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Federal Trade Commission Cigarette Report for 2000

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Federal Trade Commission

Cigarette Report

For 2000

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I. INTRODUCTION

This report is the latest in a series on cigarette sales, advertising and promotion that the Federal Trade Commission ("the Commission") has prepared annually since 1967.

The statistical tables appended to this report provide information on domestic sales and advertising and promotional activity for U.S. manufactured cigarettes for the years 1963 through 2000. The tables were compiled from raw data contained in special reports submitted to the Commission pursuant to compulsory process by the six major cigarette manufacturers in the United States: Brown & Williamson Tobacco Corp., Commonwealth Brands, Inc., Liggett Group, Inc., Lorillard Tobacco Co., Philip Morris Inc., and R.J. Reynolds Tobacco Co.¹

The report shows that cigarette sales increased by 0.5 percent from 1999 to 2000, while advertising and promotional expenditures rose 16.2 percent to \$9.57 billion, the most ever reported to the Commission. Increases in expenditures for promotional allowances and retail value added account for most of the overall rise in spending. The industry also reported increases in spending for coupons (up 32.8 percent) and public entertainment (up 15.8 percent), but these expenditure categories are relatively small in terms of overall spending. Substantial decreases were reported for outdoor advertising (down 82.8 percent from 1999 to 2000) and transit advertising (down 99.9 percent).

Table 1 displays annual cigarette sales by manufacturers to wholesalers and retailers.² In 2000, the major domestic cigarette manufacturers sold 413.5 billion cigarettes domestically, 2.2 billion more than the 411.3 they sold in 1999. This 0.5 percent increase from the 1999 level follows a 10.3 percent decrease in

¹ Data provided in this report for the year 2000 include information from Commonwealth Brands, Inc.; data for prior years do not include information from that company.

² The Commission recently learned that one manufacturer's previous reports had not included some of its sales in, or any of its advertising and marketing expenditures for, the Commonwealth of Puerto Rico and the U.S. territories. Such sales and expenses are included in the 2000 data.

sales from 1998 to 1999.

Because the cigarette sales data that are reported to the Commission by the manufacturers are based on factory shipments, and thus can reflect changes in inventory holdings by cigarette wholesalers and retailers, the Commission has recently been including in its annual report information from the cigarette consumption series produced by the U.S. Department of Agriculture (USDA), which is based on an estimate of the number of cigarettes actually sold to consumers. USDA's cigarette consumption estimates, which are also included in Table 1, show a 1.1 percent decrease from 435 billion cigarettes in 1999 to 430 billion in 2000. Table 1 also shows U.S. adult per capita cigarette sales per year, which is generated by dividing manufacturers' sales to wholesalers and retailers by the U.S. adult population. Based on the data reported to the Commission by the manufacturers, per capita sales fell from 2,175 in 1999 to 1,975 in 2000, a decline of 9.2 percent, or 200 cigarettes per person.

Tables 2 through 2B show the amounts spent on cigarette advertising and promotion for the years 1970, and 1975 through 2000.³ These tables list the amounts spent on the different types of media advertising (*e.g.*, newspapers and magazines) and sales promotion activities (*e.g.*, 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 2B shows that overall, \$9.57 billion was spent on cigarette advertising and promotion in 2000, the most ever reported by the major cigarette manufacturers. The \$9.57 billion represents an increase of 16.2 percent from the \$8.24 billion spent in 1999, and of 42.2 percent from the \$6.73 billion

³ The 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.

spent in 1998.

Newspaper advertising expenditures rose slightly from \$51.0 million to \$51.7 million between 1999 and 2000, an increase of 1.4 percent. This advertising category accounts for one-half of 1 percent of all expenditures. Although newspaper spending accounted for 23.1 percent of total expenditures in 1981, it has accounted for less than 1 percent of expenditures since 1992.

The manufacturers reported spending \$294.9 million on magazine advertising in 2000, a decrease of 21.8 percent from 1999. Magazine advertising represented 3.1 percent of total spending. Spending on magazine advertising peaked in 1984, when the cigarette companies reported spending \$425.9 million (20.3 percent of total advertising and promotional expenditures).

Spending on outdoor advertising (*e.g.*, billboards) totaled \$9.3 million in 2000, an 82.8 percent decrease from 1999, when \$53.8 million was spent. In 2000, outdoor advertising expenditures comprised 0.1 percent of total advertising and promotional spending. These expenditures peaked at \$386.1 million in 1991.

Spending on transit advertising (*i.e.*, advertising on public transportation) declined from \$5.6 million in 1999 to \$4,000 in 2000, a decrease of 99.9 percent. Transit advertising has been as high as \$40.2 million only two years earlier.

Spending on point of sale promotional materials (ads posted at the retail location) grew by \$17.6 million (5.3 percent) from 1999 (\$329.4 million) to 2000 (\$347.0 million). Point of sale advertising accounted for 3.6 percent of total advertising and promotion in 2000. These expenditures peaked in 1993 at \$400.9 million.

Promotional allowances (*e.g.*, payments made to retailers to facilitate sales) were \$3.91 billion in

2000, up 10.5 percent from the \$3.54 billion spent in 1999. As it has been each year since 1994, this was the single largest category of advertising and promotional expenditures, accounting for 40.9 percent of all 2000 spending. Since 1995, spending on promotional allowances has more than doubled.

Money spent giving cigarette samples to the public ("sampling distribution") declined from \$33.7 million in 1999 to \$22.3 million in 2000, a decrease of 33.8 percent. Cigarette sampling distribution accounted for only 0.2 percent of the total spent on advertising and promotion in 2000; these expenditures have accounted for less than 1 percent of total spending every year since 1992.

In 2000, \$264.8 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.⁴ (Specialty items distributed along with the purchase of cigarettes were redesignated as retail value added expenses beginning in 1988.) Specialty item distribution expenditures declined \$70.9 million (21.1 percent) from 1999, and accounted for 2.8 percent of total advertising and promotional expenditures in 2000.

Spending on public entertainment (*e.g.*, sponsorship of concerts, auto racing, and fishing tournaments) increased by 15.8 percent (\$42.2 million) from 1999 to 2000. With expenditures reported at \$309.6 million, public entertainment accounted for 3.2 percent of total advertising and promotion expenditures in 2000.

The cigarette companies reported a total of \$92.9 million for direct mail advertising in 2000, 1.8 percent less than the \$94.6 million reported in 1999.⁵

⁴ Specialty item distribution includes the practice of selling or giving to consumers items such as T-shirts, caps, sunglasses, key chains, calendars, lighters and sporting goods bearing a cigarette brand's logo.

⁵ This category does not include direct mail containing coupons. Coupons sent via direct mail were reported in the coupon and retail value added category from 1988 to 1996, and, as noted below,

All reporting companies indicated that no money had been spent on endorsements and testimonials for cigarettes in 2000. No expenditures have been reported in this category since 1988.

The industry reported spending \$705.3 million on coupons, an increase of 32.8 percent from the \$531.0 million spent in 1999.⁶

Spending on retail value added (offers such as "buy one, get one free" or "buy three, get free T-shirt," where the cigarette product and the bonus item often are packaged together as a single unit) grew by \$956.6 million (37.4 percent) from 1999 (\$2.56 billion) to 2000 (\$3.52 billion). Retail value added accounted for 36.7 percent of total advertising and promotion in 2000. Since 1997, the first year the Commission reported retail value added as a separate category, spending on retail value added has more than tripled.

In 2000, the companies reported spending \$949,000 on Internet advertising, which is less than one hundredth of 1 percent of the year's total advertising and promotional expenditures. This category includes the Internet, World Wide Web, commercial online services and direct mail advertising using electronic mail messages.

In 1988, the Commission began requiring the cigarette companies to state separately the amount of money spent on sports and sporting events. For 2000, the major domestic cigarette companies reported

were reported separately for the first time in the report to Congress for 1997.

⁶ From 1988 to 1996, the Commission collected information about spending on coupons and retail value added as a single expenditure category. This category, which included cents-off coupons, multiple pack promotions and retail value added offers, was the single largest category of expenditures from 1990 to 1993. Beginning with its report to Congress for 1997, the Commission reported information about expenditures on coupons and retail value added separately, to provide better information on industry marketing trends.

that they spent \$127.9 million on sports and sporting events,⁷ an increase from the \$113.6 million in 1999.

Cigarette manufacturers reported that they paid no money or other form of compensation to have any cigarette brand names or tobacco products appear in any motion pictures or television shows.⁸ This practice has been reported as unfunded since 1989.

The data on cigarette advertising and promotional expenditures reported in Tables 2 through 2A were not collected in their present form until 1975. Therefore, Table 3 reports cigarette advertising expenditures from 1963 through 1974.

Table 4 gives the domestic market share of cigarettes with tar ratings of 15 milligrams (mg.) or less for the years 1967 through 2000. The data for the years since 1982 are further broken down into sub-categories according to tar ratings, *e.g.*, 3 mg. or less, 6 mg. or less, etc. (categories are presented cumulatively). In 2000, 87.1 percent of the domestic cigarette market was cigarettes with tar ratings of 15 mg. or less. Cigarettes with tar ratings of 3 mg. or less -- the lowest rated portion of the market -- made up only 1.3 percent of the market.

As shown in Table 5, filtered cigarettes have dominated the market since the Commission began collecting this information in 1963. Filtered cigarettes held 98 percent of the market in 2000.

Table 6 provides the domestic market share of the various cigarette length categories. The King-

⁷ This 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.

⁸ 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.

size (79-88 mm) category continues to be the biggest seller, with 60 percent of the market. This category is followed by the Long (94-101 mm) group, which held 37 percent of the market in 1999. Regular (68-72 mm) and Ultra-Long (110-121 mm) cigarettes accounted for 1 percent and 2 percent, respectively, of the market in 2000.

Table 7 gives the market share of menthol and non-menthol cigarettes. In 2000, the market share of menthol cigarettes was 26 percent, while non-menthols held 74 percent of the market.

In 1994, the Commission began requiring the cigarette companies to indicate whether "tar" and nicotine ratings were displayed on cigarette packaging and advertising. Table 8 shows: (1) the percentage of the overall cigarette market represented by varieties with different tar ratings, and (2) within each tar group, the percentage of those varieties that disclose tar and nicotine ratings on their packs. Table 8 shows that cigarette varieties that printed tar and nicotine ratings on their packs represented only 3.6 percent of the overall market in 2000, down from 4.1 percent in 1999. Since 1994, 12-15 mg. tar cigarettes have seen the greatest increase in usage, with their market share rising from 19.3 percent in 1994 to 39.0 percent in 2000. Only 0.1 percent of these cigarettes, however, disclosed their ratings on the pack in 2000. In contrast, 92.0 percent of cigarettes rated 3 mg. tar or less disclosed their ratings on the pack in 2000, but those cigarettes only accounted for 1.3% of the total market.

TABLE 1

TOTAL DOMESTIC CIGARETTE UNIT SALES (IN BILLIONS) AND PER CAPITA SALES

<u>YEAR</u>	<u>TOTAL SALES REPORTED BY CIGARETTE MANUFACTURERS</u> *	<u>UNIT CHANGE FROM PRIOR YEAR</u>	<u>% CHANGE FROM PRIOR YEAR</u>	<u>USDA CIGARETTE CONSUMPTION ESTIMATES**</u>	<u>PER CAPITA DOMESTIC CIGARETTE SALES***</u>
1963	516.5	---	---	523.9	4,286
1964	505.0	(11.5)	(2.2)	511.2	4,143
1965	521.1	16.1	3.2	528.7	4,196
1966	529.9	8.8	1.7	541.2	4,197
1967	525.8	5.9	1.1	549.2	4,175
1968	540.3	4.5	.8	545.7	4,145
1969	527.9	(12.4)	(2.3)	528.9	3,986
1970	534.2	6.3	1.1	536.4	3,969
1971	547.2	13.0	2.4	555.1	3,982
1972	561.7	14.5	2.7	566.8	4,018
1973	584.7	23.0	4.1	589.7	4,112
1974	594.5	9.8	1.7	599.0	4,110
1975	603.2	8.7	1.5	607.2	4,095
1976	609.9	6.7	1.1	613.5	4,068
1977	612.6	2.7	.4	617.0	4,015
1978	615.3	2.7	.4	616.0	3,965
1979	621.8	6.5	1.1	621.5	3,937
1980	628.2	6.4	1.0	631.5	3,858
1981	636.5	8.3	1.3	640.0	3,818
1982	632.5	(4.0)	(.6)	634.0	3,733
1983	603.6	(28.9)	(4.6)	600.0	3,513
1984	608.4	4.8	.8	600.4	3,497
1985	599.3	(9.1)	(1.5)	594.0	3,400
1986	586.4	(12.9)	(2.2)	583.8	3,288
1987	575.4	(11.0)	(1.9)	575.0	3,190
1988	560.7	(14.7)	(2.6)	562.5	3,073
1989	525.6	(35.1)	(6.3)	540.0	2,846
1990	523.7	(1.9)	(.4)	525.0	2,827
1991	510.9	(12.8)	(2.4)	510.0	2,724
1992	506.4	(4.5)	(.9)	500.0	2,680
1993	461.4	(45.0)	(8.9)	485.0	2,414
1994	490.2	28.8	6.2	486.0	2,546
1995	482.2	(8.0)	(1.6)	487.0	2,482
1996	484.1	1.9	.4	487.0	2,467
1997	478.6	(5.5)	(1.1)	480.0	2,416
1998	458.6	(20.1)	(4.2)	465.0	2,287
1999	411.3	(47.2)	(10.3)	435.0	2,175
2000	413.5	2.1	.5	430.0	1,975

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

** USDA: Tobacco Situation and Outlook Report, Sept. 2001, TBS-250, Table 1, page 5.

*** Total domestic cigarette sales, as reported by the manufacturers 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, and the U.S. Dept. of Defense.

TABLE 2

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES FOR YEARS 1970, 1975-1985 (DOLLARS IN THOUSANDS)*

	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Newspapers	\$14,026 3.9%	\$104,460 21.3%	\$155,808 24.4%	\$190,677 24.5%	\$186,947 21.4%	\$240,978 22.2%	\$304,380 24.5%	\$358,096 23.1%	\$282,897 15.8%	\$200,563 10.6%	\$193,519 9.2%	\$203,527 8.2%
Magazines	\$50,018 13.9%	\$131,199 26.6%	\$148,032 23.2%	\$173,296 22.2%	\$184,236 21.1%	\$257,715 23.8%	\$266,208 21.4%	\$291,227 18.8%	\$349,229 19.5%	\$388,365 20.4%	\$425,912 20.3%	\$395,129 16.0%
Outdoor	\$7,338 2.0%	\$84,329 17.2%	\$102,689 16.1%	\$120,338 15.4%	\$149,010 17.0%	\$162,966 15.0%	\$193,333 15.6%	\$228,081 14.7%	\$266,925 14.9%	\$295,226 15.5%	\$284,927 13.6%	\$300,233 12.1%
Transit	\$5,354 1.5%	\$10,852 2.2%	\$19,341 3.0%	\$21,530 2.8%	\$22,899 2.6%	\$21,151 2.1%	\$26,160 2.0%	\$21,931 1.4%	\$24,135 1.3%	\$26,652 1.4%	\$25,817 1.2%	\$33,136 1.3%
Point of Sale	\$11,663 3.2%	\$35,317 7.2%	\$44,176 6.9%	\$46,220 5.9%	\$57,384 6.6%	\$66,096 6.1%	\$79,799 6.4%	\$98,968 6.4%	\$116,954 6.5%	\$170,059 8.9%	\$167,279 8.0%	\$142,921 5.8%
Promotional Allowances	\$33,789 9.4%	\$72,018 14.7%	\$82,523 12.9%	\$108,227 13.9%	\$125,148 14.3%	\$137,111 12.7%	\$179,094 14.4%	\$229,077 14.8%	\$272,269 15.2%	\$366,153 19.3%	\$363,247 17.3%	\$548,877 22.2%
Sampling Distribution	\$11,775 3.3%	\$24,196 4.9%	\$40,390 6.3%	\$47,683 6.1%	\$47,376 5.4%	\$64,286 5.9%	\$50,459 4.1%	\$81,522 5.3%	\$141,178 7.9%	\$125,968 6.6%	\$148,031 7.1%	\$140,565 5.7%
Specialty Item Distribution	\$5,652 2.6%	\$10,088 2.1%	\$20,030 3.1%	\$35,797 4.6%	\$48,281 5.5%	\$62,029 5.7%	\$69,248 5.6%	\$115,107 7.5%	\$95,246 5.3%	\$127,186 6.6%	\$140,431 6.7%	\$211,429 8.5%
Public Entertainment	\$544 0.2%	\$8,484 1.7%	\$7,946 1.3%	\$9,538 1.2%	\$11,590 1.3%	\$10,783 1.0%	\$16,914 1.4%	\$37,423 2.4%	\$63,168 3.5%	\$76,648 4.0%	\$59,988 2.9%	\$57,581 2.3%
Other**	\$220,841 61.1%	\$10,311 2.0%	\$18,182 2.8%	\$26,157 3.4%	\$42,100 4.8%	\$60,310 5.6%	\$56,694 4.6%	\$86,226 5.6%	\$181,813 10.1%	\$123,951 6.5%	\$286,035 13.7%	\$443,043 17.9%
Total	\$361,000 100%	\$491,254 100%	\$639,117 100%	\$779,463 100%	\$874,971 100%	\$1,083,425 100%	\$1,242,289 100%	\$1,547,658 100%	\$1,793,814 100%	\$1,900,771 100%	\$2,095,231 100%	\$2,476,441 100%

* Because of rounding, sums of percentages may not equal 100 percent.

** 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 direct mail, endorsements, testimonials, and audio-visual are included in the "All Others" category to avoid disclosure of individual company data.

TABLE 2A
DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES FOR YEARS 1986-1995 (DOLLARS IN THOUSANDS)*

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Newspapers	\$119,629 5.0%	\$95,810 3.7%	\$105,783 3.2%	\$76,993 2.1%	\$71,174 1.8%	\$48,212 1.0%	\$35,467 0.7%	\$36,220 0.6%	\$24,143 0.5%	\$19,122 0.4%
Magazines	\$340,160 14.3%	\$317,748 12.3%	\$355,055 10.8%	\$380,393 10.5%	\$328,143 8.2%	\$278,110 6.0%	\$237,061 4.5%	\$235,253 3.9%	\$251,644 5.2%	\$248,848 5.1%
Outdoor	\$301,822 12.7%	\$269,778 10.5%	\$319,293 9.7%	\$358,583 9.9%	\$375,627 9.4%	\$386,165 8.3%	\$295,657 5.7%	\$231,481 3.8%	\$240,024 5.0%	\$273,664 5.6%
Transit	\$34,725 1.5%	\$35,822 1.4%	\$44,379 1.4%	\$52,294 1.4%	\$60,249 1.5%	\$60,163 1.3%	\$53,293 1.0%	\$39,117 0.6%	\$29,323 0.6%	\$22,543 0.5%
Point of Sale	\$135,541 5.7%	\$153,494 5.9%	\$222,289 6.8%	\$241,809 6.7%	\$303,855 7.6%	\$344,580 7.4%	\$366,036 7.0%	\$400,943 6.6%	\$342,650 7.1%	\$259,035 5.3%
Promotional Allowances	\$630,036 26.4%	\$702,430 27.2%	\$879,703 26.9%	\$999,843 27.6%	\$1,021,427 25.6%	\$1,156,280 24.9%	\$1,514,026 28.9%	\$1,557,635 25.8%	\$1,678,917 34.7%	\$1,865,657 38.1%
Sampling Distribution	\$98,866 4.1%	\$55,020 2.1%	\$74,511 2.3%	\$57,771 1.6%	\$100,893 2.5%	\$56,970 1.2%	\$49,315 0.9%	\$40,202 0.7%	\$6,974 0.1%	\$13,836 0.3%
Specialty Item Distribution	\$210,128 8.8%	\$391,351 15.2%	\$190,003 5.8%	\$262,432 7.3%	\$307,037 7.7%	\$184,348 4.0%	\$339,997 6.5%	\$755,780 12.5%	\$850,810 17.6%	\$665,173 13.6%
Public Entertainment	\$71,439 3.0%	\$71,389 2.8%	\$88,072 2.7%	\$92,120 2.5%	\$125,094 3.1%	\$118,622 2.6%	\$89,739 1.7%	\$84,276 1.4%	\$81,292 1.7%	\$110,669 2.3%
Direct Mail	\$187,057 7.9%	\$187,931 7.3%	\$42,545 1.3%	\$45,498 1.3%	\$51,875 1.3%	\$65,002 1.4%	\$34,345 0.7%	\$31,463 0.5%	\$31,187 0.7%	\$34,618 0.7%
Endorsements & Testimonials	\$384 0.0%	\$376 0.0%	\$781 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Coupons & Retail Value Added	***	***	\$874,127 26.7%	\$959,965 26.5%	\$1,183,798 29.6%	\$1,882,905 40.4%	\$2,175,373 41.6%	\$2,559,387 42.4%	\$1,248,896 25.8%	\$1,348,378 27.5%
Other**	\$252,570 10.0%	\$299,355 11.6%	\$78,366 2.4%	\$89,290 2.5%	\$62,917 1.6%	\$68,758 1.5%	\$41,608 0.8%	\$63,680 1.2%	\$47,672 1.0%	\$33,680 0.7%
Total	\$2,382,357 100%	\$2,580,504 100%	\$3,274,853 100%	\$3,616,993 100%	\$3,992,008 100%	\$4,650,114 100%	\$5,231,917 100%	\$6,035,437 100%	\$4,833,532 100%	\$4,895,223 100%

* Because of rounding, sums of percentages may not equal 100 percent.

** Expenditures for audio-visual are included in the "All Others" category to avoid disclosure of individual company data.

*** Prior to 1987, the Commission did not specifically collect information on Coupons & Retail Value Added.

TABLE 2B

DOMESTIC CIGARETTE ADVERTISING AND PROMOTIONAL EXPENDITURES
FOR YEARS 1996-2000 (DOLLARS IN THOUSANDS)*

	1996	1997	1998	1999	2000
Newspapers	\$14,067 0.3%	\$16,980 0.3%	\$29,444 0.4%	\$50,952 0.6%	\$51,652 0.5%
Magazines	\$243,046 4.8%	\$236,950 4.2%	\$281,296 4.2%	\$377,364 4.6%	\$294,916 3.1%
Outdoor	\$292,261 5.7%	\$295,334 5.2%	\$294,721 4.4%	\$53,787 0.7%	\$9,262 0.1%
Transit	\$28,865 0.6%	\$26,407 0.5%	\$40,158 0.6%	\$5,573 0.1%	\$4 0.0%
Point of Sale	\$252,619 4.9%	\$305,360 5.4%	\$290,739 4.3%	\$329,429 4.0%	\$347,038 3.6%
Promotional Allowances	\$2,150,838 42.1%	\$2,438,468 43.1%	\$2,878,919 42.8%	\$3,542,950 43.0%	\$3,913,997 40.9%
Sampling Distribution	\$15,945 0.3%	\$22,065 0.4%	\$14,436 0.2%	\$33,711 0.4%	\$22,330 0.2%
Specialty Item Distribution	\$544,345 10.7%	\$512,602 9.6%	\$355,835 5.3%	\$335,680 4.1%	\$264,792 2.8%
Public Entertainment	\$171,177 3.4%	\$195,203 3.4%	\$248,536 3.7%	\$267,379 3.3%	\$309,610 3.2%
Direct Mail	\$38,703 0.8%	\$37,310 0.7%	\$57,772 0.9%	\$94,610 1.2%	\$92,902 1.0%
Endorsements & Testimonials	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Coupons		\$552,550 9.8%	\$624,199 9.3%	\$531,004 6.5%	\$705,299 7.4%
Retail Value Added	\$1,308,708*** 25.6%	\$970,363 17.1%	\$1,555,391 23.1%	\$2,559,883 31.1%	\$3,516,490 36.7%
Internet	\$432 0.0%	\$215 0.0%	\$125 0.0%	\$651 0.0%	\$949 0.0%
Other*	\$46,696 0.9%	\$50,207 1.0%	\$61,584 0.9%	\$54,658 0.7%	\$63,395 0.7%
Total	\$5,107,700 100%	\$5,660,014 100%	\$6,733,157 100%	\$8,237,631 100%	\$9,574,731 100%

* Because of rounding, sums of percentages may not equal 100 percent.

** Expenditures for audio-visual are included in the "All Others" category to avoid disclosure of individual company data.

*** Prior to 1997, Coupons and Retail Value Added were reported as a single category.

TABLE 3

DOMESTIC CIGARETTE ADVERTISING EXPENDITURES
BY MEDIA FOR YEARS 1963 - 1974*
(MILLIONS OF DOLLARS)

<u>YEAR</u>	<u>TV</u>	<u>RADIO</u>	<u>MAGAZINES</u>	<u>NEWSPAPER</u>	<u>DIRECT</u>	<u>TRANSIT/ OUTDOOR</u>	<u>OTHER</u>	<u>TOTAL</u>
1963	\$151.7	31.6	45.6		13.2	NA	7.4	249.5
1964	170.2	25.5	45.2		14.6	NA	5.8	261.3
1965	175.6	24.8	41.9		14.7	NA	6.0	263.0
1966	198.0	31.3	43.4		17.9	NA	6.9	297.5
1967	226.9	17.5	41.2		20.3	NA	6.0	311.5
1968	217.2	21.3	44.6		21.6	NA	6.0	310.7
1969	221.3	13.6	48.7		13.4	NA	8.9	305.9
1970	205.0	12.4	14.7	49.5	16.9	11.7	4.5	314.7
1971	2.2	0	59.3	98.3	27.0	60.6	4.2	251.6
1972	0	0	63.1	96.1	22.9	67.5	8.0	257.6
1973	0	0	65.3	92.4	15.2	63.2	11.4	247.5
1974	0	0	80.5	114.6	31.1	71.4	9.2	306.8

* The data reported in Tables 2 through 2B were not collected in their present form until 1975. Thus, Table 3, which reports cigarette advertising expenditures from 1963 through 1974, has been retained in this report for comparative purposes.

TABLE 4
DOMESTIC MARKET SHARE OF CIGARETTES BY TAR YIELD

Year	Market share of cigarettes having tar yields of:				
	15 mg. or less	12 mg. or less	9 mg. or less	6 mg. or less	3 mg. or less
1967	2.0%	NA	NA	NA	NA
1968	2.5%	NA	NA	NA	NA
1969	3.0%	NA	NA	NA	NA
1970	3.6%	NA	NA	NA	NA
1971	3.8%	NA	NA	NA	NA
1972	6.6%	NA	NA	NA	NA
1973	8.9%	NA	NA	NA	NA
1974	8.9%	NA	NA	NA	NA
1975	13.5%	NA	NA	NA	NA
1976	15.9%	NA	NA	NA	NA
1977	22.7%	NA	NA	NA	NA
1978	27.5%	NA	NA	NA	NA
1979	40.9%	NA	NA	NA	NA
1980	44.8%	NA	NA	NA	NA
1981	56.0%	NA	NA	NA	NA
1982	52.2%	43.8%	27.8%	8.9%	2.9%
1983	53.1%	44.9%	27.9%	9.4%	3.1%
1984	51.0%	43.4%	26.3%	9.4%	2.9%
1985	51.9%	43.1%	25.3%	8.4%	2.3%
1986	52.6%	44.5%	22.3%	9.9%	2.6%
1987	55.4%	47.8%	20.2%	10.0%	2.5%
1988	54.2%	48.7%	20.1%	10.7%	3.1%
1989	55.1%	48.4%	21.5%	11.4%	2.4%
1990	60.6%	51.5%	25.5%	12.2%	2.8%
1991	60.5%	52.6%	22.0%	12.7%	2.6%
1992	68.7%	52.9%	24.9%	12.7%	2.5%
1993	66.5%	53.3%	23.4%	12.6%	1.9%
1994	71.2%	53.7%	23.1%	12.3%	2.1%
1995	72.7%	53.6%	27.1%	12.2%	2.2%
1996	67.4%	55.5%	22.3%	11.9%	1.9%
1997	70.2%	55.6%	21.9%	11.5%	1.7%
1998	81.9%	56.8%	22.9%	13.2%	1.6%
1999	86.6%	57.4%	25.3%	13.6%	1.6%
2000	87.1%	50.4%	23.7%	13.6%	1.3%

TABLE 5

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%	**	**
1995	3%	97%	**	**
1996	3%	97%	**	**
1997	2%	98%	**	**
1998	2%	98%	**	**
1999	2%	98%	**	**
2000	2%	98%	**	**

* 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 6

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

<u>YEAR</u>	<u>68-72 mm</u>	<u>79-88 mm</u>	<u>94-101 mm</u>	<u>110-121 mm</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%
1995	1%	57%	40%	2%
1996	1%	57%	40%	2%
1997	1%	58%	39%	2%
1998	1%	59%	38%	2%
1999	1%	59%	38%	2%
2000	1%	60%	37%	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 7

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%
1995	25%	75%
1996	25%	75%
1997	25%	75%
1998	26%	74%
1999	26%	74%
2000	26%	74%

TABLE 8								
DISCLOSURE OF TAR AND NICOTINE RATINGS ON CIGARETTE PACKS (1994 -2000)								
		1994	1995	1996	1997	1998	1999*	2000
% of overall market that discloses ratings on the pack		6.3%	6.3%	6.1%	5.8%	5.3%	4.1%	3.6%
more than 15 mg. tar	market share of varieties in tar group	28.8%	27.3%	32.7%	29.8%	18.0%	13.4%	12.9%
	% that discloses ratings on pack	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12-15 mg. tar	market share of varieties in tar group	19.3%	21.0%	15.3%	16.7%	29.1%	32.5%	39.0%
	% that discloses ratings on pack	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
8-11 mg. tar	market share of varieties in tar group	38.6%	38.7%	39.2%	41.0%	39.4%	40.3%	33.9%
	% that discloses ratings on pack	2.4%	2.8%	2.6%	2.3%	3.2%	1.6%	0.7%
4-7 mg. tar	market share of varieties in tar group	11.2%	10.8%	10.9%	10.8%	11.9%	12.2%	12.9%
	% that discloses ratings on pack	30.7%	30.1%	29.3%	28.6%	20.7%	16.2%	16.5%
3 mg. tar or less	market share of varieties in tar group	2.1%	2.2%	1.9%	1.7%	1.6%	1.6%	1.3%
	% that discloses ratings on pack	91.8%	89.1%	97.2%	97.3%	97.4%	92.3%	92.0%

* Due to an error in the last report, the data previously reported for 1999 have been re-computed.

APPENDIX A

Newspapers:	Newspaper advertising, excluding expenditures in connection with sampling, specialty item distribution, public entertainment, coupons, and retail value added.
Magazines:	Magazine advertising, excluding expenditures in connection with sampling, specialty item distribution, public entertainment, coupons, and retail value added.
Outdoor:	Outdoor advertising, excluding expenditures in connection with sampling, specialty item distribution, public entertainment, coupons, and retail value added.
Audio-visual:	Audio-visual or video advertising on any medium of electronic communication not subject to the Federal Communication Commission's jurisdiction, including screens at motion picture theaters, video cassettes, and monitors in stores, but excluding expenditures in connection with Internet advertising.
Transit:	Advertising in or on public transportation facilities, excluding expenditures in connection with sampling, specialty item distribution, public entertainment, coupons, and retail value added.
Point of Sale:	Point-of-sale advertisements, excluding expenditures in connection with promotional allowances, sampling, specialty item distribution, public entertainment, coupons, and retail value added.
Promotional Allowances:	Promotional allowances paid to retailers and any other persons (other than full-time employees of the cigarette manufacturers) in order to facilitate the sale of any cigarette, excluding expenditures in connection with newspapers, magazines, outdoor, audio-visual, transit, and direct mail.
Sampling:	Sampling of cigarettes, including the cost of the cigarettes and the cost of organizing, promoting, and conducting sampling.
Specialty Item Distribution:	All costs of distributing items other than cigarettes (whether the items are sold, redeemed by coupon, or otherwise distributed) that do or do not bear the name or depict any portion of the package of a cigarette variety, including the cost of the items distributed but subtracting any payments received for the item; expenditures in connection with sampling and retail value added are reported in those categories, not in specialty item distribution.
Direct Mail:	Direct mail advertising, excluding expenditures in connection with sampling, specialty item distribution, public entertainment, coupons, retail value added, and Internet advertising.
Public Entertainment:	Public entertainment events bearing or otherwise displaying the name of a company or its cigarettes, including all expenditures made by the company in promoting and/or sponsoring such events.
Retail Value Added:	All expenditures and costs associated with the value added to the purchase of cigarettes, including buy one get one free and buy one get x (promotional item) free.
Coupons:	All costs associated with coupons for the reduction of the retail cost of cigarettes, whether redeemed at the point of sale or by mail, including all costs associated with advertising or promotion, design, printing, distribution and redemption.
Endorsements & Testimonials:	Endorsements and testimonials, excluding newspapers, magazines, outdoor, audio-visual, transit, direct mail, point of sale, and public entertainment.
Internet:	Internet advertising, including on the World Wide Web, on commercial on-line services, and through electronic mail messages.
All Other:	Advertising and promotional expenditures not covered by another category.