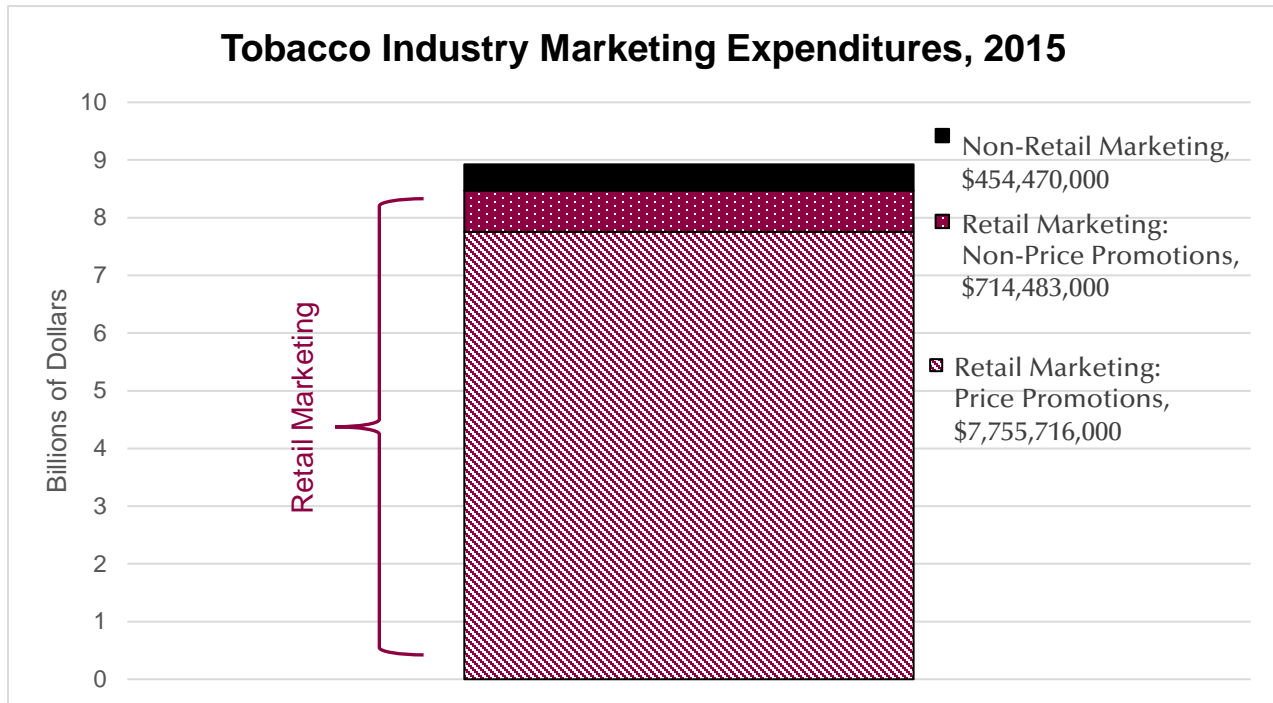


U.S. Tobacco Companies Spend Billions Marketing Their Products

Nearly All Marketing Dollars Are Dedicated to Keeping Prices Low



The tobacco industry¹ spends billions of dollars marketing its products in the U.S. In 2015:

- Cigarette and smokeless tobacco manufacturers spent a combined \$8.92 billion marketing products.²
- Tobacco industry marketing is predominantly focused on marketing in the retail environment³ (more than \$8.47 billion) and on promotions that reduce product prices⁴ (more than \$7.76 billion).

Nearly all of the tobacco industry's paid marketing is retail marketing. In 2015:

- The vast majority (94.9% or \$8.47 billion) of the tobacco industry's total \$8.92 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 (95.8% or \$7.89 billion) of their \$8.24 billion marketing budget on retail marketing.
 - Smokeless tobacco manufacturers spent most (84.2% or \$576 million) of their \$685 million marketing budget on retail marketing.

The tobacco industry prioritizes lowering product prices. In 2015:

- An overwhelming share of the tobacco industry's marketing budget (86.9%, or \$7.76 billion) was spent on price promotions. Price promotions also comprise nearly all (91.6%) of the industry's \$8.47 billion retail marketing budget. Price promotions lower tobacco product prices through both direct consumer discounts (*e.g.*, coupons, multipack discounts), and indirect promotions (*e.g.*, retailer and wholesaler incentive programs).⁵
 - Cigarette manufacturers spent 88.4% (\$7.29 billion) of their \$8.24 billion marketing budget on price promotions in 2015. **They increased expenditures on coupons alone by 31.7% (more than \$80 million) from 2014 to 2015**, increasing spending from \$255 million to \$335 million.
 - Smokeless tobacco manufacturers spent 68.7% (more than \$470 million) of their \$685 million marketing budget on retail price promotion, a 14% increase over the 2014 price promotion budget.

Notes

¹ The tobacco industry consists of major U.S. manufacturers of cigarettes and major U.S. manufacturers of smokeless tobacco. This fact sheet reflects 2015 cigarette marketing expenditures of 1) four major manufacturers as reported to the Federal Trade Commission (“FTC”): Altria Group, Inc., (ultimate parent to 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 to manufacturer ITG Brands, LLC); Vector Group Ltd. (parent to manufacturers Liggett Group LLC, Vector Tobacco Inc. and Liggett Vector Brands LLC); and 2) 2015 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.).

² FED. TRADE COMM'N, CIGARETTE REPORT FOR 2015 (2017); FED. TRADE COMM'N, SMOKELESS TOBACCO REPORT FOR 2015 (2017).

³ 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 2015. 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 2015.

⁴ 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 2015. 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 2015.

⁵ 2014 marks the first year price discounts were broken down by subcategories of payments to retailers and wholesalers. “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.