

**Cigarette Advertising Expenditures
Before and After the Master Settlement Agreement:
Preliminary Findings**

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Cigarette Advertising Expenditures Before and After the Master Settlement Agreement: Preliminary Findings¹

The Master Settlement Agreement (MSA) between the States' Attorneys General and the tobacco industry requires the elimination of certain types of outdoor tobacco advertisements, including those found on billboards, in arenas, stadiums, shopping malls, video arcades and advertisements on private or public transit vehicles and transportation waiting areas. The MSA also forbids tobacco manufacturers from "directly or indirectly targeting youth in their promotional activities, or engaging in activities with the primary purpose of initiating, maintaining, or increasing youth smoking."²

In advertisements taken out by Philip Morris in March of 2000, the company stated: "Perhaps the most visible change is the removal of tobacco advertising from billboards in the United States. The goal of this provision is to limit the exposure of kids to tobacco advertising, a step defined by the public health community as a way to help reduce the incidence of youth smoking."³

This analysis examines cigarette advertising expenditures in January to September 1998 - the three calendar quarters preceding the MSA -- and January to September 1999. The purpose is to see how cigarette advertising to youth changed after the MSA was implemented.

Increased Magazine Advertising to Youth

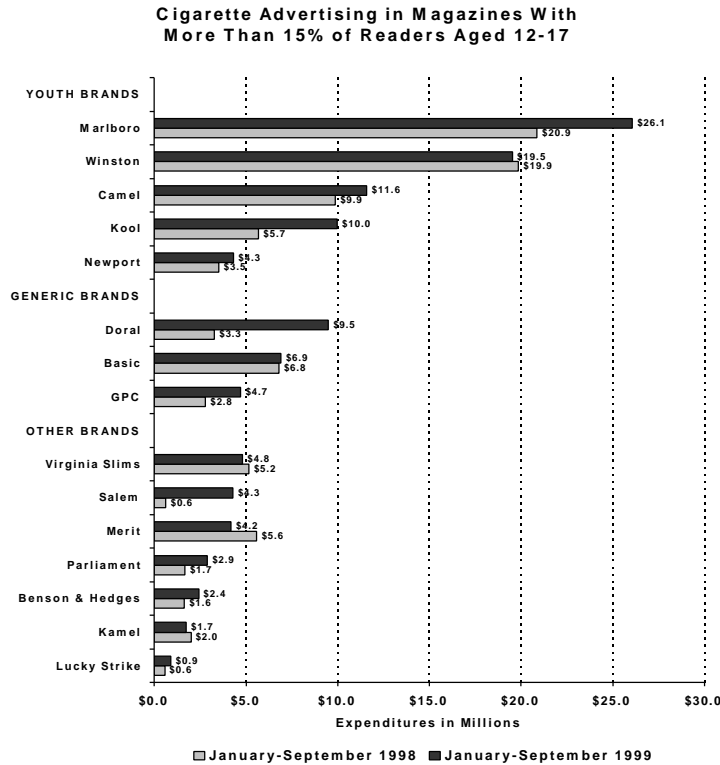
Cigarette marketing to teens through magazine advertising increased after the Master Settlement Agreement took effect in November 1998. This conclusion is based on analysis of advertising expenditures in 29 magazines for which youth readers (aged 12-17) make up at least 5 percent of the magazine's total readership.⁴ The analysis focuses on magazines with more than 15 percent youth readership, the level used by the Food and Drug Administration in establishing advertising restrictions.⁵

- ***Cigarette advertising expenditures in magazines with more than 15 percent youth readership increased \$ 30 million after the MSA.***

Nineteen of the 29 magazines had more than 15 percent youth readers.⁶ Cigarette companies spent \$119.9 million on advertising in these magazines in the first nine months of 1999. This amounts to more than a third of their total magazine advertising expenditures for the period (\$314.0) million. Cigarette advertising in these 19 magazines after the settlement was almost \$30 million higher than it was in the corresponding period in 1998 (\$90.2 million).

- *Advertising expenditures in magazines with 5-15 percent youth readership increased \$ 24.4 million from the pre-MSA to the post-MSA period.*

In the first nine months of 1999, the ten magazines with 5-15 percent youth readership had \$72.9 million in cigarette advertising. This is an increase of \$24.4 million over the level for the corresponding period in 1998.



Magazine Advertising Increases by Brand

Much of the increased advertising in youth magazines came from the brands that have been recognized as the brands most preferred by youth. But several other brands also stepped up advertising strongly in magazines with more than 15 percent youth readership.

- *Marlboro spent \$26.1 million in the first nine months of 1999 on advertising in magazines with more than 15 percent youth readers. That is the most of any single brand, and a \$5.2 million increase over 1998.*

During the first nine months of 1999, the five cigarette brands recognized in previous research as the leading youth brands⁷ spent a combined \$71.1 million on advertising in magazines with youth readership of more than 15 percent. Marlboro, Winston, and Kool are the three top spenders. Kool increased advertising by \$4.3 million, or 75.8 percent, relative to the pre-MSA period.

- ***Generic brands Doral and GPC dramatically increased their advertising in the 19 youth magazines. Doral nearly tripled its expenditures, from \$3.3 to \$9.5 million.***

Basic, the third major generic brand, spent much more than Doral and GPC in 1998 in magazines with more than 15 percent youth readership. Doral far surpassed Basic in the first nine months of 1999, however, and GPC substantially narrowed the gap with Basic. The three brands combined increased their spending in these magazines by 64.5 percent from 1998 to 1999.

- ***Salem, Parliament, and Benson & Hedges all had major increases in advertising in youth magazines after the MSA. Salem jumped from \$0.6 million in the first nine months of 1998 to \$4.3 million in the corresponding period of 1999.***

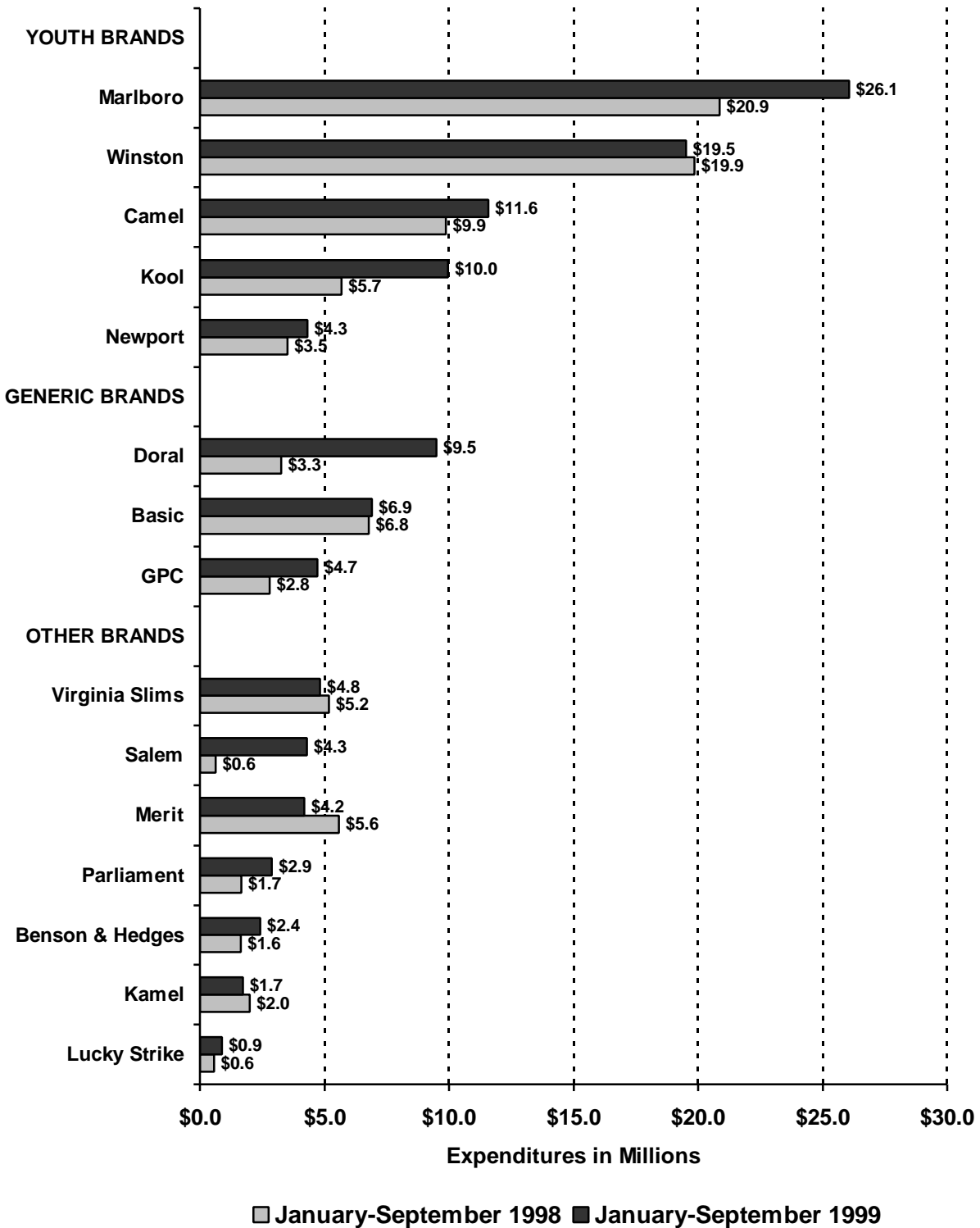
Among the brands examined, only four spent less on advertising in magazines with heavy youth readership after the MSA. Only one of the four, Winston, has traditionally had a major share of the youth market, and Winston advertising declined by less than 2 percent.

Grouping these brands by manufacturer shows that all four companies increased their advertising in youth magazines, but to different extents.

- ***Brown and Williamson increased its advertising in magazines with more than 15 percent youth readership by 72.1 percent, from \$9.0 to \$15.5 million.***

RJR had the biggest increase in absolute dollars, at \$11.0 million (30.9 percent). Philip Morris expenditures increased by \$5.5 million. Lorillard, with just one brand in the group examined (Newport), increased its spending by \$0.8 million, or 23.0 percent.

Cigarette Advertising in Magazines With More Than 15% of Readers Aged 12-17



Increases in Most Youth Magazines

Only three of the 19 magazines with more than 15 percent youth readership saw a decline in cigarette advertising between the first nine months of 1998 and the first nine months of 1999. The other 16 had increases averaging 43 percent.

- *Cigarette advertising in Essence more than doubled. Sport, Spin, Soap Opera Digest, and Hot Rod all had increases of more than 50 percent.*

1998-1999 Changes in Cigarette Advertising, by Magazine

Magazine	Percent of Readers Aged 12-17	Number of Readers Aged 12-17 (Thousands)	Cigarette Advertising in Jan-Sept 1999	Change in Advertising from 1998
Essence	17.5%	1,593	\$2,179	104.0%
Sport	32.9%	2,605	\$2,506	58.0%
Spin	32.0%	1,316	\$4,332	55.3%
Soap Opera Digest	16.6%	1,503	\$3,633	55.2%
Hot Rod	31.1%	2,937	\$3,623	50.5%
Outdoor Life	20.3%	1,867	\$3,032	43.7%
Popular Mechanics	17.5%	2,301	\$3,733	42.3%
Vibe	42.2%	2,864	\$3,224	40.0%
Elle	23.4%	1,059	\$2,580	37.7%
Motor Trend	25.2%	2,131	\$4,268	36.5%
Sports Illustrated	22.6%	7,254	\$38,718	36.0%
Glamour	19.8%	2,882	\$6,882	32.1%
TV Guide	16.0%	8,131	\$16,784	30.9%
Rolling Stone	28.2%	3,318	\$13,834	28.3%
Mademoiselle	23.7%	1,540	\$4,150	24.1%
Vogue	18.9%	2,353	\$4,551	11.0%
Self	16.0%	814	\$377	-11.6%
Sporting News	30.0%	1,190	\$1,194	-29.6%
Popular Science	30.1%	2,559	\$352	-67.6%

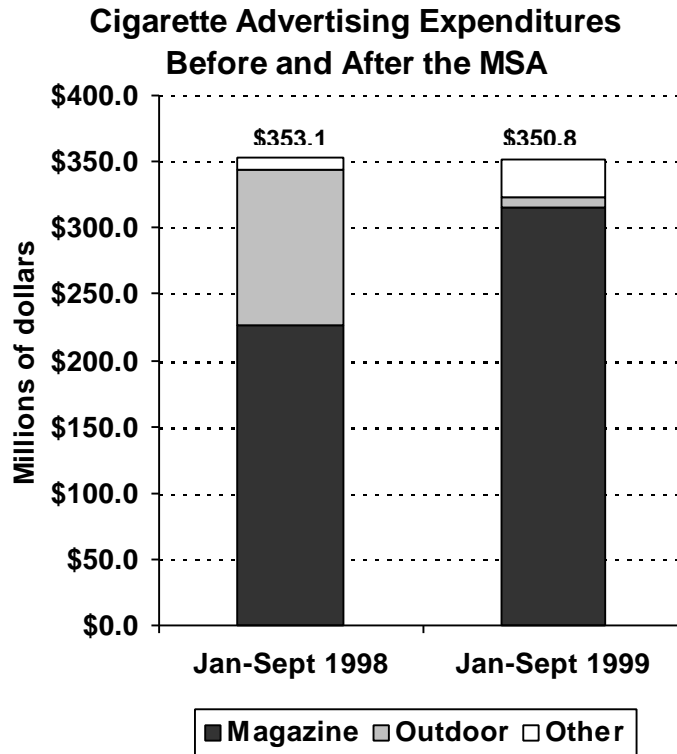
From Billboards to Magazines

The increase in cigarette advertising was apparently financed by the funds that would otherwise have been spent on billboard advertising.

- *Total cigarette advertising expenditures – including magazines, newspapers, and outdoor advertising – were \$350.8 million in the first nine months of 1999. Despite the ban on most outdoor advertising, expenditures declined less than 1 percent from the \$353.1 million spent in the corresponding period of 1999.*

Outdoor advertising expenditures plummeted after the MSA took effect – an expected result, since the MSA banned most forms of outdoor advertising. From a level of \$118.6 million in the first nine months of 1998, expenditures fell to just \$8.1 million in the corresponding period of 1999.

Magazine advertising increased correspondingly. Cigarette advertising expenditures in magazines climbed from \$225.8 million to \$315.1 million. Advertising in newspapers and Sunday magazines also increased dramatically, from \$8.8 million to \$28.8 million. The net result was to maintain cigarette advertising expenditures at the pre-MSA level.



The four major tobacco companies all made substantial increases in total magazine advertising in magazines. Brown & Williamson more than tripled its magazine advertising, while Lorillard and RJR increased magazine advertising by more than a third.

Only Brown & Williamson showed a net increase in total media advertising, with an 88.6 percent increase. Reduced outdoor advertising offset the increases in magazine advertising for the other three companies, leading to net reductions in total advertising.

Changes in Cigarette Advertising, 1998-1999

	Cigarette Advertising Expenditures (in thousands)		% Change, 1998-1999
	Jan-Sept 1998	Jan-Sept 1999	
<i>Advertising in Magazines</i>			
Brown & Williamson	\$16,750	\$60,327	260.2%
Lorillard	7,007	9,391	34.0%
Philip Morris	126,330	140,185	11.0%
RJR	75,518	105,177	39.3%
<i>Total Media Advertising</i>			
Brown & Williamson	\$41,647	\$78,533	88.6%
Lorillard	16,469	9,960	-39.5%
Philip Morris	178,761	149,862	-16.2%
RJR	115,983	112,469	-3.0%

¹ The research reported here was conducted by the Massachusetts Department of Public Health and Abt Associates Inc. (under contract to the Massachusetts Department of Public Health). The analysis was performed by Diane Turner-Bowker, PhD, and William Hamilton, PhD.

² Kline R, Davidson P. Advertising restrictions. In Kelder G, Davidson, editors. *The Multi-state Master Settlement Agreement and the future of state and local tobacco control: An analysis of selected topics and provisions of the Multi-state Master Settlement Agreement of November 23, 1998*. Boston, MA: Tobacco Control Resource Center, Inc. at Northeastern University School of Law; 1999. Available from: URL: <http://www.tobacco.neu.edu/msa/index>.

³ *Boston Globe*. March 1, 2000, p. A6.

⁴ Data on magazine readership come from: 1998 Simmons Teen-Age Research (STARS) Weighted by Population. New York: SMRB, Inc., 1998; and 1998 Simmons Spring SMM Weighted by Population. New York: SMRB, Inc., 1998. Data on quarterly media expenditures by cigarette brand come from Competitive Media Reporting (CMR). New York: Competitive Media Reporting, 1999.

⁵ 21 CFR Part 801, et al. Regulations Restricting the Sale and Distribution of cigarettes and Smokeless Tobacco Products to Protect Children and Adolescents; Proposed Rule. *Federal Register*. August 11, 1995. The regulation limited advertising to black text on a white background for any magazine or other publication except those “(1) whose readers aged 18 years or older constitute 85 percent or more of the total readership, and (2) that is read by fewer than 2 million persons under age 18.” (Section 897.32)

⁶ This analysis includes only magazines for which the percent of youth readership is available from STARS 1998. Other magazines not examined in STAR 1998 may have more than 5 percent youth readership. Thus the total cigarette advertising in magazines with more than 5 percent or more than 15 percent youth readership is probably greater than the totals shown here. The magazines included and the percent of readers that are age 12-17 are as follows:

Magazine	Percent
Vibe	42.23
Sport	32.95
Spin	32.03
Hot Rod	31.14
Popular Science	30.10
Sporting News	30.01
Rolling Stone	28.17
Motor Trend	25.21
Mademoiselle	23.66
Elle	23.40
Sports Illustrated	22.55
Outdoor Life	20.33
Glamour	19.81
Vogue	18.88
Popular Mechanics	17.52
Essence	17.49
Soap Opera Digest	16.65
TV Guide	16.05
Self	15.98
Field & Stream	14.60
Ebony	13.99
Jet	13.59
Cosmopolitan	13.11
People	12.87
GQ/Gentlemen's Quarterly	9.37
Redbook	9.31
Better Homes & Gardens	7.46
McCall's	6.24

⁷ The top five brands have been identified as Camel, Kool, Marlboro, Newport, and Winston. Centers for Disease Control and Prevention. "Changes in the Cigarette Brand Preference of Adolescent smokers – United States, 1989-1993." *Morbidity and Mortality Weekly Report* 1994; 43:577-581.