
1965	64%	77%
1966	68%	75%
1967	72%	95%
1968	74%	95%
1969	77%	97%
1970	80%	98% **
1971	82%	98%
1972	84%	99%
1973	85%	98%
1974	86%	98%
1975	87%	98%
1976	88%	99%
1977	90%	99%
1978	90%	99%
1979	91%	99%
1980	92%	96%
1981	92%	96%
1982	93%	96%
1983	93%	96%
1984	93%	96%
1985	94%	96%
1986	94%	96%
1987	95%	97%
1988	95%	97%
1989	95%	96%
1990	95%	96%
1991	96%	96%
1992	97%	97%
1993	97%	97%
1994	97%	98%

*Promotional activities, which the reporting companies did not consider to be "advertising," are not included in the data for years prior to 1975.

**If the above 1970 figure were recomputed from data received in 1978, the 1970 figure would be 96%. The change would be due primarily to the inclusion of the promotional allowance in data received in 1978 for 1970 and not reflected in the computations resulting in the original 1970 figures.

TABLE 9

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

<u>YEAR</u>	<u>68-72mm</u>	<u>79-88mm</u>	<u>94-101mm</u>	<u>110-121mm</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%

*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 10

DOMESTIC MARKET SHARE OF AND EXPENDITURES FOR ADVERTISING AND
OTHER PROMOTIONAL ACTIVITIES FOR LONGER (94-121 mm)
CIGARETTE VARIETIES
(1967 - 1981)

<u>YEAR</u>	<u>DOMESTIC MARKET SHARE OF LONGER CIGARETTES</u>		<u>PERCENTAGE OF TOTAL EXPENDITURES FOR ADVERTISING AND OTHER PROMOTIONAL ACTIVITIES DEVOTED TO LONGER CIGARETTES</u>	
	1967	9%		39%
1968	13%		39%	
1969	16%		33%	
1971	20%		30%	
1972	21%		32%	
1973	22%		29%	
1974	23%		46%	
1975	95-101 mm	24%)	95-101 mm	18%)
	110-112mm	1%) 25%	110-121mm	11%) 29%
1976	95-101 mm	24%)	95-101 mm	19%)
	110-121mm	2 %) 26%	110-121mm	7%) 26%
1977	95-101 mm	26%)	95-101 mm	25%)
	110-121mm	2%) 28%	110-121mm	3%) 28%
1978	95-101 mm	27%)	95-101 mm	32%)
	110-121mm	3%) 30%	110-121mm	2%) 34%
1979	95-101 mm	30%)	95-101 mm	32%)
	110-121mm	2%) 32%	110-121mm	2%) 34%
1980	94-101 mm	32%)	94-101 mm	34%)
	110-121mm	2%) 34%	110-121mm	2%) 36%
1981	94-101 mm	33%)	94-101 mm	30%)
	110-121mm	2%) 35%	110-121mm	5%) 35%

*If the above 1970 figure were recomputed from data received in 1978, the 1970 figure would be 27%. The change would be due primarily to the inclusion of the promotional allowance in data received in 1978 for 1970 and not reflected in the computations resulting in the original 1970 figure.

TABLE 10A

DOMESTIC MARKET SHARE OF AND EXPENDITURES FOR ADVERTISING AND
OTHER PROMOTIONAL ACTIVITIES FOR LONGER (92-121 mm)
CIGARETTE VARIETIES
(1982 - 1994)

<u>YEAR</u>	<u>DOMESTIC MARKET SHARE OF LONGER CIGARETTES</u>	<u>PERCENTAGE OF TOTAL EXPENDITURES FOR ADVERTISING AND OTHER PROMOTIONAL ACTIVITIES DEVOTED TO LONGER CIGARETTES</u>
1982	92-101mm 34%) 110-121mm 2%) 36%	92-101mm 39%) 110-121mm 2%) 41%
1983	92-101mm 34%) 110-121mm 2%) 36%	92-101mm 35%) 110-121mm 3%) 38%
1984	92-101mm 36%) 110-121mm 2%) 38%	92-101mm 40%) 110-121mm 3%) 43%
1985	92-101mm 37%) 110-121mm 2%) 39%	92-101mm 41%) 110-121mm 3%) 44%
1986	92-101mm 37%) 110-121mm 3%) 40%	92-101mm 42%) 110-121mm 3%) 45%
1987	92-101mm 38%) 110-121mm 3%) 41%	92-101mm 45%) 110-121mm 3%) 48%
1988	92-101mm 38%) 110-121mm 3%) 41%	92-101mm 43%) 110-121mm 2%) 45%
1989	92-101mm 39%) 110-121mm 2%) 41%	92-101mm 44%) 110-121mm 2%) 46%
1990	92-101mm 39%) 110-121mm 2%) 41%	92-101mm 43%) 110-121mm 2%) 45%
1991	92-101mm 40%) 110-121mm 2%) 42%	92-101mm 42%) 110-121mm 2%) 44%
1992	92-101mm 41%) 110-121mm 2%) 43%	92-101mm 44%) 110-121mm 2%) 46%
1993	92-101mm 42%) 110-121mm 2%) 44%	92-101mm 39%) 110-121mm 2%) 41%
1994	92-101mm 41%) 110-121mm 2%) 43%	92-101mm 41%) 110-121mm 2%) 43%

TABLE 11

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%

TABLE 12

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

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

<u>tar rating of cigarette variety</u>	<u>market share of varieties in tar group</u>	<u>market share of varieties in tar group that disclose 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	39.6%	2.4%
4-7 mg. tar	11.2%	30.8%
3 mg. or less tar	<u>2.1%</u>	91.8%
	100%	