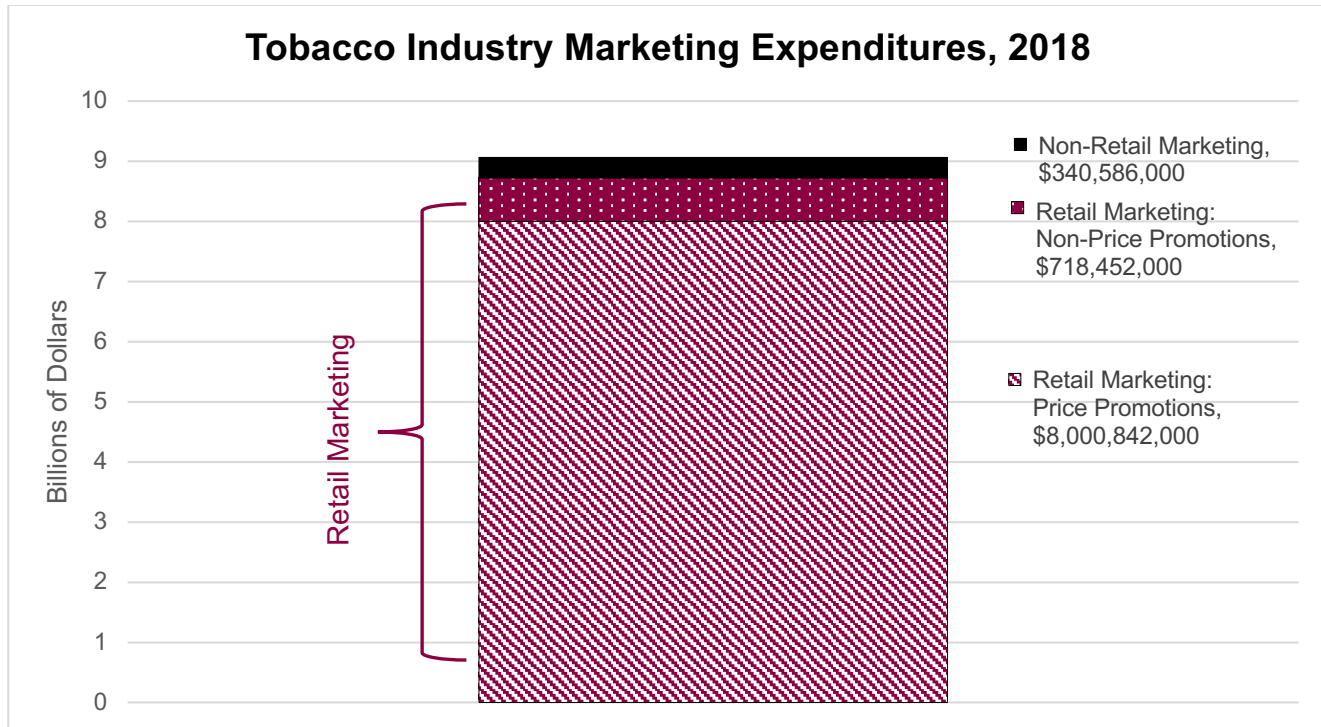


U.S. Tobacco Companies Spend Billions Marketing Their Products

Nearly All Marketing Dollars Are Dedicated to Keeping Prices Low



The tobacco industry spends billions of dollars marketing¹ its products in the U.S. In 2018:

- Cigarette² and smokeless tobacco³ manufacturers spent a combined \$9.1 billion marketing products.
- The tobacco industry⁴ directs the predominant share of its marketing expenditures to *retail* marketing,⁵ especially promotions that reduce the prices consumers pay for tobacco products.⁶

Nearly all of the tobacco industry's paid marketing is *retail* marketing. In 2018:

- The vast majority (96.2% or \$8.7 billion) of the tobacco industry's total \$9.1 billion marketing budget was spent on *retail* marketing (e.g., in-store advertisements, payments to retailers and wholesalers in order to facilitate the sale or placement of tobacco products).
 - Cigarette manufacturers spent nearly all (96.8% or more than \$8.1 billion) of their more than \$8.4 billion marketing budget on *retail* marketing.
 - Smokeless tobacco manufacturers spent a preponderance (88.8% or more than \$580 million) of their nearly \$660 million marketing budget on *retail* marketing.

The tobacco industry's marketing priority is lowering product prices paid by consumers. In 2018:

- Price promotions represent an overwhelming share of the industry's overall marketing budget (88.3% or \$8 billion), and an even greater proportion (91.8%) of its massive \$8.7 billion *retail* marketing budget. Price promotions lower consumer prices through both direct discounts (e.g., coupons, multipack discounts) and indirect promotions (e.g., retailer/wholesaler incentive payments, rebates).
 - Cigarette manufacturers spent 89.6% (\$7.5 billion) of their more than \$8.4 billion marketing budget on price promotions.
 - Smokeless tobacco manufacturers spent 72.2% (more than \$475 million) of their nearly \$660 million marketing budget on price promotions.

Notes

¹ FED. TRADE COMM'N, CIGARETTE REPORT FOR 2018 (2019) (hereinafter, "FTC CIGARETTE REPORT"); FED. TRADE COMM'N, SMOKELESS TOBACCO REPORT FOR 2018 (2019) (hereinafter, "FTC SMOKELESS TOBACCO REPORT").

² FTC CIGARETTE REPORT (reporting marketing expenditures for the four major cigarette manufacturers: Altria Group, Inc., (parent of manufacturer Philip Morris U.S.A); Reynolds American, Inc. (parent of manufacturers R.J. Reynolds Tobacco Co. and Santa Fe Natural Tobacco Company, Inc.); ITG Holdings USA Inc. (parent of manufacturer ITG Brands, LLC); Vector Group Ltd. (parent of manufacturers Liggett Group, LLC, Vector Tobacco, Inc., and Liggett Vector Brands, LLC).

³ FTC SMOKELESS TOBACCO REPORT (reporting marketing expenditures for the five major smokeless tobacco manufacturers: Altria Group, Inc. (parent to U.S. Smokeless Tobacco Company); North Atlantic Trading Company, Inc. (parent to National Tobacco Company, LP); Reynolds American, Inc. (parent to American Snuff Company, LLC); Swedish Match North America, Inc.; and Swisher International Group, Inc. (parent to Swisher International, Inc.).

⁴ FTC CIGARETTE REPORT, *supra* note 2 and FTC SMOKELESS TOBACCO REPORT, *supra* note 3; *but see* FED. TRADE COMM'N, "Statement of the Federal Trade Commission," FTC File No. p114508, Feb. 25, 2019 (noting without the marketing data for e-cigarettes, "the FTC's and the public's understanding of the overall market for nicotine-based products is substantially incomplete").

⁵ Retail marketing expenditures by cigarette manufacturers comprise expenditures on "Point-of-Sale," "Price Discounts - Retailers," "Price Discounts - Wholesalers," "Promotional Allowances - Retailers," "Promotional Allowances - Wholesalers," "Coupons," and "Consumer Engagement - Retail" as defined in the FTC CIGARETTE REPORT. Retail marketing expenditures by smokeless tobacco manufacturers' comprise expenditures on "Point-of-Sale," "Price Discounts - Retailers," "Price Discounts - Wholesalers," "Promotional Allowances - Retailers," "Promotional Allowances - Wholesalers," "Promotional Allowances - Other," "Coupons," and "Retail Value Added - Bonus Smokeless Tobacco Product" as defined in the FTC SMOKELESS TOBACCO REPORT.

⁶ Price promotions for cigarette manufacturers comprise "Price Discounts - Retailers," "Price Discounts - Wholesalers," and "Coupons," as defined in the FTC CIGARETTE REPORT. Price promotions for smokeless tobacco manufacturers comprise "Price Discounts - Retailers," "Price Discounts - Wholesalers," "Coupons," and "Retail-value-added - Bonus Smokeless Tobacco Product" as defined in the FTC SMOKELESS TOBACCO REPORT.