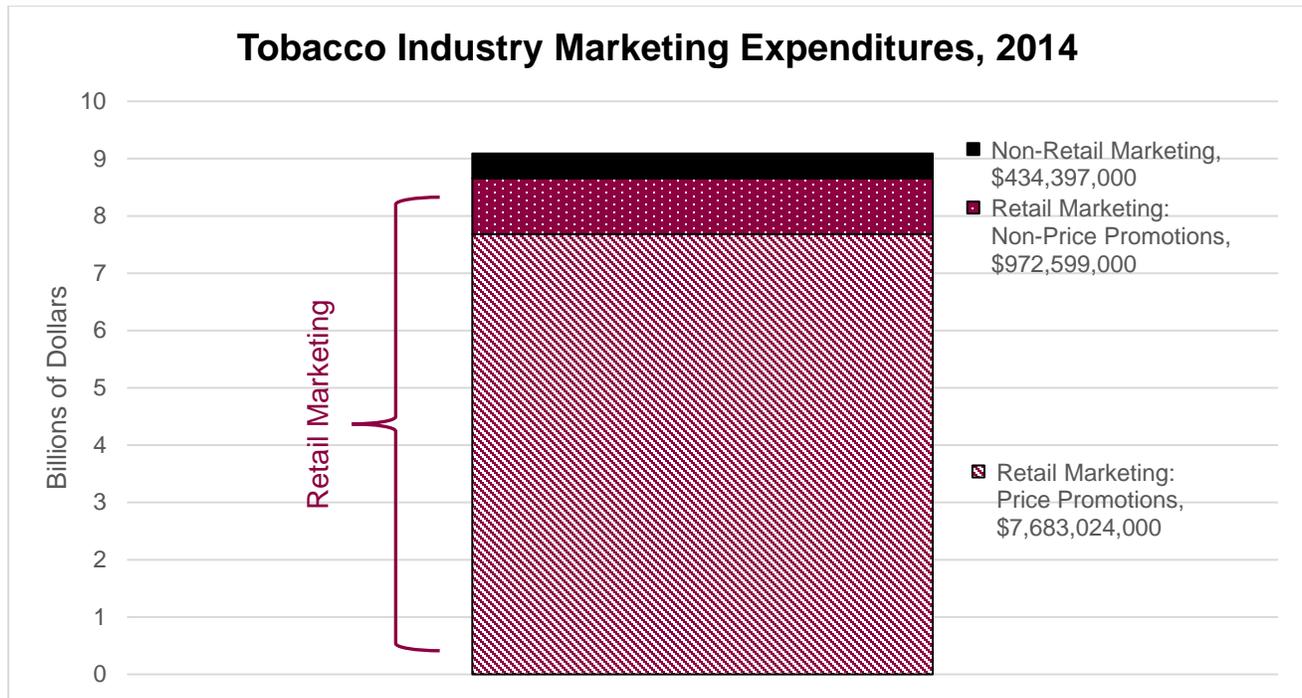


## Tobacco Companies Spend Billions Marketing Their Products

### Nearly All Marketing Dollars Are Dedicated to Keeping Prices Low



**The tobacco industry<sup>1</sup> spends billions of dollars marketing its products.** In 2014:

- Cigarette and smokeless tobacco manufacturers spent a combined \$9.09 billion marketing products.<sup>2</sup>
- Tobacco industry marketing is predominantly focused on marketing in the retail environment<sup>3</sup> (more than \$8.65 billion) and on promotions that reduce product prices<sup>4</sup> (more than \$7.68 billion).

**Nearly all of the tobacco industry's paid marketing is retail marketing.** In 2014:

- The vast majority (95.2% or \$8.65 billion) of the tobacco industry's total \$9.09 billion marketing budget was spent on retail marketing (*i.e.*, retailer and wholesaler allowances intended to facilitate the sale or placement of tobacco products).
  - Cigarette manufacturers spent nearly all (96.0% or \$8.15 billion) of their \$8.49 billion marketing budget on retail marketing.
  - Smokeless tobacco manufacturers spent most (84.7% or \$509 million) of their \$600 million marketing budget on retail marketing.

**The tobacco industry prioritizes lowering product prices: Price promotions comprise an overwhelming share of the tobacco industry's marketing budget.** In 2014:

- Retail price promotion comprised 84.5% (\$7.68 billion) of the tobacco industry's total marketing budget and 88.8% of its retail marketing budget. Price promotions include price discounts, including direct discounts aimed at consumers (*e.g.*, coupons, multipack discounts), as well as indirect promotions (*e.g.*, retailer and wholesaler incentive programs).<sup>5</sup>
  - Cigarette manufacturers spent 85.8% (\$7.29 billion) of their \$8.49 billion marketing budget on retail price promotion. They more than doubled their expenditures on coupons from 2013 to 2014, increasing spending from nearly \$249 million to \$521 million.
  - Smokeless tobacco manufacturers spent 66.2% (more than \$397 million) of their \$600 million marketing budget on retail price promotion, a 19% increase over the 2013 price reduction budget.

## Notes

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<sup>1</sup> The tobacco industry consists of major U.S. manufacturers of cigarettes and major U.S. manufacturers of smokeless tobacco. This fact sheet reflects 2014 cigarette marketing expenditures of 1) five major manufacturers as reported to the Federal Trade Commission (“FTC”) by: Altria Group, Inc., (ultimate parent to manufacturer Philip Morris U.S.A); Commonwealth Brands, Inc. (acquired by manufacturer Imperial Tobacco Group (“ITG”) in 2007); Lorillard, Inc. (parent to manufacturer Lorillard Tobacco Co.); Reynolds American, Inc. (parent of manufacturers R.J. Reynolds Tobacco Co. and Santa Fe Natural Tobacco Company, Inc.); and Vector Group Ltd. (parent to manufacturers Liggett Group LLC, Vector Tobacco Inc. and Liggett Vector Brands LLC); and 2) 2014 smokeless tobacco marketing expenditures of five major manufacturers as reported to the FTC by parent companies: 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.).

<sup>2</sup> FED. TRADE COMM’N, CIGARETTE REPORT FOR 2014 (2016); FED. TRADE COMM’N, SMOKELESS TOBACCO REPORT FOR 2014 (2016).

<sup>3</sup> Cigarette manufacturers’ retail or “Point of Sale” expenditures comprise expenditures on “Coupons,” “Point of Sale,” “Price Discounts-Retailers,” “Price Discounts-Wholesalers,” “Promotional Allowances – Retailers,” “Promotional Allowances –Wholesalers,” “Retail Value Added – Bonus Cigarettes” and “Retail Value Added – Non-Cigarette Bonus” as defined in the Cigarette Report for 2014. Smokeless tobacco manufacturers’ “Point of Sale” expenditures are comprised of expenditures on “Coupons,” “Point of Sale,” “Price Discounts-Retailers,” “Price Discounts-Wholesalers,” “Promotional Allowances – Retailers,” “Promotional Allowances – Wholesalers,” “Retail Value Added – Bonus Smokeless Tobacco Product” and “Retail Value Added – Non-Smokeless Tobacco Bonus” as defined in the Smokeless Tobacco Report for 2014.

<sup>4</sup> Cigarette manufacturers’ price promotions include “Price Discounts-Retailers,” “Price Discounts-Wholesalers,” “Coupons,” and “Retail-value-added – Bonus Cigarette” as defined in the Cigarette Report for 2014. Smokeless tobacco manufacturers’ price promotions include “Price Discounts-Retailers,” “Price Discounts-Wholesalers,” “Coupons,” and “Retail-value-added – Bonus Smokeless Tobacco Product” as defined in the Smokeless Tobacco Report for 2014.

<sup>5</sup> Price discounts were first broken down by subcategories of payments to retailers and wholesalers in 2014. “Price discounts – Retailers” includes: Price discounts paid to smokeless tobacco and cigarette retailers in order to reduce the price of smokeless tobacco and cigarettes to consumers, including off-invoice discounts, buy-downs, voluntary price reductions, and trade programs; but excluding retail-value-added expenditures for promotions involving free smokeless tobacco or cigarettes and expenditures involving coupons. “Price discounts – Wholesalers” includes: Price discounts paid to smokeless tobacco and cigarette wholesalers in order to reduce the price of smokeless tobacco and cigarettes to consumers, including off-invoice discounts, buy-downs, voluntary price reductions, and trade programs; but excluding retail-value-added expenditures for promotions involving free smokeless tobacco or cigarettes and expenditures involving coupons.